

Has Brexit been trumped?

Nicholas Sturrock



This article on Brexit has been written by Nicholas Sturrock, a student studying at Kings College London.

Conservatism is back and it's here to stay.

If liberals are feeling nervous, it's because they have good reason to be. In a year that continues to define itself by political upsets, 2016 has seen a very vocal rejection of the status quo. Should we really be surprised though? Whilst much has been achieved through global economic integration, it has not been without its costs. Unfettered immigration and increased bureaucracy plague the minds of many voters. Now, even Brexit has been overshadowed by the recent American election. Yet, the 'special relationship' with the new President may prove a key factor in determining the UK's future outside the European Union. Amidst this turmoil, perhaps it's worth asking: what does this all mean for Wales?

When the UK joined the European Economic Community in 1973 - the precursor to the EU we all knew and thought we loved - its application was mainly motivated by a desire to ensure future economic prosperity. After all, the years which followed the Second World War had seen the break-up of the British Empire and the UK finally relinquish its position as a global superpower. By the 1960s, with ties to the Commonwealth weakening, the UK was desperate for new trade links. Membership of the EU gave the UK access to over 400 million consumers, created opportunities for investment and allowed the UK to play a role in European politics. However, it also opened the door to more immigration, involved hefty financial contributions, restricted trade with nations outside the bloc and reduced national sovereignty.

West Wales and the Valleys were key beneficiaries of the EU's Regional Policy - a programme which sought to reduce economic disparities across Europe. EU Structural Funding in Wales was used to regenerate town centres, build new roads and help young adults find employment. In 2014, the Wales Governance Centre estimated that Wales had received £245m more from the EU than it had put in - in contrast to the rest of the UK. Given the decision by Welsh voters to later back Brexit, a phrase that has been thrown around is "turkeys voting for Christmas".

So why did the turkeys vote so? The Leave campaign offered voters a chance to leave an EU that was broken, bringing a halt to unrestricted immigration and seeing a return of national sovereignty. This particularly resonated with the Welsh electorate. Although not all Welsh citizens may have had knowledge of the benefits they received when in the EU, others drew

links to the problems - one contention was that in spite of EU giving Wales money, it was still telling them how to spend it. The fact that the Welsh Assembly failed to run effective campaigns on the referendum didn't help. In fact, only the area surrounding the capital was in favour of remaining. A divide exists between South East Wales and the rest of the country. Cardiff, like London, is a centre for business and has more visibly enjoyed the benefits conferred by globalisation than rural towns in the Valleys.

The UK economy did not take the news well; the value of the pound swiftly plummeted to a 31-year low against the dollar, threatening supermarket shelf price inflation. Investors worried about the effects of the UK's departure whilst, in the City, there was even talk about a possible move to Paris. Local businesses in Wales have not been rushing to celebrate Brexit either. SA Brain, the leading Welsh brewer / pub operator and owner of the Coffee#1 chain, cites the exchange rate fluctuations when discussing the disturbance to business. The company has begun to take a more cautious approach with regards to its capital investment. CEO Scott Waddington emphasises that "uncertainty is not good for business" and suggests that firms will feel more at ease once they are fully aware of the government's plan.

Speaking to other business leaders, this appears to be a consistent theme. Brexit entails "a lot of unknown quantities" points out Steven Salamon, the owner of Wally's Delicatessen in Cardiff's Royal Arcade. Within the store, there's a distinct feeling that last June's referendum could have been done without; his is an import-based business and the falling pound has already precipitated more expensive imports. Following exit from the EU, Wally's fears potentially being penalised by foreign suppliers for the extra legislation and paperwork involved in shipping goods to the UK. Such increases in bureaucracy can only be matched by a rise in costs. If it comes to this, Salamon will be faced by the difficult question: how much of the price increase can he reasonably pass onto his loyal customers and how much will he have to absorb himself?

As the prospects of a 'soft' Brexit diminish, it is imperative that the Conservative government agrees on new, favourable trade deals with other nations. Provisional plans must be drawn up ahead of the exit even if they cannot yet be implemented. This would help insulate the economy during the transition period. Prime Minister May's recent trip to India showed initiative but failed to deliver: she asked Prime Minister Modi for greater investment by Indian businesses whilst refusing to soften her stance on immigration when he broached the subject of Indian students and professionals. Donald Trump's election, whilst troubling to many, may bring an opportunity for stronger trade ties across the pond. Outgoing President Obama had previously said that the UK "would move to the back of queue" following Brexit. Comments made by President-elect Trump, who will not have much equity in Obama's commitments, have shown themselves to be more aligned with the thinking that took this country out of the EU.

There is currently a discussion about how Brexit would be managed through Parliament, but whether this will actually have a significant effect on the outcome remains to be seen. Post-Brexit, the UK should seek to cut red tape and reinvent itself as an attractive environment for

enterprise. However, businesses should not sit in limbo until the government acts but instead take initiative: they can start by aggressively hunting for consumers outside the EU and try to take advantage of this island's great beauty to develop a stronger tourism industry. Indeed, the Welsh government could heed the same advice and focus on marketing the country to tourists and overseas firms. They may have to. Tory Ministers have not confirmed that the government will match the funding previously contributed by the EU but only that "Wales will get its fair share." Expect such comments to bring a call for the renegotiation of the Barnett formula - which, at present, deprives Wales of a possible £300m in government funding.

You may have noticed that, in writing this piece, I have - at times - taken a somewhat optimistic tone. This is as I hope our current government has learnt enough from past mistakes to organise itself effectively: turning our exit into a success will be no easy feat. The eventual impact of Brexit ultimately rests on its negotiation and Wales can almost certainly expect to feel knock on effects. If exit negotiations are managed competently by the government and businesses begin to think outside the box, there is no reason why the future of the UK should be too gloomy.

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