

# **BREXIT:**

# **THE COMMONWEALTH DIMENSION**

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with Peter Wilding





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# FOREWORD

**by Anthony Bailey, KGCN, OBE**

Anthony Bailey is Co-President of British Influence and Chairman of Anthony Bailey Ltd.

People campaigning for Britain to leave the European Union argue that Britain has no need for membership of the European Union when it has the Commonwealth. For them, the EU is an organisation alien both politically and culturally from the UK. It is the Commonwealth – the 53 independent states formerly part of the British Empire – which seems to offer Britain a vast, untapped network built around a shared political system and heritage. For Brexiteers a new global role outside the EU is ready-made.

Having worked in many charitable and inter-religious projects across Britain and the Commonwealth particularly in the Caribbean, I know that this is an illusion. I know how important Britain's membership of the European Union is to all the Commonwealth members. Not one of them – from tiny Tuvalu to the Indian powerhouse – has expressed any support for Brexit.

Although the idea that the Commonwealth represents a natural vehicle for British power is not accepted, its governments do want Britain to take a stronger role in the Commonwealth organisation, developing its political and economic integration. This report asks how far the Commonwealth benefit from the UK's membership of the EU, how they might be affected by Brexit, how bilateral trading relations between individual Commonwealth countries and the UK could change after Brexit, and how far it is likely for the Commonwealth to ever become a free trade area to rival (or complement) the EU.

With the Commonwealth touted as an alternative to Britain's EU membership – and with that contention unchallenged by the UK media or politicians – this report sets the record straight. I hope it will inform the debate in the last days before the epochal referendum vote takes place.



# INTRODUCTION

A common refrain from many of those campaigning for Britain to leave the European Union is that Britain has no need for the EU when it has the Commonwealth.<sup>1</sup> If, for these campaigners, the EU embodies an apparently arbitrary group of states with widely differing histories, cultures and legal systems, the Commonwealth – the group of 53 independent states largely coterminous with the former British Empire<sup>2</sup> – represents the diametric opposite: a body of like-minded nations with common political systems and heritage, and growing economies, which offers Britain a vast network in which to expand and deepen its economic, political and cultural engagement. Proponents of this so-called 'Commonwealth option' range from those advocating post-Brexit free trade agreements with countries such as Canada, Australia and India,<sup>3</sup> or freedom of movement across some of the richer member states,<sup>4</sup> to those calling for a form of Commonwealth-level political union or free trade area.<sup>5</sup>

While such a position on the pro-Leave side certainly refutes any portrayal of its advocates as 'Little Englanders', it does invoke questions about 'post-colonial melancholia', the notion that Britain is still grieving the end of empire while refusing on some level to accept that it is even lost. On this point, it is crucial to emphasise that Britain does not 'have' the Commonwealth, which is a loose association of friendly nation states whose mission statement stresses the equality of all members.<sup>6</sup> Any idea that the Commonwealth somehow represents an extension of Britain, or even a natural vehicle for British power, usually meets strong opposition in the Commonwealth itself – not least from successive British governments who have been anxious to avoid overt or covert discussion of a 'British Commonwealth'.<sup>7</sup>

It does not necessarily follow, however, that Commonwealth governments would object to strengthening relations with Britain either formally or informally, or to Britain taking a stronger role in the Commonwealth organisation, or indeed, to developing the Commonwealth's political or economic integration. The key question is whether leaving the EU would help, hinder or in fact not affect these objectives: fundamentally, whether

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<sup>1</sup> 'Brexit will allow Britain to embrace the Commonwealth', Tamara Chabe, *Daily Telegraph*, 14 March 2016: <http://www.telegraph.co.uk/news/newstoppers/eureferendum/12193101/Brexit-will-allow-Britain-to-embrace-the-Commonwealth.html>; see also 'Back of the queue? No, Britain's Commonwealth friends and allies would welcome Brexit', James Paterson, *City AM*, 13 May 2016: <http://www.cityam.com/241014/back-of-the-queue-no-britains-commonwealth-friends-and-allies-would-welcome-brexit>

<sup>2</sup> In recent years, the former colonies of Zimbabwe and The Gambia have withdrawn from the Commonwealth for political reasons, while Mozambique and Rwanda, countries without a formal British colonial history, have joined. Ireland withdrew upon becoming a republic, as was the convention until India gained a similar status and remained a member, while other former colonies and protectorates, such as Egypt, Sudan, Burma and, most notably, the United States, have never joined.

<sup>3</sup> David Davis MP, 'Brexit: what would it look like?', 4 February 2016: <http://www.daviddavismp.com/david-davis-speech-on-brexit-at-the-institute-of-chartered-engineers/>

<sup>4</sup> The Commonwealth Freedom of Movement Organisation: <http://www.cfmo.org/>; Steve Baker MP, speaking at the UK2020 Conservative Party conference fringe meeting on the EU, 5 October 2015, went further in suggesting that freedom of movement be provided across all Commonwealth countries.

<sup>5</sup> John Petley, 'A Commonwealth Free Trade Area?', Campaign for an Independent Britain, 2 August 2014: <http://campaignforanindependentbritain.org.uk/commonwealth-free-trade-area/>

<sup>6</sup> See the Commonwealth website: <http://thecommonwealth.org/about-us>

<sup>7</sup> See, e.g., H. Duncan Hall, 'The British Commonwealth as a Great Power', *Foreign Affairs*, 23(4) (1945)

Brexit would be in the interests of the Commonwealth, either institutionally or as individual states. Brexit could in fact prove significantly detrimental to elements of the Commonwealth – not least to Britain's overseas territories, which, while not full members of the Commonwealth, do participate in many of its institutions, and consider themselves to be an integral part of Britain's wider network.

At the most radical level, the 'Commonwealth option' requires an exploration of whether the Commonwealth could ever replicate elements of the EU – or from the UK's perspective, replace it altogether.

This report therefore seeks to address the following questions:

- the extent to which the Commonwealth and its member states (and affiliated territories) benefit from the UK's membership of the EU, and how they might be affected by Brexit;
- how bilateral relations between individual Commonwealth countries and the UK could change after Brexit, and the likelihood of establishing free trade agreements (FTAs); and
- how far it is possible or likely for the Commonwealth to develop a distinct political or foreign policy alignment, and whether it could ever become a free trade area to rival (or complement) the EU.

The format of the report reflects some of the potential problems of the Commonwealth: the organisation's vast size, geographical spread, and extreme disparities in population and wealth. A group featuring both the second most populous country in the world, India (over 1.25 billion people) and, after the Vatican, the two least populous, Nauru and Tuvalu (with 9,500 and 10,800 people, respectively), is unlikely to present homogenous economic or political goals.<sup>8</sup> For this reason the report assesses the Commonwealth by region, before in the final section taking a more holistic approach.

In preparing this report, British Influence has interviewed a wide range of politicians, diplomats, civil servants and independent foreign policy experts. Some have proven enthusiastic and optimistic about the Commonwealth, others resolutely sceptical. If the report occasionally appears to stress the weaknesses in the organisation, or in the relations between member states, it aims not to disparage the Commonwealth, but merely to emphasise as clearly as possible the differences between the Commonwealth and the EU, and to identify what the Commonwealth realistically can – and cannot – achieve. British Influence supports the Commonwealth and believes that it can facilitate positive dialogue and change across the societies of its member states. It also believes that the Commonwealth, collectively and as individual states, is better served by Britain remaining in the EU, and that, in so doing, Britain can contribute constructively to both organisations and gain the best of both worlds.

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<sup>8</sup> Population figures taken from Central Intelligence Agency, 'The World Factbook', 29 May 2016: <https://www.cia.gov/library/publications/resources/the-world-factbook/>





## CHAPTER 1

# THE HISTORY OF ANGLO-COMMONWEALTH RELATIONS

## INTRODUCTION

In 1945, Winston Churchill had a vision of how to win the peace. The aim was to ensure Britain could keep power in a world of superpowers. Britain, to remain a significant force in the post-war world, was faced with three options:

It could try to lead a united Europe as a force in world politics; it could develop the Commonwealth as an alternative power bloc, a course often favoured by the Labour left; or it could revive the wartime Anglo-American alliance to stand against Russia.<sup>9</sup>

As these alternatives were not mutually exclusive, the only question is how they could be united. Bringing these threads together would underpin Churchill's vision of what he called 'world government' – a system in which law, not war would govern disputes between states and Britain would sit, with her allies, as a global umpire.

Churchill drew three concentric circles with the UK in the centre. These were to be the levers of Britain's future power. To serve the overriding aim of keeping Britons living freely, prosperously and at peace, power would be exercised in future with the United States, the Commonwealth and Europe. Churchill said:

Now if you think of the three inter-linked circles you will see that we are the only country which has a great part in every one of them. We stand, in fact, at the very point of junction, and here in this Island at the centre of the seaways and perhaps of the airways also, we have the opportunity of joining them all together. If we rise to the occasion in the years that are to come it may be found that once again we hold the key to opening a safe and happy future to humanity [...] <sup>10</sup>

First, at the core of the new approach, Britain would partner the United States to deter Soviet aggression in Europe and elsewhere. Second, after Indian independence, Britain would provide peripheral support by leading a new Commonwealth mission based on its residual strategic positions in the Middle East and Africa. Third, Britain would use its commanding position on the frontline in Europe to develop a united, democratic continent.

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<sup>9</sup> Ritchie Ovendale, *The English-speaking Alliance: Britain, the United States, the Dominions and the Cold War 1945–51* (London: Allen & Unwin, 1985), p. 21

<sup>10</sup> Winston Churchill, 'Speech at a Conservative Mass Meeting, Llandudno, 9 October 1948', reprinted in Randolph S. Churchill (ed.), *Europe Unite – Speeches 1947 and 1948 by Winston S. Churchill* (London: Cassell & Co, 1950), pp. 417–18 quoted in Alasdair Blair, *Britain and the world since 1945* (Oxon.: Routledge/Taylor & Francis, 2015), p. 174

Before Churchill returned to power in 1951, each of his circles had begun to spin under a Labour government within the new world order. His former Labour colleagues in the wartime coalition did the hard graft since the diplomacy of Attlee's foreign secretary, Ernest Bevin, revolved around the continuation of the Commonwealth and the view that Britain remained a great power. In 1949, the NATO treaty was signed, entrenching the American alliance as the bulwark against Communism. In the same year, Churchill's Council of Europe was founded. Bevin crafted a new 'third force' Commonwealth endorsed by the US in 1948.<sup>11</sup>

As the new post-war era began, Britain's statesmen had the chance to create more modern and sustainable foundations for the UK's world position. Success in this endeavour would provide the UK with a credible post-war grand strategy. Britain would act with the French as a co-leader in Europe, with the Commonwealth as a co-leader in the wider world and with the Americans as a co-leader in the Cold War. This would require the UK devising a clear narrative for itself over the long term: to be a regional, cultural and global power. Failure to do so would lead to retreat, confusion and missed opportunities in all three historic theatres.

## THE COMMONWEALTH CONUNDRUM

The British Empire (Commonwealth from 1931)<sup>12</sup> was seen as a natural extension of the institutions that forged modern Britain. By the 1880s, it was the British way that dominated the financial, political and commercial world networks in the same way as the United States did after 1945. But it was not until the 1890s that the Empire became a policy cornerstone. The Colonial Secretary, Joseph Chamberlain, wanted an Imperial Parliament, bringing the dominions together at Westminster, to demonstrate British might. This became an economic reality in 1932 when, with the Ottawa Accords, the Commonwealth became a tariff bloc, the first step to political union.

However, the Second World War dealt a mortal blow to the Commonwealth as a political power. The war had cost £7.3 billion, a quarter of Britain's pre-war wealth, and left Britain with £3.3 billion worth of debt. Following a number of studies conducted in 1944, Anthony Eden's Foreign Office concluded that the primary objective of state planners following victory was to preserve Britain's role and status as a 'great power', and to do so they concluded that Britain should restore its pre-war foreign policy – and the Commonwealth – after 1945. The incoming Labour Government abandoned such pretensions. Its Foreign Secretary, Ernest Bevin, realised that the future of Britain could not depend on the restoration of the pre-war Empire since economic weakness and colonial independence movements in the early post-war period undermined such a strategy. Soon Bevin developed a more balanced and imaginative approach to the Commonwealth represented by Churchill's three circles.

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<sup>11</sup> See 'The First Aim of British Foreign Policy', Memorandum by the Secretary of State for Foreign Affairs, 4 January 1948, CAB 129/23 in A.N. Porter & A.J. Stockwell (eds.), *British Imperial Policy And Decolonization 1938-64: Vol 1. 1938-1951* (Basingstoke: Macmillan, 1989), p. 293

<sup>12</sup> The Balfour Declaration at the 1926 Imperial Conference declared that Britain and its dominions were "equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations." These aspects of the relationship were formalised by the Statute of Westminster in 1931: see Patricia M. Larby & Harry Hannam (eds.), *The Commonwealth* (Santa Barbara: Clio Press, 1993), p. 16 et seq.

## THIRD FORCE

As Bevin knew, Britain was overshadowed by two new superpowers, the United States and the Soviet Union. Both the Prime Minister, Clement Attlee, and Bevin drew quite radical conclusions with regards to the future of Britain's overseas interests. They strongly asserted Britain's status as a Great Power, cherishing ideas that Britain's power-base could be based on the 'middle of the planet' independent of both the US and the USSR.<sup>13</sup>

They were determined to develop the Commonwealth's Middle Eastern and African territories more effectively, given that their oil, cocoa, rubber and tin could be sold for much-needed dollars. This was not merely an economic imperative; Britain's strategic defence against the new Soviet threat required forward air bases from which to bomb Southern Russia, the industrial arsenal of the Soviet Union.

That meant staying on in the Middle East even after the breakdown of British control in Palestine and its hasty evacuation in 1948. In Egypt, Iraq, Jordan and the Gulf, the British were determined to hang on to their treaties and bases, including the vast Suez Canal zone. The UK sought help from Australia and hoped for Indian support against Soviet influence in Asia. Across the whole spectrum of party opinion, British leaders had no doubt that Britain must uphold its status as the third great power, and that it could only do so, first and foremost, by creating new Commonwealth power centres in Africa and the Middle East.<sup>14</sup>

They also believed that Britain's economic recovery and the survival of sterling as a great trading currency required closer integration with the old 'white' dominions, especially Australia, New Zealand and South Africa. The 'sterling area', which included the Commonwealth (the main exception was Canada) and some other countries, accounted for half of the world's trade in the early post-war years.<sup>15</sup>

Although it was apparent that, in purely economic terms, Britain was temporarily embarrassed and dependent on the United States, there was little doubt, in British eyes, that the Commonwealth could co-exist with the United States, dividing superpower responsibilities. The British were accustomed to seeing themselves as a world island pioneering new developments and creating models which others had copied and adapted. Why not now blend Britain's first empire, lost by Cornwallis at Yorktown in 1781, with its second empire, to establish the Anglo-Saxon federation, the Greater Britain never consummated?

## SUEZ

History usually brings all political strands together in one defining incident. Sometimes with individuals, sometimes with unexpected events: most spectacularly with both. The Suez

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<sup>13</sup> See Peter Jones, *America and the British Labour Party: The Special Relationship at Work* (London: I.B. Tauris, 1997), p. 49 et seq.; Martin H. Folly, 'The impression is growing... that the United States is hard when dealing with us': Ernest Bevin and Anglo-American relations at the dawn of the Cold War', *Journal of Transatlantic Studies*, 10(2) (2012), pp. 150-166

<sup>14</sup> See John Darwin, *The End of the British Empire: The Historical Debate* (Oxford: Basil Blackwell, 1991)

<sup>15</sup> See Catherine R. Schenk, *Britain and the Sterling Area: From Devaluation to Convertibility in the 1950s* (London: Routledge, 1994); Hugh Gaitskell, 'The Sterling Area', *International Affairs*, 28(2) (1952), pp. 170-176; Guy Arnold, *Economic Co-operation in the Commonwealth* (London: Pergamon Press, 1967)

Crisis of 1956 unbolted the three circles. The Anglo-French expedition to retake Suez was effectively derailed by the United States, ending British strategic freedom of action, the Third Force unity of the Commonwealth, its power in the Middle East, and the *entente cordiale* as an instrument of European military authority.

The Suez fall-out destroyed the Commonwealth as a political force not least because the UK received lukewarm support from the old dominions. India supported President Nasser's nationalisation of the canal. This precipitated a shift in policy as Britain went back to the drawing board.<sup>16</sup> Was there any conceivable way of reviving the three circles? The Conservative establishment faced unpalatable facts: it was clear that putting all eggs in the Commonwealth and American baskets to the exclusion of Europe had been unwise.

For the UK however, the chance of re-establishing Commonwealth power died in the post-Suez 'Winds of Change' decolonisation. This robbed what little authority could have been salvaged from the wreck of Commonwealth unity. In the 1960s it was becoming increasingly difficult to maintain even the semblance of British world power.<sup>17</sup>

## DECLINE OF THE COMMONWEALTH

Still, British leaders wanted Britain to remain at the 'top table' of world power – a status guaranteed by its nuclear deterrent and its continuing influence in the ex-colonial world, and symbolised by the Commonwealth that the ex-colonies had joined.

But the situation did not go as planned. To avoid being trapped in a costly struggle with local nationalist movements, Britain backed out of most of the remaining colonies. Britain's failure to stop the white settler revolt in Southern Rhodesia in 1965 drew fierce condemnation from many new Commonwealth states.<sup>18</sup> In South East Asia, protecting the new federation of Malaysia against Indonesian aggression became more and more costly.<sup>19</sup> Meanwhile the British economy could not maintain the defence burden of protecting vulnerable Commonwealth states. Devaluation of the pound in November 1967 was followed within weeks by the decision to withdraw Britain's military presence east of Suez. Six years later the UK joined the European Economic Community (later known as the EU), ending 40 years of Commonwealth preference and signalling the close of Britain's imperial era.

## CONCLUSION

For fifty years, the oscillation of Churchill's three circles showed Britain being buffeted by events and forced into difficult choices, rather than the source of a sustainable grand strategy. Without clear policy direction in these early years, Churchill's three circles

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<sup>16</sup> See Vijay Gaikwad, *Dr. Ambedkar's foreign policy and its relevance* (Ulhasnagar, Dist. Thane: Vaibhav Prakashan, 1999)

<sup>17</sup> See R. Hyam, 'Winds of Change: The Empire and the Commonwealth' in Wolfram Kaiser & Gillian Staerck, *British Foreign Policy, 1955-64: Contracting Options* (Basingstoke: Palgrave Macmillan, 2000); L.J. Butler, *Britain and Empire: Adjusting to a Post-Imperial World* (London: I.B. Tauris, 2001)

<sup>18</sup> Stephen D. Krasner, *Sovereignty: Organized Hypocrisy* (Princeton: Princeton University Press, 1999), p. 191

<sup>19</sup> Azlan Tajuddin, *Malaysia in the World Economy (1824-2011): Capitalism, Ethnic Divisions, and "Managed" Democracy* (Plymouth: Lexington Books, 2012), p. 139

defaulted to prioritise the United States and the dying Commonwealth over and above Europe.

Failure to fuse the circles could be attributed to three foreign secretaries: Ernest Bevin, Anthony Eden and Harold Macmillan. The first was dead by 1951 and the other two became prime ministers. It was the clash of their dreams – between themselves and with events – that dashed the chance of fulfilling Churchill's plan. Certainly, in the decades following the war, the very idea of empire grew toxic through much of British society, while Britain adjusted to its new global status, and became both more multicultural and in legal terms, more egalitarian. The Commonwealth could no longer act as the British Empire in all but name.



## CHAPTER 2

# THE UK IN THE COMMONWEALTH: CONFRONTING THE PRE-EU PAST AND THE IMPACT OF A POST-EU FUTURE

"It is by being a member of strong networks and international organisations such as the Commonwealth [... and] the EU [...] that we amplify Britain's influence in the world."<sup>20</sup>

*David Cameron, Prime Minister*

## INTRODUCTION

Much of the hostile narrative around British membership of the EU has traditionally focused on the idea that in 1973 the UK abandoned something British (the Commonwealth) for something foreign (the EU) – put bluntly, replacing something it ruled for something which instead ruled it – and that in so doing, it 'betrayed' its former sphere of influence. The modern Brexit argument continues that the UK should seek amends for that betrayal while spearheading a new Commonwealth network or bloc.

This narrative not only demands, in its purest form, the acceptance of the intellectual falsehoods that modern Commonwealth countries are 'British', Britain is not a European country, and that the UK is somehow a colony of the EU rather than an integral, democratic component of it; it also invokes the simplistic Manichean choice of EU or Commonwealth.

This chapter attempts to put some of that history in context, demonstrating how the past is multi-dimensional, and not the best reason for implementing hugely significant economic and political changes in the present.

The chapter then moves to discussing how the UK participates in the Commonwealth now, how the organisation may or may not be strengthened, and why there is no conflict between Britain's membership of both the Commonwealth and EU.

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<sup>20</sup> HM Government, 'Commonwealth Day 2016: PM message', 14 March 2016:  
<https://www.gov.uk/government/news/commonwealth-day-2016-pm-message>

The final section covers the issue of Commonwealth citizens in the UK, and British citizens with Commonwealth heritage, exploring both how they might affect, and be affected by the referendum.

## PAST VS PRESENT: THE CHALLENGE OF HISTORY

### Commonwealth or British Commonwealth?

When approaching the Commonwealth from a British perspective, frequently the first problem arises from its nomenclature. The term 'Commonwealth of Nations' was used to describe the British Empire as long ago as 1884,<sup>21</sup> and in much of the popular imagination the Commonwealth has still not been disaggregated from intricate notions of Britishness and imperial supremacy. This tension is perhaps emblematised by the evolution of the Commonwealth Games, viewed today as one of the defining achievements of the Commonwealth, and alongside the biennial Commonwealth Heads of Government Meeting (CHOGM), its most high-profile manifestation. The Games began in 1930 under the name of the British Empire Games; in 1954 became the British Empire and Commonwealth Games; then in 1970, the British Commonwealth Games. The edition hosted in Edmonton in 1978 was the first to bear the current name, without any mention of its British origins.<sup>22</sup>

This matters in the case of the EU referendum because a proportion of the pro-Brexit campaigners believe that Britain will find it easy to negotiate a future outside the EU on account of its imperial history. Daniel Hannan invoked this history, and its linguistic legacy, when he declared that "Britain would be better off forming a union with the other English-speaking democracies",<sup>23</sup> while Boris Johnson signalled his entry into the Brexit camp with a reminder that "we used to run the biggest empire the world has ever seen [...] Are we really unable to do trade deals?".<sup>24</sup> Hannan implies in this case that the past can provide an appropriate economic template for the future, while Johnson uses the mere historical fact of empire to guarantee commercial and political success in a profoundly changed post-colonial world.

There appears to be confusion, then, about the link between historical allegiances and power dynamics, and the modern intricate constellation of economic, political and cultural relationships in a globalised world. Undeniably, historical Commonwealth legacies – not least a shared language, and common or similar legal, political and accounting systems – can facilitate friendship, common political goals, and on a substantive level, trade, as will be discussed in Chapter Five. Decades of kinship have created enduring markets for specific British goods in former colonies and dominions, and vice versa, while transactions between Commonwealth countries require no translators or

<sup>21</sup> Richard Green (ed.), *The Commonwealth Yearbook 2006* (Cambridge: Nexus Strategic Partnerships, 2006), p. 13

<sup>22</sup> Commonwealth Games Federation, 'The Story of the Commonwealth Games', 6 April 2016: <http://www.thecgf.com/games/story.asp>

<sup>23</sup> 'Forget the EU – let's take on the world with our true friends', Daniel Hannan, *Daily Mail*, 23 January 2015: <http://www.dailymail.co.uk/news/article-2922715/Forget-EU-let-s-world-TRUE-friends-Greek-elections-threaten-shatter-Europe-DANIEL-HANNAN-says-Britain-s-destiny-lies-booming-Commonwealth.html>

<sup>24</sup> 'There is only one way to get the change we want – vote to leave the EU', Boris Johnson, *Daily Telegraph*, 16 March 2016: <http://www.telegraph.co.uk/opinion/2016/03/16/boris-johnson-exclusive-there-is-only-one-way-to-get-the-change/>

interpreters. (Australia, for example, trades two-and-a-half times more with Britain than with France,<sup>25</sup> even though the UK and France have similar-sized economies and populations, and are practically the same distance from Australia.) But Commonwealth states' officials insist that today's commercial and political dynamics pay little attention to the past, and that trade relationships with the UK, in or out of the EU, are centred on hard-headed economics rather than history, nostalgia or even culture. The empire may linger in the imagination, but not commonly on a spreadsheet.

## The 'betrayal' of the Commonwealth

History appears as a leitmotif in the British debate about the EU and Commonwealth. Specifically, prominent Brexiteers such as Daniel Hannan and Ruth Lea talk of the Commonwealth having been 'abandoned' or even 'betrayed' when Britain joined the bloc in 1973.<sup>26</sup> Senior officials confess to some resentment at that time, and certainly it is true that preferential trade with Commonwealth countries generally had to be abandoned when the UK adopted external Community tariffs – although, for example, New Zealand butter and cheese exports were protected as part of the UK's accession treaty.<sup>27</sup> But in the 43 years since Britain's accession, trade relationships in the Commonwealth have been transformed – initially perhaps as a result of Britain's entry into the EU, but more importantly because of the rise of so many other global trading partners. The most significant of these is China, which in 1973 was still in the midst of Chairman Mao's cultural revolution and boasted a GDP an astonishing 250 times smaller than today's.<sup>28</sup>

The notion of lingering resentment at UK membership<sup>29</sup> therefore exists only in small pockets of Commonwealth populations (anecdotally, for the most part among some older people). As British and other Commonwealth officials have made clear, Commonwealth members require access to the EU market of 508 million people; they are not seeking a return to a status quo ante of imperial preference, which even during its implementation in the 1930s entailed numerous colonial tariffs and fell far short of modern understandings of free trade.<sup>30</sup>

Even if resentment did still exist at a government level, Commonwealth countries have not stood still in the expectation that the UK will one day seek to rebuild supposedly burned commercial bridges. Indeed, since 1973, they have created new and distinct relationships with the EU: while richer members such as Australia and New Zealand have diversified their economies and built new trading relationships with other European countries, 39 of the Commonwealth's 53 states have formed part of the African,

<sup>25</sup> Government of the Commonwealth of Australia, 'Australia's trade at a glance: Australia's trade with the G20', 14 August 2015: <http://dfat.gov.au/trade/resources/trade-at-a-glance/Pages/g20.aspx>

<sup>26</sup> 'As the EU squabbles, the Commonwealth looks even more enticing', Ruth Lea, *Conservative Home*, 30 October 2011: <http://www.conservativehome.com/thecolumnists/2011/10/ruth-lea-as-the-eu-squabbles-the-commonwealth-looks-even-more-enticing-1.html>

<sup>27</sup> European Commission, 'EEC / New Zealand Relations', MEMO-87-33, 20 March 1987: [http://europa.eu/rapid/press-release\\_MEMO-87-33\\_en.htm](http://europa.eu/rapid/press-release_MEMO-87-33_en.htm)

<sup>28</sup> Chinability, 'GDP growth in China 1952-2015', 7 April 2016: <http://www.chinability.com/GDP.htm>

<sup>29</sup> There is evidence of resentment about Britain's treatment of Commonwealth migrants in relation to freedom of movement for EU citizens, which will be discussed at the end of the chapter. This, however, cannot be seen as a fundamental or lasting reaction to the UK's entry per se, especially given that the UK has always maintained control over non-EU immigration.

<sup>30</sup> National Archives, 'The Cabinet Papers 1915-1988: Policy, protectionism and imperial preference', 15 March 2016: <http://www.nationalarchives.gov.uk/cabinetpapers/themes/policy-protectionism-imperial-preference.htm>

Caribbean and Pacific (ACP) grouping. The ACP includes all Commonwealth countries from those regions (with the exception of Australia and New Zealand), and was founded in 1975 as a direct result of Britain's entry into the European Economic Community.<sup>31</sup> The ACP's establishment represented a replacement of the EU's previous formal focus on Francophone developing countries, and enabled the trade and development cooperation whose legacy can now be found in the EU's economic partnership agreements. The ACP is generally considered a key achievement in relations between the Commonwealth countries and the EU, and demonstrates that from the very beginning, Britain's entry into the bloc brought opportunities, as well as drawbacks, for the Commonwealth.

## THE UK IN THE COMMONWEALTH TODAY – LEADERSHIP OR PARTNERSHIP? REPLACING THE EU?

Undoubtedly, the Commonwealth has become less strategic and more symbolic over the last few decades. There is, for example, no longer a Secretary of State for Commonwealth Affairs, and some commentators have remarked that the "C in FCO [UK's Foreign and Commonwealth Office] is usually silent".<sup>32</sup> This situation has perhaps also not been helped by the cut to the FCO budget of almost 20 per cent in the past five years.<sup>33</sup> Nevertheless, this is not an inevitable by-product of EU membership, and indeed, UK engagement with the Commonwealth has fluctuated considerably in the 43 years since EU accession.

Certainly, the French and Portuguese 'equivalents' of the Commonwealth, the International Organisation of the Francophonie and Community of Portuguese Language Countries respectively – both of which include some Commonwealth countries – operate effectively while France and Portugal remain full and involved members of the EU. Significantly, however, the Commonwealth is far less oriented towards an explicit 'British' culture than the Francophonie, which, for example, openly promotes the French language. The Commonwealth Secretariat is based in London, receives more funding from Britain than any other country, and many of its key member states – not least Canada, Australia, New Zealand and Jamaica – have retained the Queen as their head of state: but any suggestions that this makes the Commonwealth 'British' are met with a stern rebuke in the Secretariat, the UK Government and in the Commonwealth at large. Most politicians and officials argue that it is no longer appropriate for the UK to take the lead role in the Commonwealth, and indeed, many countries would be offended by the suggestion that it should. Individual Commonwealth states have their own regional organisations and centres of gravity, frequently with more substantive power than the Commonwealth has or offers. Nevertheless, the UK can use its influence in both the

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<sup>31</sup> See, e.g., Victoria te Velde, *The Commonwealth Brand: Global Voice, Local Action* (London: Routledge, 2016); to avoid confusion, the Community (the name for the EU prior to the Maastricht Treaty, and effectively abolished in the Lisbon Treaty) will herein be referred to as the EU.

<sup>32</sup> 'Brexiters trade on a myth', Robert Colville, *Político*, 11 April 2016: <http://www.politico.eu/article/brexiters-trade-on-a-myth-euroskeptic-sovereignty-destiny-global-economy/>

<sup>33</sup> 'Connections, not armies, make countries powerful', Anne-Marie Slaughter, *Financial Times*, 18 April 2016: <http://www.ft.com/cms/s/0/21973144-0544-11e6-9b51-0fb5e65703ce.html>

Commonwealth and EU for mutual benefit; for example, the UK, through the Commonwealth and EU, recently coordinated an Organization of American States (OAS) confidence-building mission to Belize to mediate in the potentially dangerous territorial dispute with Guatemala. As will be explored more fully in the next two chapters, the UK's membership of the EU enables it to play an even more valuable role in the Commonwealth, as it can actively assist Commonwealth members in their dealings with the world's largest trading and political bloc.

The UK has no interest in replacing the EU with the Commonwealth, and Commonwealth members do not wish it to do so either. British officials assert that membership of both organisations offers distinct, but complementary benefits. There have been various proposals to strengthen the Commonwealth or develop its institutions – for example, by establishing a Council of Europe-style Court of Human Rights, a Development Bank, or even adding a peacekeeping or military dimension. Such suggestions not only elicit controversy (or outright hostility), and arguments about duplication with other institutions, but risk turning the Commonwealth into a more formal, rules-based organisation, when officials insist that its key virtue lies in its informal networks designed to promote democracy, human rights and the rule of law, while also facilitating stronger cultural ties and respectful dialogue. Despite the desire of some Brexiteers for a more robust Commonwealth, such an outcome would in fact risk turning it into something more akin to the EU – with a necessarily enhanced bureaucracy to boot.

Officials point out that any formal, rules or treaty-based organisation would not have been joined by countries following independence – who wished to loosen rather than consolidate their ties to Britain – and that rather than trying to do more, the Commonwealth must narrow its objectives and focus on them more efficiently. Diplomats from many countries have argued that the Commonwealth has been under-used as a diplomatic channel, for example, and voiced their ambition for this situation to be improved. Again, leaving the EU would not assist this aim. Regardless of Brexiteers' distaste, the EU has, through the European External Action Service (EEAS), become an extremely significant diplomatic actor since its inception just five years ago, with delegations around the world – many headed by British diplomats – that, from anecdotal evidence, frequently command more clout than UK embassies. Diplomacy is always more powerful when coordinated, and a UK detached from the EU would neither offer a more powerful voice for itself, nor enable any greater diplomatic opportunities for the Commonwealth.

Any discussion of strengthening the Commonwealth runs the risk of re-invoking a UK-centric view of that organisation: in essence, an assumption that it exists only to serve British interests, when in fact it operates on many levels, with some countries sharing excellent ties and others having few relationships at all. In the Commonwealth Secretariat India and Tuvalu have equal votes; there is no formal preference for the UK, and no natural way for the UK Government to enforce its will. Officials in Commonwealth states (and the Secretariat) are clear that if the Commonwealth is to be strengthened, it will not be to instrumentalise British power. Indeed, many people consider that the

Commonwealth institutionally does its best work for poorer members, particularly in the fields of development and climate change – and so any efforts to boost its powers or funds would most likely be concentrated in those areas.

Even if a post-Brexit government intended to boost the Commonwealth in as yet unspecified ways, it would seem unlikely to deviate from the current Government's position, which would be to reject any initiative that involved spending a substantial sum of money, permitting significantly more Commonwealth immigration, or visibly increasing UK power – not least because it would wish to avoid alienating Commonwealth partners at a time when their friendship and support was most needed. After Brexit, the UK Government could have more time on its hands, but neither the money (at least in the short term) nor, most likely, political will to focus strongly on the organisation.

The Commonwealth offers an emotional attachment for British people, while the EU discourse depends more on economic and political pragmatism, but the UK Government, and Commonwealth Secretariat, affirm that the Commonwealth's fundamental structure will not be changed. Whatever some Brexiteers may wish, the Commonwealth cannot and does not wish to replace the EU. As Commonwealth Secretary-General Baroness Scotland recently commented: "I don't think you substitute one for another [...] it can't be 'either/or' – it has to be 'and, and, and'."<sup>34</sup>

## COMMONWEALTH IN THE UK: EU VIEWS FROM THE DIASPORAS

As a result of the laws dating back to the Empire, when Commonwealth citizens were British subjects, citizens of the Commonwealth resident in the UK are entitled to vote in all elections, including the EU referendum. Those eligible include citizens of countries that were not former colonies (Mozambique and Rwanda), ex-Commonwealth countries (The Gambia and Zimbabwe) and some former residents of Hong Kong.<sup>35</sup> This potential 'diaspora electorate' could amount to more than 960,000 people, creating potentially a powerful constituency or constituencies.<sup>36</sup>

A key factor concerning voters is the perception of an unfair UK immigration policy that appears to discriminate against the Commonwealth.<sup>37</sup> Until the 1960s, all Commonwealth citizens had the right to live and work in Britain (although that was never fully reciprocated), whereas now, visa restrictions and minimum income requirements prevent many people from coming to the UK from the Commonwealth. The Australian and New Zealand communities in Britain have protested particularly strongly about the restrictions of Tier 2 visas; the Australian High Commissioner even warned that limiting visas could affect people-to-people contact, and that the UK Government was "acting against its

<sup>34</sup> Quoted in 'New Commonwealth chief says 'don't pit us against EU' in Brexit debate', William James, *Reuters*, 4 April 2016: <http://uk.reuters.com/article/uk-britain-eu-commonwealth-idUKKCN0X11FR>

<sup>35</sup> Electoral Commission, *List of Commonwealth countries, British Overseas Territories, British Crown Dependencies and EU member states*, 2 July 2013: [http://www.electoralcommission.org.uk/\\_data/assets/electoral\\_commission\\_pdf\\_file/0009/79515/List-of-eligible-countries.pdf](http://www.electoralcommission.org.uk/_data/assets/electoral_commission_pdf_file/0009/79515/List-of-eligible-countries.pdf)

<sup>36</sup> 'EU referendum: the non-Britons planning to vote', Kevin Ponniah, *BBC News*, 20 May 2016: <http://www.bbc.co.uk/news/uk-politics-eu-referendum-36316467>

<sup>37</sup> 'Commonwealth community leaders back British exit from EU', *BBC News*, 17 February 2016: <http://www.bbc.co.uk/news/uk-politics-eu-referendum-35598038>

own economic interests" and "potentially inflicting structural damage on an important bilateral relationship".<sup>38</sup> The Leave campaign has also attempted to capitalise on resentments with its 'Save our Curry' movement, suggesting that Bangladeshi chefs are being unfairly penalised by immigration rules as a result of EU membership.<sup>39</sup>

In reality, UK restrictions on Commonwealth immigration pre-date Britain's entry into the EU, and current visa restrictions represent a UK policy to bring down overall immigration levels. Given that the UK is not a part of the Schengen area, the Government has full control of non-EU immigration policy, and is therefore welcome to institute visa-free travel, or even the full freedom of movement, for all Commonwealth citizens. Such a proposal's endorsement by the House of Commons, however, would be almost inconceivable. Indeed, post-Brexit, the current opposition to immigration in much of the mainstream public discourse could severely hinder any moves at all to liberalise movement from the Commonwealth. In any case, any attempts to increase Commonwealth immigration would depend on the termination of full freedom of movement from the EU, which could not be guaranteed in the settlement negotiations – particularly if the UK wished to retain full access to the single market.

Effectively, it seems as though Commonwealth citizens could only be substantively impacted by Brexit if non-British European ancestry granted them access to the UK through EU freedom of movement.

Indications suggest that most of Britain's roughly 9 million ethnic minority voters, of whom many are either Commonwealth citizens or have Commonwealth heritage, will vote to remain in the EU<sup>40</sup> – potentially because they are more sympathetic to immigration or more internationalist-looking, or conceivably because older generations of immigrants do not share many of the fears of their more Eurosceptic 'white' contemporaries.

## CONCLUSION

There is an irony in the fact that the UK initially applied to join the EEC in 1961 because of a declining Commonwealth, and would now, 55 years later, apparently seek to leave the EU in order to 're-join' that Commonwealth. The truth is that the UK's trade imperatives are now governed by proximity (and the single market), much like other Commonwealth countries whose trading priorities are governed by their immediate neighbourhoods. The UK's relationship with the Commonwealth demonstrates that it is looking ahead: the Commonwealth of the 1960s is not waiting for it, and indeed, as will be demonstrated in Chapter Five, the vast majority of its members are conducting free trade negotiations with the UK as part of the EU.

The idea that the UK had to choose between the EU and Commonwealth in 1961 or 1973 was a false binary then and remains a greater one now. The Commonwealth does not

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<sup>38</sup> Quoted in 'The British government is about to make it even harder for Aussies wanting to work in the UK', Charles Miranda, *Herald Sun*, 31 October 2015: [http://www.heraldsun.com.au/news/national/the-british-government-is-about-to-make-it-even-harder-for-aussies-wanting-to-work-in-the-uk/news-story/9576d370e7f72ab8e34c9ef21dbc0a4d?utm\\_content=SocialFlow&utm\\_campaign=EditorialSF&utm\\_source=HaraldSun&utm\\_medium=Facebook](http://www.heraldsun.com.au/news/national/the-british-government-is-about-to-make-it-even-harder-for-aussies-wanting-to-work-in-the-uk/news-story/9576d370e7f72ab8e34c9ef21dbc0a4d?utm_content=SocialFlow&utm_campaign=EditorialSF&utm_source=HaraldSun&utm_medium=Facebook)

<sup>39</sup> 'EU referendum: Row over impact on UK curry houses', *BBC News*, 19 May 2016: <http://www.bbc.co.uk/news/uk-politics-eu-referendum-36330032>

<sup>40</sup> 'EU poll – ethnic minorities hold the balance of power', Gary Gibbon, *Channel 4 News*, 17 May 2016: <http://blogs.channel4.com/gary-gibbon-on-politics/eu-poll-ethnic-minorities-hold-balance-power/32800>

and cannot ever replicate or replace the EU. Such an ambition is profoundly at odds with its mission, structure, and most importantly, the wishes of its members. The world has changed dramatically since the 1960s, and trade and foreign-policy relationships are both regional and global, transcending a group such as the Commonwealth, with its vast disparity in wealth, populations and national interests. There is no need to choose between the Commonwealth and EU because they are profoundly different organizations with different objectives.

Certain Brexiteers may cast a nostalgic eye over the 'British Commonwealth', or attempt to atone for the 'betrayal' perpetrated on Commonwealth family members by abandoning Commonwealth preference and ties of kinship; but if those narratives were contested and ambivalent at the time, they are largely irrelevant now. The Commonwealth is no longer the British Empire, and its members no longer depend on the UK economically; the Commonwealth cannot be a substitute, or even softer alternative to the EU.

It is also unfair to suggest that the UK's membership of the EU holds back Commonwealth migration. Restrictions on Commonwealth immigration date from before the UK's accession in some cases, and have been tightened in recent years to satisfy a domestic political agenda. The Government could permit freedom of movement to the UK for all Commonwealth citizens if it chose; the fact that the UK exercises its sovereignty to deny greater immigration to Commonwealth citizens is not the responsibility of the EU.



## CHAPTER 3

# THE COMMONWEALTH IN AND AROUND THE EU: THE IMPACT OF BREXIT CLOSE TO HOME

"The United Kingdom would be respected, but not trusted."<sup>41</sup>

*Joseph Muscat, Prime Minister of Malta*

## INTRODUCTION

Advocates of various iterations of the 'Commonwealth option' tend to focus on the richer and/or larger countries in the organization to make their case – generally Canada, Australia, India, New Zealand, Singapore, Malaysia and South Africa. Brexiteers highlight their commonalities and contrast them with the EU, with its self-consciously diverse histories and cultures. (Indeed, the EU is so proud of its lack of uniformity that it chose the motto 'United in diversity'.)<sup>42</sup> But in actual fact two members of the Commonwealth besides Britain share full membership of the EU: Cyprus and Malta. Both countries enjoy close relations with Britain which, according to their own officials, would not be improved by Brexit.

Perhaps more pointedly for those Brexiteers who harbour a romantic attachment to the British Empire, an overlooked element of the referendum debate has been the impact on the Crown Dependencies and British Overseas Territories. They are neither part of the UK, nor full members of the EU, but remain closely affected by the actions of both. Perhaps ironically for those campaigners on the Leave side who see much of their goal as defending British sovereignty and continuing the legacy of Margaret Thatcher, two of the territories likely to suffer the most from Brexit are Gibraltar and the Falkland Islands.

This chapter explores the impact of Brexit on the Commonwealth states closest to Britain geographically, and of the territories closest to it constitutionally.

## CYPRUS AND MALTA: MOVING WITH THE EU

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<sup>41</sup> Joseph Muscat, 'Speech: The Future of the EU and the Commonwealth', Chatham House, 15 March 2016: <https://www.chathamhouse.org/file/event-speech-future-eu-and-commonwealth>

<sup>42</sup> European Union, 'The EU motto', 21 April 2016: [http://europa.eu/about-eu/basic-information/symbols/motto/index\\_en.htm](http://europa.eu/about-eu/basic-information/symbols/motto/index_en.htm)

## Cyprus

Cyprus has been a member of the Commonwealth since 1961, shortly after its independence, and was one of ten new countries to join the EU in 2004. Generally in contrast to Malta, Cyprus's relationship with the United Kingdom has at times been tense – not least in the decade preceding independence, when the EOKA group led an armed campaign to end British colonialism and unify the island with Greece.<sup>43</sup> In recent years, further elements of Cypriot concern have included its perception of Britain's overly sympathetic stance towards Turkey (rendered more charged by the island's ongoing territorial and constitutional dispute, or 'Cyprus question'<sup>44</sup>), and perhaps most damagingly, Britain's retention of the Sovereign Base Areas of Akrotiri and Dhekelia, which remain a British Overseas Territory and beyond Cypriot authority.<sup>45</sup> Indeed, the Cypriot President's immediate predecessor described British sovereignty over parts of the island as a "colonial bloodstain".<sup>46</sup>

It is therefore highly significant that Cypriot officials stress the transformation of the UK-Cyprus relationship that followed the island's EU accession. Rather than a friendly, Commonwealth-based bilateral connection occasionally soured by the legacies of history and foreign policy direction, Cyprus and the UK now enjoy an overwhelmingly positive, and in senior officials' words, 'intimate' relationship within the European institutions, involving dialogue and cooperation across all areas of European policy-making. The Cyprus-UK relationship is therefore mediated principally through the EU. Cypriot officials have made a point of emphasizing the equality in relations guaranteed by EU membership: Cyprus and the UK's working relationship, based on common political and economic goals, and situated outside the two countries' historic imbalance of power, enables Cyprus more fully to escape its colonial past.

Brexit therefore risks unbalancing the relationship, removing the deep connections guaranteed by coordinated policy-making, and creating a new political distance between Cyprus as a continuing full EU member, and Britain outside. One senior Cypriot official described the EU as 'unimaginable' without the UK. The Cypriot diaspora of over 200,000 people in the UK might ensure that bilateral cultural ties remain strong, although officials express concern about the prospect of Cypriot students losing the right to attend British universities at the current level and with equal fees. It does seem clear, however, that in matters of political, economic and diplomatic substance, Cyprus would pivot more to other EU member states such as France, and that the bilateral relationship would grow more symbolic. Indeed, it is conceivable that the historic issues of contention between the two countries could become more visible.

## Malta

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<sup>43</sup> Encyclopædia Britannica, 'EOKA: Cypriot organization', 28 August 2015: <http://www.britannica.com/topic/EOKA>

<sup>44</sup> Government of the Republic of Cyprus, 'Historical review', 28 January 2016: [http://www.mfa.gov.cy/mfa/mfa2006.nsf/cyprus01\\_en/cyprus01\\_en?opendocument](http://www.mfa.gov.cy/mfa/mfa2006.nsf/cyprus01_en/cyprus01_en?opendocument)

<sup>45</sup> See HM Government, *The Overseas Territories: Security, Success and Sustainability*, Cm 8374, 21 November 2012: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/12249/ot-wp-0612.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/12249/ot-wp-0612.pdf)

<sup>46</sup> 'Cyprus elects its first communist president', Helena Smith, *The Guardian*, 25 February 2008: <http://www.theguardian.com/world/2008/feb/25/cyprus.greece>

Malta is traditionally the English-speaking country in the EU most closely attached to Britain. While Ireland and Cyprus both saw, to different degrees, violent anti-colonial conflict before their independence, it is often forgotten that in a 1956 Maltese referendum, 77 per cent of voters (though not an absolute majority of the electorate) endorsed a proposal to integrate Malta within the UK,<sup>47</sup> a policy which failed principally because the British Government did not support it.<sup>48</sup> Malta subsequently distanced itself constitutionally from the UK, gaining independence in 1964 and becoming a republic ten years later – but Malta and the UK are now integrated more closely than ever before, thanks to their shared membership of the EU. As with Cyprus, the relationship is no longer based on colonialism or suzerainty, but on equal partnership.

Maltese officials emphasise the value they place on the UK remaining inside the EU. The UK is, along with Italy, Malta's most important EU partner (politically if not economically). The Maltese and British representatives in the Council sit next to each other and in the majority of cases take the same positions – not least on limiting ever-closer EU integration – and so Malta could lose influence in the institutions following a British withdrawal. There does at times appear to be a 'Commonwealth effect' in the EU: sources indicate that Malta has won certain EU concessions, such as exemption from the Working Time Directive and derogation from VAT on food and medicine, as a direct result of the UK's support, and its negotiation of similar deals.<sup>49</sup>

Britain is one of Malta's key trading partners, and there are fears that this trading relationship could suffer in the event of Brexit – for example, with higher prices for long-cherished British goods. As with Cyprus, there is also concern for the status of Maltese university students, for whom Britain is the most popular study destination.<sup>50</sup> Some Maltese officials have speculated that Brexit could also encourage Euroscepticism there – only 53.6 per cent supported joining the EU in the 2003 referendum<sup>51</sup> – but others point out that the Labour Party, which spearheaded the opposition to entry, is now fully committed to the project, and Malta would not be interested in following the British example.

The bilateral relationship between Malta and the UK is not under immediate threat, given the scale and depth of the historic and cultural ties, but it seems clear that Brexit would lose Britain influence in Malta, as elsewhere. As the Maltese Prime Minister recently warned, during Brexit negotiations:

[...] the UK would need to be treated as a friend, but not as family. Relations would be polite, but not intimate. The United Kingdom would be respected, but not trusted.<sup>52</sup>

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<sup>47</sup> See Simon C. Smith (ed.), *Malta* (London: TSO, 2006), p. xliii et seq.

<sup>48</sup> Ronald Hyam, *Britain's Declining Empire: The Road to Decolonisation 1918-68* (Cambridge: Cambridge University Press, 2006), p. 210

<sup>49</sup> 'Malta keeps VAT-free food and medicine', Ivan Camilleri, *Times of Malta*, 11 March 2009:

<http://www.timesofmalta.com/articles/view/20090311/local/malta-keeps-vat-free-food-and-medicine.248283>

<sup>50</sup> Roderick Pace, 'Malta: Should Brexit materialise, UK influence in Malta is likely to diminish', LSE EUROPP, 30 September 2015:

<http://blogs.lse.ac.uk/euoppblog/2015/09/30/european-views-on-the-uks-renegotiation-italy-poland-bulgaria-and-malta/#Four>

<sup>51</sup> 'Maltese back EU entry', BBC News, 9 March 2003: <http://news.bbc.co.uk/1/hi/world/europe/2833889.stm>

<sup>52</sup> Joseph Muscat, *supra* n. 41

He also suggested that Brexit would "change the EU fundamentally" and not in a positive direction. Any political re-alignment, weakening or even destabilization of the EU could hit Malta and Cyprus, as two of its smallest members, particularly hard.

Outside of the EU, the UK would legally become a 'third country' of the EU, and necessarily a less significant partner for members of the bloc. The UK, Cyprus and Malta currently enjoy the closest harmonization of any Commonwealth countries, with full freedom of movement of people, goods, services and capital enshrined in the Single Market.<sup>53</sup> Brexit would therefore effectively militate against Commonwealth integration for those countries closest to Britain, and in fact do much to alienate them.

### **Bringing the Commonwealth and EU closer?**

Neither the Commonwealth nor any 'Commonwealth option' can replace the EU for Malta or Cyprus, who conduct their own bilateral relationship overwhelmingly through the EU. As EU members, they could evidently not enter a Commonwealth free trade area, or negotiate bilateral FTAs with the UK or other Commonwealth countries. There could, for the same reason, never be any kind of political union or foreign policy harmonization, given the demands of the EU's Common Foreign and Security Policy (CFSP). For a country such as Malta, even the recently established Mediterranean Union might be more valuable than the Commonwealth. Both Cyprus and Malta would also object to any perceived attempts, via a Commonwealth foreign policy, for Britain to take a more active role in their foreign affairs.

Nevertheless, both countries emphasise how much they value the Commonwealth, and the extent to which they can leverage both the Commonwealth and EU in tandem. The Cypriot High Commissioner Euripides Evriviades has discussed 'cross-fertilization' between an EU and Commonwealth sharing common values, and written that "membership of these two families is not contradictory or mutually exclusive".<sup>54</sup> Indeed, he has called for relations between the EU and Commonwealth to be enhanced or even 'institutionalised'. For Cyprus, the Commonwealth can be strategically useful and form part of a 'diplomatic arsenal', in which the country can access a "substantial global network".<sup>55</sup> Cyprus also takes a key role in the upholding of human rights and rule of law in the Commonwealth, as current chair of the Commonwealth Ministerial Action Group (CMAG); but while its Foreign Minister presides over meetings, it is not, and cannot be, a foreign policy instrument.

In Malta, some have suggested that the Commonwealth may actually be more popular among the general public than the EU. This can probably be explained by the different functions of the organization: for the Maltese, the EU is based on political, economic and commercial pragmatism, while the Commonwealth has tended to represent a romantic past and uncontroversial present. Indeed, sources suggest that the Maltese public

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<sup>53</sup> It should be pointed out that Cyprus is not currently a party to the Schengen Agreement, and so would be free to negotiate a bilateral migration agreement with the UK, but it is legally required and wishes to join eventually. The failure to do so owes principally to the ongoing Cyprus dispute.

<sup>54</sup> 'Cyprus: A European Island in the Commonwealth', Euripides Evriviades, *Commonwealth Voices* (April 2015), p. 3: <https://www.thercs.org/assets/Magazines/CWVoices-Issue2-April2015-WEB.pdf>

<sup>55</sup> *Ibid.*

discourse on the Commonwealth frequently focuses on the widespread interest and affection for the Queen and her family – perhaps unsurprising given that the Queen served as Malta's head of state for 22 years.

Nevertheless, the Maltese Government takes its Commonwealth responsibilities seriously, and engages actively with the organization. As with Cyprus, the Commonwealth offers it formal and informal political access to countries which would otherwise be beyond the reach of its small diplomatic service. The country stepped in at short notice to host the most recent CHOGM, and some commentators have suggested that the Prime Minister Joseph Muscat's enthusiasm for the project could in fact help to transform the organization.<sup>56</sup> Indeed, he has called for the Commonwealth to look more to the future and highlight its relevance, and thanks to his Chair-in-Office (the role assigned to the head of government of the country hosting CHOGM), he may be well placed to do so.

Malta in fact offers the Commonwealth and EU an unprecedented opportunity to integrate more closely: in 2017, it will assume the Presidency of the EU Council, and thus effectively be leading both the Commonwealth and EU. Maltese sources indicate that the Government is inclined to act on this coincidence and attempt more institutional dialogue.

Far from the Commonwealth and EU being mutually exclusive, then, Malta and Cyprus – and the UK – are demonstrating how they can complement each other, and enable members to use both organizations to their own particular advantage. It would seem counter-productive for the UK to leave the EU in order to 'reconnect' with the Commonwealth, just as the Commonwealth appeared to be moving closer to the EU.

## CROWN DEPENDENCIES

The Isle of Man, and Bailiwicks of Jersey and Guernsey, with a combined population of around 250,000 people, are neither part of the UK nor the EU – their constitutional status links them specifically to the Crown rather than the UK itself – but they stand to be affected significantly by Brexit. Currently, they are members of the European Customs Union, which ensures the free movement of goods but not of people, services or capital.<sup>57</sup> Nevertheless, under the Immigration Acts of 1971 and 1988, anyone entitled to visit or live in the UK also has that right extended to the Crown Dependencies (CDs), which therefore guarantees freedom of movement for EU citizens.<sup>58</sup> The CDs are also strongly impacted by such EU-regulated issues as telecoms, agriculture, fisheries and energy.<sup>59</sup> Although principally service-based economies, they are all involved in agricultural exports, both to

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<sup>56</sup> 'Preparing for CHOGM 2015', Tarcisio Zammit, *Malta Independent*, 31 July 2014:

<http://www.independent.com.mt/articles/2014-07-31/opinions/preparing-for-chogm-2015-6032982017/>

<sup>57</sup> HM Government, *Fact sheet on the UK's relationship with the Crown Dependencies*, 20 January 2014:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/361537/crown-dependencies.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/361537/crown-dependencies.pdf)

<sup>58</sup> *Immigration Act 1988*, ch. 14: [http://www.legislation.gov.uk/ukpga/1988/14/pdfs/ukpga\\_19880014\\_en.pdf](http://www.legislation.gov.uk/ukpga/1988/14/pdfs/ukpga_19880014_en.pdf)

<sup>59</sup> See, e.g., HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union: Agriculture*, 21 October 2013: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/335026/agriculture-final-report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/335026/agriculture-final-report.pdf)

the UK and EU more broadly. Jersey, for example, sells most of its fish to France, and its agricultural products to the UK.

Given that the CDs are not members of the EU (and neither pay nor receive money from the EU budget), they will not have, and have not requested, a vote in the referendum – but in the event of Brexit they would be heavily exposed to whatever settlement was reached between the UK and EU. Their primary goal would be to renegotiate their current arrangements under Protocol 3 of the UK's Accession Treaty, but as some commentators have pointed out, they may be low on the list of priorities for a UK Government attempting to contain the post-Brexit political and economic fallout. The Isle of Man's Chief Minister Allan Bell echoed this fear when he stated that "we don't want to become collateral damage"; he also pointed out both that the CDs were included in the UK's initial EU accession negotiations only as a 'last thought', and that "the UK would probably have to negotiate on our behalf".<sup>60</sup>

Jersey's External Relations Minister, Sir Philip Bailhache, has also expressed concerns about the potential of Brexit, suggesting that the islands could be told to "take it or leave it" following an unfavourable UK-EU negotiation, giving the Channel Islands "stark choices" to make.<sup>61</sup> He also suggested that an EU far larger than it was in 1973 may be significantly less inclined to devote time to securing the interests of small islands which have not always been popular or well understood in the EU – not least on the issue of tax. Nevertheless, Jersey and Guernsey would have bilateral agreements with EU states to fall back on – for example, with France regarding fisheries. While a negotiation of 'special terms' may therefore not be impossible, it would certainly be difficult, disruptive and time-consuming, and distract CD governments from much of their daily business. As with the UK itself, prolonged political uncertainty would also pose risks for businesses and the economy more broadly.

In terms of the Commonwealth, the CDs are not full members, but participate in institutions such as the Commonwealth Games and Commonwealth Parliamentary Association, as well as ministerial-level meetings. Although their political and economic status is quite different from many small islands in the Caribbean and Pacific, officials from the CDs suggest that there are elements of commonality with those places in particular, and that in general the CDs engage proactively with the Commonwealth, using it as a forum for exchanging knowledge and best practice, and to build informal relationships around the world. Officials also suggested that they would welcome opportunities to increase trade links in the Commonwealth. Certainly, however, the Commonwealth does not, and could not, represent a political or economic alternative to the arrangements that the CDs presently enjoy.

## BRITISH OVERSEAS TERRITORIES

<sup>60</sup> 'We must not be forgotten in Brexit poll, says Chief Minister', Adrian Darbyshire, *IOM Today*, 24 January 2016: <http://www.iomtoday.co.im/news/isle-of-man-news/we-must-not-be-forgotten-in-brexit-poll-says-chief-minister-1-7690456>

<sup>61</sup> 'How might Brexit affect the Channel Islands?', Harry McRandle, *BL Global*, 26 February 2016: <http://www.blglobal.co.uk/Features.aspx?id=how-might-brexit-affect-the-channel-islands>

There are currently fourteen British Overseas Territories (BOTs) dispersed around the world – effectively the last vestiges of the British Empire. All bar three (Gibraltar, Akrotiri and Dhekelia and British Antarctic Territory) are small islands, and they range in size of population from Bermuda, with around 65,000 people, to Pitcairn, with just 54.<sup>62</sup> The British Antarctic Territory, South Georgia and the British Indian Ocean Territory have no permanent populations at all, with the first two inhabited by scientists and the third by the UK and US military. (Akrotiri and Dhekelia are home to 7,500 UK armed forces and civilians, and 10,000 Cypriots.) With the exception of Gibraltar and the Falkland Islands, the BOTs rarely feature in British public discourse. Many, however, could be affected by Brexit.

## Gibraltar

Gibraltar is the only BOT to form part of the EU. In an almost direct inversion of the Crown Dependencies' settlement, it is fully integrated in the bloc, with the exception of the Customs Union in which it does not take part. (This is the one area where the CDs are integrated.) It also has exemptions from the Common Agricultural Policy, Common Fisheries Policy and VAT requirements. To this extent, there is full freedom of movement of people, services and capital, but not of goods,<sup>63</sup> which suits an economy built largely on services – most notably, insurance, investment funds and online gaming. Since 2004, Gibraltar has voted in European elections (where it forms part of the South-West England region), and its citizens will vote in the referendum.

The population of Gibraltar is overwhelmingly in favour of remaining in the EU, with some officials estimating that 90 per cent will vote to do so. Leaving the EU would not simply incur the political and economic turbulence (or turmoil) that the Government predicts for the UK, but could in fact prove devastating for Gibraltar, both economically and constitutionally. Chief Minister Fabian Picardo has said that the loss of free movement of services, in particular, would prove an "existential threat in economic terms".<sup>64</sup> In the same article, he wrote:

For Gibraltar, the disastrous consequences of economic exclusion from our main trading bloc – in our case mostly in financial services – would be compounded by giving Spain a brand new opportunity to lock us out at the border. It is a weapon Madrid has used before, trying to bully Gibraltar into a sovereignty arrangement that would have us abandon our inalienable status as a self-governing British Overseas Territory and become an unwilling part of Spain.

It is well known that [...] José Manuel Garcia Margallo, the current Spanish foreign minister [...] asked officials if he could just close the frontier with

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<sup>62</sup> See HM Government, *supra* n. 45

<sup>63</sup> *Ibid.*, p. 81

<sup>64</sup> 'Brexit' would destroy Gibraltar', Fabian Picardo, *Politico*, 18 May 2016: <http://www.politico.eu/article/brexit-would-destroy-gibraltar/>

Gibraltar. Only Gibraltar's British membership of the EU protected it from such an action.<sup>65</sup>

The key fear in Gibraltar is not that the UK Government will cede the territory to Spain against their will, but that Spain could make life unbearable. Spain closed the border in 1969, and only re-opened it in 1985, shortly before joining the EU. After Spain, apparently arbitrarily, began imposing long delays at the border in 2013, the UK Government requested an intervention by the European Commission;<sup>66</sup> this option would not be available if the frontier became an EU external border, and the Spanish would be free to close it at will. While this would be drastic, a more likely situation could be that closures become randomised or the border becomes 'semi-open', destabilizing the everyday functioning of the territory but without enabling the implementation of permanent contingency plans. The Chief Minister has suggested that "heavily fettered access may actually be worse than isolation".<sup>67</sup> Certainly, any interference with the border would also damage the freedom of movement exercised daily by 10,000 Spanish residents who work in Gibraltar, and on whom a large part of the Gibraltarian economy depends.

Fabian Picardo has even suggested that, post-Brexit, Gibraltar could seek a deeper integration with the single market than the UK would negotiate for itself;<sup>68</sup> but officials express the concern that Gibraltar, with just 30,000 inhabitants, might not be a priority for the negotiating UK Government, and that Spain could conceivably veto any deal that appeared overly generous to the territory. In effect, Gibraltar could become a bargaining chip with which to blackmail the UK, and therefore vulnerable to sacrifice. In such an event, the territory, with little political capital beyond the democratic will of its people, and no acceptable constitutional alternatives, would have no option but to comply.

## Falkland Islands

The Falklands, like the other BOTs besides Gibraltar, are not a part of the EU, but the risks from Brexit – while subtler than in Gibraltar's case – are real.

In line with the other BOTs, the islands' goods gain quota and tariff-free access to EU markets, and the EU accounts for 75 per cent of the Falklands' exports.<sup>69</sup> According to the UK Government, the Falklands' fishing industry – worth between 50 to 60 per cent of its GDP<sup>70</sup> – is only viable thanks to preferential EU access through the rule of origin laws.<sup>71</sup> Crucially, the bulk of this fish – specifically squid and toothfish – goes not to the UK but to Spain, where the market is larger. Without the Falklands' access to the EU, then – which could be significantly cut in Brexit negotiations in return for what the UK considered more

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<sup>65</sup> Fabian Picardo, *supra* n. 64

<sup>66</sup> HM Government, 'Gibraltar-Spain border delays: EU recommendations six months on', 15 May 2014: <https://www.gov.uk/government/news/gibraltar-spain-border-delays-eu-recommendations-six-months-on>

<sup>67</sup> Fabian Picardo, *supra* n. 64

<sup>68</sup> 'What does Gibraltar think about Brexit?', Leana Hosea, *BBC News*, 9 March 2016: <http://www.bbc.co.uk/news/magazine-35743731>

<sup>69</sup> 'Leaving the EU would be disastrous for the Falklands, Gibraltar and Ulster', William Hague, *Daily Telegraph*, 9 May 2016: <http://www.telegraph.co.uk/news/2016/05/09/leaving-the-eu-would-be-disastrous-for-the-falklands-gibraltar-a/>

<sup>70</sup> Falkland Islands Government, 'The Economy', 2 April 2016: <http://www.falklands.gov.fk/self-sufficiency/the-economy/>

<sup>71</sup> HM Government, *supra* n. 45, p. 80

important concessions – this lucrative industry, and the island's economy, would be severely hit.

The EU has offered the islands significant assistance, for example helping to ensure that Falklands slaughterhouses meet EU standards, and thereby facilitating the islands' key livestock industry. The 11th European Development Fund has in addition allotted the territory €5.9 million.<sup>72</sup> While the UK could match this funding, there seems little possibility of it creating a new market for expensive Patagonian toothfish to replace Spain's.

Besides the economic risks, there remains the continued dispute over the Falklands' sovereignty and status. It is only 34 years since the Falklands War, and the islands keenly feel Argentina's ongoing diplomatic and economic pressure. The Falklands are officially designated a non-self-governing territory by the UN<sup>73</sup> – placing them alongside the demonstrably non-self-governing territory of Western Sahara – and they consider that they need every potential hook of international recognition and legitimacy available to them.<sup>74</sup> There is a risk that the islands' status could become a feature of post-Brexit negotiations and in diplomatic relations afterwards: Spain and Portugal have in the past sided with Argentina in the dispute,<sup>75</sup> and if the UK leaves the EU while those countries remain, the bloc's policy could become far more worrisome for the islanders. As former Foreign Secretary William Hague put it:

Whenever an Argentine president launches a new diplomatic drive against the self-determination of the islanders, as the last one did, they receive no hearing at all in European capitals. Remove the obligations to Britain in the European treaties, and a future troublesome president will sense the chance to be bolder.<sup>76</sup>

It is also worth pointing out that the Commonwealth is unlikely to help in this issue. Although the Falklands participates in some Commonwealth institutions, such as the Commonwealth Games, the body is not entirely supportive. Indeed, numerous Caribbean countries have backed Argentina's claim, and agreed to blockade Falklands-flagged ships: another concrete demonstration of why conflicting interests would always prevent a united Commonwealth foreign policy, and why, diplomatically as well as economically, the Commonwealth could never replace the EU.<sup>77</sup>

## Other BOTs

<sup>72</sup> European Commission, 'OCT-EU relations in detail', 17 June 2016: [https://ec.europa.eu/europeaid/regions/overseas-countries-and-territories-octs/oct-eu-relations-detail\\_en](https://ec.europa.eu/europeaid/regions/overseas-countries-and-territories-octs/oct-eu-relations-detail_en)

<sup>73</sup> United Nations Decolonization Committee, 'Non-Self-Governing Territories', 12 April 2016: <http://www.un.org/en/decolonization/nonselfgovterritories.shtml>

<sup>74</sup> N.b. all the BOTs except for the three uninhabited territories and Akrotiri and Dhekelia are listed as 'non-self-governing territories' by the UN, and make up 10 of the 17 listed territories in total. Although they initially formed part of the list along with all of Britain's colonies when the Decolonization Committee was established in 1946, their continued listing ranks as an embarrassment and irritation for the British Government. In the case of the Falklands, it proves an extremely useful diplomatic tool for the Argentine Government.

<sup>75</sup> See, e.g., 'Spain cites Gibraltar in backing sovereignty talks over Falklands', *The Local*, 7 January 2016: <http://www.thelocal.es/20160107/spain-cites-gibraltar-in-backing-sovereignty-talks-over-falklands>

<sup>76</sup> William Hague, *supra* n. 69

<sup>77</sup> 'Caribbean countries back Argentina over Falklands with blockade', Uki Goni, *The Guardian*, 6 February 2012: <http://www.theguardian.com/uk/2012/feb/06/falklands-argentina-britain-blockade>

With the exception of Gibraltar, and unlike many of France's territories which comprise the EU's 'outermost regions', none of the BOTs is part of the EU. They are, however, recognised by the EU as 'overseas countries and territories' (OCTs), and enjoy quota and tariff-free access to the EU under the EU's Overseas Association Decision.<sup>78</sup> They are also entitled to join the EU's targeted free-trade agreements for the African, Caribbean and Pacific (ACP) regions, so-called economic partnership agreements (EPAs), if they choose,<sup>79</sup> and enjoy freedom of movement inside the EU as a result of British citizenship guaranteed by the British Overseas Territories Act 2002<sup>80</sup> – while retaining control over their own immigration policies. In the event of Brexit, the continuation of these advantages would depend on Britain's own settlement with the EU, and on what it would be able to negotiate for its territories.

All of the inhabited territories bar the three richest (Bermuda, British Virgin Islands and Cayman Islands) receive money directly from the European Development Fund, which in the 2014-20 cycle amounts to €76.8 million, in addition to regional funds.<sup>81</sup> They also have access to the Investment Facility and European Investment Bank.<sup>82</sup> It is unclear how far the UK Government would replace any of this money, and indeed, the Government advertises how much the BOTs have benefited from the EU: for example the EU, not the UK, funded St Helena's new passenger terminal to improve the only access to the island, and emergency repairs to Tristan da Cunha's harbour.<sup>83</sup>

Some sources have suggested that after Brexit, the BOTs could seek to form more direct relationships with the EU, or even work more towards self-determination and possible independence from the UK.<sup>84</sup> This, however, would not be possible for the smallest and least developed territories, and so Brexit presents risks to commerce and development, and potentially makes the BOTs even more isolated internationally.

In terms of the Commonwealth, the BOTs are not full, or even associate members – a fact resented by many of their officials – but several do participate in certain institutions, such as the Commonwealth Games and Commonwealth Parliamentary Association. They are also entitled to use the Commonwealth's Small States office in Geneva. However, with their status they have little political influence in the organization, and while the Commonwealth can help them to build trade capacity, it is not in a position to offer development funds, still less privileged access to its members' markets.

## CONCLUSION

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<sup>78</sup> European Commission, *supra* n. 72

<sup>79</sup> HM Government, *supra* n. 45, pp. 36, 43, 80, 81

<sup>80</sup> *British Overseas Territories Act 2002*, ch. 8: [http://www.legislation.gov.uk/ukpga/2002/8/pdfs/ukpga\\_20020008\\_en.pdf](http://www.legislation.gov.uk/ukpga/2002/8/pdfs/ukpga_20020008_en.pdf)

<sup>81</sup> European Commission, *op. cit.*

<sup>82</sup> David Jessop, *Brexit and the UK Overseas Territories*, Caribbean Council, 13 March 2016:

<http://www.caribbean-council.org/wp-content/uploads/2016/03/The-View-from-Europe-Mar13-Brexit-and-the-UK-Overseas-Territories.pdf>

<sup>83</sup> HM Government, *op. cit.*, p. 82

<sup>84</sup> See, e.g., David Jessop, *op. cit.*

It is clear that Brexit could cause political and economic chaos in the areas that its advocates profess to care most about. The Crown Dependencies, and particularly the British Overseas Territories such as Gibraltar and the Falkland Islands, could face devastation if their needs are not met by the British Government during Brexit negotiations – which is far from assured.

Far from Brexit presenting the UK with an opportunity to reconnect or grow closer to the Commonwealth, in the case of Cyprus and Malta, Britain stands to lose friendship and influence among two of its closest EU partners, and in fact pull Commonwealth members further apart – just at the time when the Maltese Presidency of both the EU and Commonwealth offers an opportunity to bring the organizations closer together. In the case of Cyprus, in particular, the close cooperation of recent years could once again be clouded by historic disagreements.

In the case of Cyprus, Malta, the CDs and BOTs, Brexit risks isolating the UK from its nearest neighbours, damaging successful relationships, and introducing discord where there was harmony in both the EU and Commonwealth.



## CHAPTER 4

# THE VIEW FROM THE WIDER COMMONWEALTH: THE UK AS

# AN ENTRY POINT INTO THE EU, THE IMPACT OF BREXIT, AND THE PROSPECT OF FOREIGN POLICY INTEGRATION

"[Remaining in the EU] is good for the UK and it will be good for the rest of the world."<sup>85</sup>

*Datuk Seri Najib Razak, Prime Minister of Malaysia*

## INTRODUCTION

The 50 Commonwealth countries not in the EU do not stand to suffer as much from Brexit as the UK itself. There is no freedom of movement or single market access to lose, nor powers of decision-making in European bodies. Furthermore, their historical and cultural links with the UK guarantee that bilateral relationships are based on more than the EU. (Although the EU link is frequently more important than the Commonwealth one.)

Nevertheless, the vast majority of Commonwealth countries do want Britain to stay in the EU – no Commonwealth leader has yet publicly stated otherwise – and they consider that it is in Britain's interests, and their own, for it to do so. One of the key reasons for many countries is that the UK offers them an entry point or platform into the EU: a trusted friend at the table who is prepared to advocate for their interests.

The 'Commonwealth option' in terms of political alignment – particularly in foreign policy – may appeal to Brexiteers, but not to the majority of governments in the rest of the Commonwealth. The separate countries in the organization have over the last several decades built up strong regional alliances and institutions, frequently with non-Commonwealth states, and also with the EU itself. Commonwealth countries may share a language, elements of culture and legal apparatus, but those are not grounds for foreign policy integration.

This chapter therefore explores the views and orientations in the Commonwealth beyond Europe.

First, it summarises the key ways in which the UK's membership of the EU assists Commonwealth countries regardless of wealth and size – before focusing on the specific area of development, which could be strongly impacted by Brexit.

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<sup>85</sup> Quoted in 'Najib: Brexit will be bad for world economy', A Jalil Hamid, *New Straits Times*, 18 May 2016: <http://www.nst.com.my/news/2016/05/146359/najib-brexiteer-will-be-bad-world-economy>

The chapter then offers an overview of the four regions of the Commonwealth outside Europe, in order of population, to explore more closely the consequences of Brexit, and the ways in which closer integration may or may not be possible. It then offers a conclusion about the viability of a Commonwealth foreign policy. (The trade dimension will be considered in the following chapter.)

Then, given the 'Commonwealth option' premise that the Commonwealth must be the most natural partner for the UK, over and above the EU, this chapter addresses the idea that the UK must also be the most natural partner for the Commonwealth – asking, in effect, if the Commonwealth feels the same way.

## **KEY WAYS IN WHICH COMMONWEALTH COUNTRIES BENEFIT FROM THE UK'S MEMBERSHIP OF THE EU**

British Influence asked a number of Commonwealth diplomats to explain why their governments value and support the UK's membership of the EU. The following responses transcended regional specificities:

- The UK is an entry point and key point of contact for the EU:
  - economically, it provides a gateway to the single market for Commonwealth businesses, and the UK helps 'bang the drum' for them;
  - politically, it frequently takes a lead (informal) role in mediating between Commonwealth countries and the bloc, and ensures that Commonwealth views and interests are taken into consideration during key negotiations and votes;
- for smaller countries, Britain assists their profile on a bigger stage, boosting their global influence and reach;
- richer and poorer countries alike benefit from the UK's push against protectionist elements of the EU in free-trade negotiations, and see the UK as making the EU more economically open;
- Commonwealth countries, as with non-Commonwealth ones, value a strong UK voice in the EU, pooling influence; a UK outside weakens both.

### **Development**

Poorer countries receive billions of euros in aid and investment from the European Development Fund (EDF), into which the UK is paying almost €4.48 billion in the current six-year cycle, or 14.68 per cent of the total.<sup>86</sup>

The EU has been described as the world's largest aid donor, promoting stability, human rights and good governance. The UK is seen by EU Member States as the expert on development, which gives us significant influence over EU development policy.<sup>87</sup>

Poorer Commonwealth countries might also be impacted because it is by no means certain that the UK would re-invest all its EDF money after Brexit. Many pro-Brexit politicians argue that in general the UK should spend less on development aid, whether for immediate economic or more ideological reasons.

Officials from poorer countries have also contended that the ACP, in particular, has become less of an EU priority since enlargement, as many eastern European member states have few links with those states, and consider that development should be focused closer to home. Consequently, an EU lacking the British impetus to focus on the Commonwealth in Africa, the Caribbean and Pacific (and, indeed, the non-Commonwealth) could cause long-term damage in those regions.

It is also useful to note how the Commonwealth Secretariat is working with the EU, through the ACP group, to build trade capacity and assistance on trade negotiations with developing countries. The so-called 'Hubs and Spokes' programme is a key example of how the Commonwealth can combine its technical expertise with the funds available to the ACP, with the UK offering a key bridge between the Commonwealth, ACP and EU.<sup>88</sup> Brexit would potentially make the dialogue between the Commonwealth and EU/ACP much more difficult, which could have negative repercussions for developing countries.

## ASIA

Asia represents only eight (or 15 per cent) of the 53 Commonwealth countries, but 72.2 per cent of the total Commonwealth population. Of this contingent, India, with a population of 1.252 billion people, represents over 75 per cent. The smallest country, Maldives, has just 345,000, or 0.02 per cent of the Asian total.

<sup>86</sup> *Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies*, 2013 OJ L 210/1, p. 3: [https://ec.europa.eu/europeaid/sites/devco/files/internal-agreement-11edf-2013-2020\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/internal-agreement-11edf-2013-2020_en.pdf)

<sup>87</sup> Hugo Swire, *Speech: The EU and the Commonwealth – the UK's place in both*, Chatham House, 25 May 2016, pp. 22-23: <https://www.chathamhouse.org/sites/files/chathamhouse/events/special/2016-05-25-Hugo-Swire-Speech.pdf>

<sup>88</sup> Commonwealth Secretariat, *The Commonwealth in the Unfolding Global Trade Landscape: Prospects, Priorities, Perspectives*, 19 November 2015, p. 114: <http://thecommonwealth.org/sites/default/files/inline/Commonwealth%20Trade%20Review%202015-Full%20Report.pdf>

**India** is by far the Asian powerhouse, with the second-highest gross national income (GNI) in the Commonwealth after the UK.<sup>89</sup> The Indian Prime Minister, Narendra Modi, has stated:

As far as India is concerned, if there is an entry point for us to the EU, that is the UK and that is Great Britain. If we have economic co-operation with any country, then the economic co-operation is with the UK. Yes, we are going to other EU countries as well, but we will continue to consider the UK as our entry point into the EU.<sup>90</sup>

His comments indicate why the Brexiteers' binary of Commonwealth-or-EU is false: the UK's membership of the EU boosts Commonwealth trade links, and the influence of both Commonwealth countries and the UK.

In the event of Brexit, Britain and India's close cultural and commercial ties would be guaranteed thanks to the 793,000 UK residents born in India (more than from any other country),<sup>91</sup> the broader British population with Indian heritage, and, of course, the shared use of English. Certainly, the Indian economy, like most large Commonwealth economies, would not expect to see a sharp hit in the aftermath of Brexit.<sup>92</sup> Nevertheless, Indian businesses could suffer significantly: the Federation of Indian Chambers of Commerce and Industry (FICCI) has warned of "considerable uncertainty" for businesses dealing with the UK,<sup>93</sup> and speculation has focused particularly on Tata Group, which derives the bulk of its profits from the UK.<sup>94</sup> The FICCI has suggested that the UK would become a less 'attractive' investment destination after Brexit, and that manufacturing firms requiring border-free access to the EU would have to relocate.<sup>95</sup> The withdrawal of investment could have serious financial consequences for the UK, given that India currently accounts for the UK's third-largest source of foreign direct investment after the US and China.<sup>96</sup>

In terms of foreign policy integration, the Commonwealth is principally relevant to Asian countries in terms of their regional strategies. Modi, for example, has been pursuing a 'neighbourhood first' policy - but in a sign of the Commonwealth's

<sup>89</sup> World Bank, *Gross national income 2014, Atlas method*, 1 June 2016: <http://databank.worldbank.org/data/download/GNI.pdf>

<sup>90</sup> Quoted in 'Narendra Modi UK visit: Indian prime minister calls UK 'entry point' to Europe ahead of Brexit vote', Ian Silvera, *International Business Times*, 12 November 2015: <http://www.ibtimes.co.uk/narendra-modi-uk-visit-indian-prime-minister-calls-uk-entry-point-europe-ahead-brexit-vote-1528441>

<sup>91</sup> Office for National Statistics, *Population by Country of Birth and Nationality Report, August 2015*, 27 August 2015: [http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171776\\_414724.pdf](http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171776_414724.pdf)

<sup>92</sup> Some economists have suggested that Brexit could cause shockwaves in the global economy, but a global meltdown would appear severely unlikely: see 'Bank of England says Brexit would pose risks to global economy', Andy Bruce & William Schomberg, *Reuters*, 16 June 2016: <http://uk.reuters.com/article/uk-britain-eu-boe-idUKKCN0Z21AF>

<sup>93</sup> Federation of Indian Chambers of Commerce & Industry, *FICCI comments on UK Referendum on BREXIT*, 24 February 2016: <http://ficci.in/PressRelease/2293/ficci-press-feb24-uk.pdf>

<sup>94</sup> 'How Brexit could pound Tata Motors' earnings', Ashutosh R Shyam, *Economic Times*, 24 May 2016: <http://economictimes.indiatimes.com/markets/stocks/earnings/how-brexit-could-pound-tata-motors-earnings/articleshow/52408858.cms>; 'Indian business magnates watching EU debate closely', Justin Rowlett, *BBC News*, 30 March 2016: <http://www.bbc.co.uk/news/world-asia-india-35915389>

<sup>95</sup> 'Commonwealth business leaders urge UK to avoid Brexit', Karin Wasteson, *Expert Investor*, 16 May 2016: <http://www.expertinvestoreurope.com/news/1029249/commonwealth-business-leaders-urge-uk-avoid-brexit>

<sup>96</sup> HM Government, *Inward Investment Report 2014/15*, p. 4: <https://www.gov.uk/government/publications/ukti-inward-investment-report-2014-to-2015/ukti-inward-investment-report-2014-to-2015-online-viewing>

limitations, India's relations with Pakistan and Sri Lanka have remained poor. The Commonwealth as an institution appears to be of limited interest in India; no prime minister has attended a CHOGM since 2009, and some commentators believe that India's size, growth and global profile propel a certain 'Commonwealth-scepticism', in the belief that the Commonwealth needs it more than the other way around. Nevertheless, India is well represented across the various Commonwealth networks.

**Singapore** is the country with the second-highest GNI per capita in the Commonwealth, after Australia.<sup>97</sup> London is a hub for Singaporean business, and Singaporean officials value the UK's global free-trade outlook, which the two countries self-evidently share. Officials emphasise however that the EU elevates that status and does not reduce it - which could therefore necessitate a realignment in the event of Brexit.

It also values its position in the Commonwealth and the role it can play as a richer member, particularly in assisting small states in more vulnerable economic positions. But in terms of foreign policy, it is devoted to the Association of Southeast Asian Nations (ASEAN) above all, and not interested in re-organizing its priorities according to any Commonwealth imperative. It also considers the US a more significant political partner than the EU. Singaporean sources emphasise that the country's regional focus has greatly enhanced its economic success: a salient lesson to those in Britain who intend to disengage from the bloc on their doorstep.<sup>98</sup>

**Malaysia** is another ASEAN member of the Commonwealth (Brunei is the third). The High Commissioner to London has stated that bilateral relations are strong enough to weather Brexit,<sup>99</sup> but the Prime Minister has warned that the British economy will "become less competitive" given the dominant position of services, and that it could have a negative impact on the global markets and economy more broadly.<sup>100</sup>

**Pakistan** and **Bangladesh** stand to lose out from Brexit if the UK does not re-negotiate the preferential trading access these countries currently enjoy under the EBA and GSP+ schemes (see following chapter). Bilateral relations are consolidated around the large diaspora communities in Britain, but Bangladeshi officials have been clear that the economic relationship takes place through the EU.

As far as the Commonwealth is concerned, Pakistan in particular has not had an easy relationship with the organization, at various times both withdrawing and being suspended. Bangladeshi officials, meanwhile, have indicated that the Commonwealth could be a useful diplomatic tool, but not a substantive anchor of foreign or economic policy - a view which, indeed, would be shared by the

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<sup>97</sup> World Bank, *Gross national income per capita 2014, Atlas method and PPP*, 1 June 2016: <http://databank.worldbank.org/data/download/GNIIPC.pdf>

<sup>98</sup> See, e.g., 'Brexit will not make Britain the Singapore of Europe', David Skilling, *Straits Times*, 17 May 2016: <http://www.straitstimes.com/opinion/brexit-will-not-make-britain-the-singapore-of-europe>

<sup>99</sup> 'No direct impact on Malaysia should UK pull out of EU', Bernama, *New Straits Times*, 15 May 2016: <http://www.nst.com.my/news/2016/05/145712/no-direct-impact-malaysia-should-uk-pull-out-eu>

<sup>100</sup> A Jalil Hamid, *supra* n. 85

Commonwealth Secretariat. A feeling persists that the Commonwealth is most useful and valuable in its assistance to small island states, which is obviously not the case for most of its Asian members.

**Maldives** has a strong engagement with the Commonwealth, and the Commonwealth Ministerial Action Group (CMAG) has been discussing the fraught political situation regularly.<sup>101</sup> This is where the Commonwealth could be said to have a 'foreign policy', but it is perhaps not what the pro-Brexit contingent has in mind when it discusses closer integration.

## AFRICA

18 of the Commonwealth's 53 countries (34 per cent) are located in Africa, the largest number of any region. Its population, however, accounts for only 21.5 per cent. Of the African population, 35 per cent live in one country, Nigeria (181m), with the Seychelles accounting for just 0.02 per cent (93,000).

African economies are generally less exposed to EU markets than other countries, and in most cases any direct risk from Brexit is low - although some South African sources have expressed concerns about the impact on their economy, particularly given South Africa's trade surplus with the UK. Regardless, however, African governments and business leaders share the same interests in an engaged UK influencing a stable EU. The chief executive of Business Unity South Africa has called for the UK, inside the EU, to "build a more prosperous Commonwealth, Africa and Europe",<sup>102</sup> while the CEO of the Kenya Private Sector Alliance has suggested that the UK gives the EU a more outward and international focus, which is more beneficial to Africa than an EU that looks in on itself.<sup>103</sup>

The African Commonwealth countries would be highly unlikely to pivot towards the Commonwealth, or more closely integrate with it on policy. The vast majority are focused on their own regions, many of which include non-Commonwealth countries. The Southern African Development Community (SADC), which includes South Africa, and the Economic Community of West African States (ECOWAS), in which Nigeria participates, are the most integrated economically, but in fact all form part of regional groupings which coordinate affairs at different levels.

Beyond a regional focus, the most significant supranational body is the African Union (AU), in which every African country except Morocco takes part. In recent years it has modelled itself closely on the EU, with an African Commission and Executive Council based in Addis Ababa, and the Pan-African Parliament in Midrand, South Africa.<sup>104</sup> The idea of Pan-Africanism is historically closely linked to African liberation movements, and

<sup>101</sup> See Commonwealth Secretariat, 'Extraordinary Meeting of the Commonwealth Ministerial Action Group: Concluding Statement', 24 February 2016: <http://thecommonwealth.org/media/news/extraordinary-meeting-commonwealth-ministerial-action-group-concluding-statement>

<sup>102</sup> 'JCC Joins with Commonwealth Business Groups in Opposing Brexit', *Jamaica Gleaner*, 15 May 2016: <http://jamaica-gleaner.com/article/news/20160515/jcc-joins-commonwealth-business-groups-opposing-brexit>

<sup>103</sup> *Jamaica Gleaner*, *supra* n. 103

<sup>104</sup> African Union, *Pan-African Parliament*, 3 June 2016: <http://www.au.int/en/organs/pap>

the AU eventually intends to bestow it with legislative powers. The AU does already work closely on, for example, conflict resolution and peacekeeping missions, and recent responses to crises in the Central African Republic and Burundi could indicate closer foreign policy harmonization. Although African diplomats, then, indicate that there would be an appetite for closer cooperation with the Commonwealth (or with Britain), certainly in political terms their priorities are already well established, and the future of policy integration is with the AU, and not the EU or Commonwealth.

In terms of the Commonwealth, African officials have praised the organization for its vibrancy and multiculturalism, and many value it more than the ACP. Despite this, however, the ACP's vast endowment from the EU budget ensures that many of the UK's bilateral relations with African Commonwealth countries are conducted through the ACP, rather than the Commonwealth, for pragmatic reasons. These links would have to be recalibrated after Brexit.

In an EU context, Commonwealth ambassadors to Brussels share information, and occasionally build informal Commonwealth caucuses. As regards education, capacity-building and technical assistance, the Commonwealth also offers a direct, English-speaking link which is sometimes more valued, and trusted, than the EU. But this illustrates clearly why the choice between the Commonwealth and EU is invalid for Africa. The continent has to deal with the EU whatever happens - and a necessary partner that also includes a trusted friend is considered safer than if the friend was excluded. African diplomats warn that the relationship with the EU could become significantly harder without the UK.

## AMERICAS

The Americas account for almost 25 per cent of the Commonwealth's 53 countries (13), but just 1.8 per cent of the total population. Canada represents 84 per cent of this total (35 million), and only two other countries (Jamaica and Trinidad and Tobago) claim over 1 million inhabitants. St Kitts and Nevis has a population of just 52,000 people.<sup>105</sup>

**Canada**, while only the tenth-largest Commonwealth country by population (the UK is the fifth), is, holistically speaking, probably the UK's most important Commonwealth partner economically, politically and diplomatically. The UK imports more from Canada than any other Commonwealth country (63 per cent more than from India in the first three months of 2016),<sup>106</sup> and the countries' geographical proximity, close alignment on free-market principles, and shared membership of the G7 (the only Commonwealth countries represented), have helped to cement the strong, Commonwealth-based cultural and historical ties.

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<sup>105</sup> Central Intelligence Agency, 'The World Factbook', 17 June 2016: <https://www.cia.gov/library/publications/the-world-factbook/geos/sc.html>

<sup>106</sup> HM Revenue and Customs, *Overseas Trade Statistics: Top 25 Trading Partners*, 5 April 2016: [www.uktradeinfo.com/statistics/documents/ctys\\_1603.xls](http://www.uktradeinfo.com/statistics/documents/ctys_1603.xls)

Canada's Prime Minister Justin Trudeau has advised that "more unity is a path toward greater prosperity",<sup>107</sup> and that division or separation is harmful. In particular, he remarked that Britain's "clout [is] amplified by its strength as part of the EU".<sup>108</sup> The Canadian Government's concerns are not simply altruistic, however; the UK is by far its most important EU partner, and with Brexit, Canada would lose, as one official put it, a 'key vector of influence', which would be difficult to replace. There are also fears that the EU's impetus on development and climate change would suffer - and that the global security architecture could be substantively impoverished by a UK diminished in stature and leverage.

In an echo of warnings from Indian investors, there are risks that the British economy could lose Canadian investment following Brexit. The president of the Business Council of Canada said that "Canadian companies invest more in the UK than anywhere else in the world except for the US, and they do so in large measure because they consider the UK a gateway to the rest of Europe."<sup>109</sup> Another leading economist speculated that, after Brexit, Canadian investment could be diverted into the EU as "I don't really see a lot of interest in just doing business with the UK."<sup>110</sup>

Canadian officials are enthusiastic about the Commonwealth, which grants the country access to parts of the world with which it would otherwise enjoy few links. Nevertheless, then-Prime Minister Stephen Harper's boycott of the Colombo CHOGM in 2013 illustrates Canada's occasional frustration at the Commonwealth's approach to democracy and human rights, and officials suggest that the organization holds little strategic value. Certainly, it sees no possibility in anchoring its foreign policy in the organization or its members, and its most important political and economic partner will, of course, remain the United States.

The other twelve Commonwealth countries in the Americas - the **island Caribbean states** plus **Belize** and **Guyana** in Central and South America respectively - all form part of the closely aligned Caribbean Community, or CARICOM. Although the EU mission in Jamaica has argued that Brexit would have little impact on that country, the president of the Jamaica Chamber of Commerce has stated that "we consider the arrangement [the UK's membership of the EU] indispensable for Jamaica's economic sustainability and of great importance to the prosperity of our countries", and echoed the familiar (though no less significant for that) argument that the UK serves as an entry point into the EU.<sup>111</sup>

Some Caribbean officials have expressed the view that, although they would not support Brexit from a British perspective, it may offer them an opportunity through enhanced UK investment and involvement. This, of course, would depend on a post-Brexit government consciously investing more money and energy overseas (which would encounter strong

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<sup>107</sup> 'Canada PM wants Britain to stay in European Union', David Ljunggren & Andrea Hopkins, *Reuters*, 20 May 2016: <http://uk.reuters.com/article/uk-canada-trudeau-brexit-idUKKCN0YA2YQ>

<sup>108</sup> *Ibid.*

<sup>109</sup> John Manley, quoted in Karin Wasteson, *supra* n. 96

<sup>110</sup> Jason Myers, quoted in 'Brexit camp can't count on family ties to bind for trade', Wayne Cole, *Reuters*, 15 March 2016: <http://uk.reuters.com/article/us-britain-eu-commonwealth-idUKKCN0WH07U>

<sup>111</sup> *Jamaica Gleaner*, *supra* n. 103

opposition in some political circles), and as those officials themselves point out, British engagement in the region has fluctuated significantly over the past 40 years - strongly suggesting that membership of the EU has not been the determining factor. Needless to say, Britain is free to invest more resources, politically and economically, while remaining a part of the EU – and many Caribbean officials suggest that the UK's membership of the EU in fact makes this easier.

While some Caribbean countries would welcome stronger engagement and closer ties with Britain, that does not equate to deepening political integration with the Commonwealth per se. Countries such as Belize have benefited from UK military assistance, and diplomatic pressure regarding the territorial dispute with Guatemala, but Belize's economic and foreign policies are pivoted towards CARICOM ahead of the Commonwealth. Indeed, CARICOM is developing both a single market<sup>112</sup> and foreign policy,<sup>113</sup> and member states send ambassadors to its Secretariat. Six countries – Antigua and Barbuda, Dominica, Grenada, St Lucia, St Kitts and Nevis, and St Vincent and the Grenadines, plus Montserrat, already form the East Caribbean community, and share a currency and strong political integration, with a Council of Ministers, Assembly and Commission.<sup>114</sup> In terms of foreign policy, regional alliances trump the Commonwealth in the Caribbean as in other places: several countries have sided with Argentina over the Falklands dispute, illustrating the improbability of future political alignment.<sup>115</sup> Thus, while Caribbean officials stress the value they place on the Commonwealth - principally through its strategic and technical support – it cannot replace the regional blocs.

## PACIFIC

The Pacific is one of the most disparate Commonwealth regions in terms of population and development. It accounts for almost 21 per cent of Commonwealth countries (11 of 53), but just 1.6 per cent of the total population – of which Australia, Papua New Guinea and New Zealand make up 94 per cent. Indeed, the median population (Vanuatu's) is just 253,000, and two countries, Nauru and Tuvalu, have only 10,000 inhabitants each.

**Australia** is by far the largest and richest Pacific country, and is the highest-ranked Commonwealth country both by income per capita and on the UN Human Development Index.<sup>116</sup> One of Britain's closest allies, Australia has been unequivocal in its support for the UK's continued membership of the EU. The Prime Minister, Malcolm Turnbull, has emphasised how the closeness of the UK and Australia is "definitely an advantage" in its dealings with the EU, and that it is an "unalloyed plus for Britain to remain in the EU".<sup>117</sup> Australian officials point to the UK's active support of Australian interests in the EU, and describe how the UK has facilitated much of the EU-Australian dialogue and cooperation

<sup>112</sup> CARICOM, 'CARICOM Single Market and Economy (CSME): Overview', 17 June 2016: <http://caricom.org/work-areas/overview/caricom-single-market-and-economy>

<sup>113</sup> See CARICOM Today: <http://today.caricom.org/tag/caricom-foreign-ministers/>

<sup>114</sup> See Organisation of East Caribbean States, 'About the ECS Mission', 17 June 2016: <http://www.oecs.org/about-the-ecs-mission>

<sup>115</sup> Uki Goni, *supra* n. 77

<sup>116</sup> World Bank, *supra* n. 98; see United Nations, *Human Development Report 2015: Work for Human Development*, 28 October 2015: [http://hdr.undp.org/sites/default/files/2015\\_human\\_development\\_report.pdf](http://hdr.undp.org/sites/default/files/2015_human_development_report.pdf)

<sup>117</sup> 'Australian PM: We Would Welcome UK Remaining In The EU', Owen Bennett, *Huffington Post*, 1 May 2016: [http://www.huffingtonpost.co.uk/entry/australian-pm-we-would-welcome-uk-remaining-in-the-eu\\_uk\\_572614dce4b0d6f7bed5fd8a](http://www.huffingtonpost.co.uk/entry/australian-pm-we-would-welcome-uk-remaining-in-the-eu_uk_572614dce4b0d6f7bed5fd8a)

in recent years - a clear example of the UK's membership of the EU further reinforcing bilateral UK-Australian ties as well.

The **New Zealand** Government has also been emphatic in its support of the UK's membership of the EU, despite the Brexiteers' discussion of Britain's 'betrayal' of Australia and New Zealand in 1973. The Prime Minister, John Key, has even remarked that New Zealand would want to join the EU if it was geographically closer:

[...] We certainly think it is a stronger position for Britain to be in Europe. We see Europe as an extremely important continent that needs strong leadership. We think Britain provides that leadership.

As somebody who has lived in the United Kingdom for a long period of my working life, I guess all I would say is if we had the equivalent of Europe on our doorstep, New Zealand as a country would be looking to join that, we certainly wouldn't be looking to leave it.<sup>118</sup>

Both Australian and New Zealand officials have also expressed concern about the uncertainty that would arise in the event of Brexit - both in terms of the free trade agreements which both countries will shortly begin negotiating with the EU, and in the broader political and economic context. This echoes many governments' fears that the EU could be thrown into turmoil after Brexit, with overseas priorities sharply recalibrated during protracted withdrawal negotiations with the UK.

Both countries' bilateral relationships with the UK would remain strong after Brexit, but officials doubt that they would improve. In terms of economic integration, Australia and New Zealand view the EU as the best vehicle for deepening relations with the UK, while politically, both countries have been taking a more regional approach for many years. Cultural bonds count for a great deal, but Australia and New Zealand are firmly oriented towards the Asia-Pacific region and United States.

Certainly, the Commonwealth would not offer an alternative vehicle for political integration: both countries consider it primarily a means of advocating for democracy and human rights, advancing development, and establishing links with countries outside of their immediate neighbourhood. The idea of harmonizing foreign policy would be unthinkable; despite close trans-Tasman economic integration, even Australia and New Zealand have on occasion strongly differed in foreign affairs - for example, in New Zealand's declaration of a nuclear-free zone in 1987.

The **Pacific island states** are generally the group of Commonwealth countries most enthusiastic about the organization, principally because of the invaluable technical assistance they receive as part of the Commonwealth's Small States strategy. Indeed, officials from these states frequently feel that their remoteness has caused them to be

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<sup>118</sup> Quoted in 'John Key eager for Britain to stay in European Union', Nicholas Jones, *New Zealand Herald*, 1 April 2016: [http://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=11615225](http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11615225)

neglected by both the UK and EU, while the Commonwealth's important help with capacity-building, good governance, diplomatic access, and work on climate change, has facilitated their sustainability. Nevertheless, it is important to distinguish between the Commonwealth and the UK; one Pacific island diplomat suggested that, although his country valued the Commonwealth more than the EU for its targeted and sustained cooperation, the UK was appreciated chiefly for its contribution to both organizations, and that in purely bilateral terms the relationship was relatively inconsequential.

Given that it is the EU which disburses the vast majority of development money and not the Commonwealth, Brexit would diminish the UK's influence in the Pacific, while the region's island states would have to deal with the EU without a key ally advocating for their interests.

## FOREIGN POLICY CONCLUSION

Commonwealth countries are motivated by their national interest, and their foreign policies, while sharing much in common, are primarily determined by geostrategic concerns. The Commonwealth cannot offer a coherent foreign policy, and has no intention of trying. Even at the 2013 CHOGM, when foreign policy might have been high on the agenda, the Maltese prime minister noted that leaders were more interested in pursuing bilateral relations than pan-Commonwealth or multilateral initiatives.<sup>119</sup>

There is, of course, a sanctions mechanism in the Commonwealth: Fiji was suspended between 2009 and 2014, which followed the full suspension of Nigeria between 1995 and 1999, and partial suspension of Pakistan between 1999-2004 and 2007-08.<sup>120</sup> Indeed, some larger Commonwealth states have called for this mechanism to be used more widely and forcefully, in order to back up the Commonwealth's key focus on democracy, human rights and the rule of law. But neither sanctions nor the CMAG itself can be seen as viable tools of foreign policy in a greater context. Certainly, any notion that the Commonwealth could develop a coherent foreign policy to, say, rival the EU's CFSP, is mocked by most officials. One diplomat from a major Commonwealth country suggested that a Commonwealth CFSP was less likely than world government.

## UK VERSUS EU: CHOICE FOR BROADER COMMONWEALTH?

It has already been established that, in the event of Brexit, Cyprus and Malta would have to choose the EU over the UK in their political orientation. For the rest of the Commonwealth, outside the EU, the situation may be less certain. In terms of trade - as will be discussed in the following chapter - a market of 508 million people will generally be more attractive than one of 64, despite historical and cultural ties, and the EU will always be a greater investor than the UK alone. In terms of foreign policy, many pro-Leave

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<sup>119</sup> Tarcisio Zammit, *supra* n. 56

<sup>120</sup> Commonwealth Network, 'Welcome to Fiji', 22 April 2016:

<http://www.commonwealthofnations.org/commonwealth/commonwealth-membership/withdrawals-and-suspension/>

advocates suggest that the UK and Commonwealth countries (even if not through the formal institution of the Commonwealth itself) could enjoy much closer integration. But any suggestion that the Commonwealth countries would, or should, choose a post-Brexit UK over the EU is highly suspect, as is the contention that closer political relationships or policy alignment would be more achievable with a UK outside the EU.

The UK might share roots with the Commonwealth, but the EU and Commonwealth countries have in recent years greatly expanded their diplomatic relationships. All except two Commonwealth countries send high commissioners (the Commonwealth equivalent of an ambassador) to London and ambassadors to Brussels, but while two countries combine that role and base the diplomat in London (The Bahamas and Tonga), five post the diplomat to Brussels (Maldives, Samoa, Solomon Islands, Tuvalu and Vanuatu).<sup>121</sup>

From the other direction, the UK currently has 38 high commissions, which also cover the remaining 14 Commonwealth members. The European External Action Service (EEAS), the EU's diplomatic wing, has only five fewer, which are accredited to a further 17 Commonwealth members (the UK, Cyprus and Malta obviously excluded). Significantly, the EU has delegations in two countries where the UK has none: Lesotho and Swaziland. The UK conducts its representations from South Africa in each case, but the fact remains that in two Commonwealth countries - which according to the central principle of the Commonwealth, have equal status to any other - the EU is effectively providing the UK's link on the ground.

A key problem for those advocating the 'Commonwealth option' is their supposition that, because the Commonwealth could take precedence over any other international grouping for a post-Brexit UK, the same must therefore be true of the countries with whom they hope to align. The assumption remains that language, history and common governmental structures must assume primacy over other factors. But Commonwealth countries have not only formed close alliances in other regional groupings; they also take part in other European countries' 'equivalents' to the Commonwealth. Mozambique (which is indeed a Portuguese rather than English-speaking country) is a member of the Community of Portuguese Language Countries, and the International Organisation of La Francophonie boasts no fewer than nine Commonwealth countries - not least Canada, Cyprus and Ghana.<sup>122</sup> A principle of 'allegiance' to the Commonwealth has never been demanded or expected.

It is clear that, just as the UK should not have to choose between the EU and the Commonwealth, the Commonwealth should not have to choose between the EU and UK. Commonwealth governments make clear that they value both, but also do not separate them - and certainly would not wish to see them as competitors. Indeed, a rivalry would never be won by the UK: in terms of money and voice, the UK cannot compete with the EU.

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<sup>121</sup> Kiribati and Nauru have honorary consulates in Britain and no formal representation in Brussels; Maldives has a High Commission in London but it is run by the Deputy High Commissioner; the East Caribbean states of Dominica, St Lucia, St Kitts and Nevis and St Vincent and the Grenadines share an ambassador in Brussels but send individual High Commissioners to London.

<sup>122</sup> See Organisation Internationale de la Francophonie website: <http://www.francophonie.org/Welcome-to-the-International.html>

These countries derive many of their benefits from the UK thanks to its membership of the EU: for example, access to the single market through the UK, or Commonwealth influence on a grander world stage. Similarly, their relationships with the EU are successful partly because of the crucial role played in that body by the UK: for instance, through the UK presenting their positions to the EU Council, or pushing for free trade deals against a more protectionist European wing. Thus the 'Commonwealth option' substantially risks turning cooperation into division, offering an ultimatum to Commonwealth countries that was never requested, and whose answer may not be welcome.

## CONCLUSION

The evidence from Commonwealth countries' officials strongly indicates that the UK provides enormous diplomatic value to them behind the scenes in their dealings with the EU. The UK can only provide this help effectively as a cheerleader inside the bloc. Some of the poorer countries, who depend on the EU for much-needed investment, would feel the impacts of Brexit strongly. Commonwealth countries frequently depend on UK advocacy and are eager that the UK should remain in the EU to continue it. The motifs of the 'gateway', 'entry point' and 'bridge' appear across the interventions of Commonwealth leaders and officials. Far from the EU detracting from Britain's relationships with Commonwealth countries, the UK's membership greatly enhances them. Commonwealth countries will always need to negotiate with the EU, which represents a larger, richer and more powerful bloc than the UK alone. If the UK withdrew from the EU, its relationships and influence in the Commonwealth would be downgraded, and depend increasingly on cultural and historical links. These links may be substantive and even strategic, but will not prevent Commonwealth investors from moving elsewhere in Europe, and will certainly not propel any new meaningful political integration.

The Commonwealth has moved on since the 1970s, and most regions depend far less on the UK than in the past. Each part of the Commonwealth is investing, politically and economically, in regional integration - in which the Commonwealth can play a supporting, but not the leading role. As an institution, the Commonwealth is valued for different strengths by its various members, but no government is prepared to elevate its importance in the event of Brexit. Commonwealth countries have their own foreign policies and political priorities; an attempt to harmonise these across the bloc would not be accepted.

Many Commonwealth officials describe their governments' concerns of new global threats and challenges. A strong UK in a strong EU is well placed to work with Commonwealth countries to address such challenges – for example, in tackling climate change. After Brexit, Britain's voice would be smaller, and could not command the loyalty of the Commonwealth in any putative competition with the EU. The UK could similarly no longer harness the strength and clout of the EU to deliver its own agenda on development and human rights. The EU would still influence the Commonwealth on these

issues, but without Britain's input: the EU will always be a larger investor and donor than the UK alone, and will always have more influence.

A few Commonwealth diplomats privately muse that Brexit might be an opportunity. These officials hail from poorer countries, and base their reasoning on the assumption that Britain would dramatically increase its investment into their regions and migration for their citizens - neither of which proposal appears likely in the post-Brexit political environment, and both of which could be enacted, if the government wished, while remaining in the EU. As the vast majority of governments continue to make clear, a British withdrawal from the EU would not present a meaningful or realistic 'opportunity' for the Commonwealth any more than for Britain itself.

As the Commonwealth Secretary-General Baroness Scotland put it:

Partnership is a much better way forward than separation for any of us [...] the Commonwealth is not diminished in any way by Britain's current position and [...] I haven't heard any Commonwealth country say they have an appetite for change.<sup>123</sup>

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<sup>123</sup> Quoted in William James, *supra* n. 34



## CHAPTER 5

# THE COMMONWEALTH OPTION: A NEW TRADING RELATIONSHIP?

"The Commonwealth does not set itself up in competition with Europe – we are partners."<sup>124</sup>

***Baroness Scotland, Secretary-General of the Commonwealth***

## INTRODUCTION

For most Brexiteers advocating the 'Commonwealth option', the main interest lies in securing a new relationship based on trade, rather than political integration. Such advocates frequently point to the Commonwealth's combined economies having now exceeded the eurozone's, with the projection of exceeding the EU's in the next three

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<sup>124</sup> Quoted in William James, *supra* n. 34

years.<sup>125</sup> Others point to the decline in the EU's share of the UK's total exports, from 54.8 per cent in 1999 to 44.6 per cent in 2014, while the Commonwealth's share is increasing.<sup>126</sup> (As an immediate qualification of this statistic, the actual value of UK exports to the EU in fact increased, while the growth of non-EU markets accounted for the EU's declining share; and the Commonwealth's share of the UK's goods exports increased from just 7.8 per cent to 8.8 per cent between 1999 and 2011.<sup>127</sup>)

Following the arguments already discussed in previous chapters about the Commonwealth being the UK's historical and cultural home (and market), with the EU an apparent culturally alien, economic carcass in the UK's backyard, this logic reaches one of two conclusions: either that the UK should abandon the EU and set its priority on establishing free trade agreements with major Commonwealth economies with whom it shares so much more, or that, far more ambitiously, Brexit should liberate the UK to establish a free trade area across the Commonwealth – or indeed the 'Anglosphere', which normally denotes the Commonwealth plus the United States (and potentially Ireland).<sup>128</sup> In this way, the UK can reconnect with a Commonwealth that it abandoned in 1973, and monetise the close bonds of history, culture, values, and legal and accounting systems, facilitated by the common use of the English language.

British Influence does not hide its support for the UK remaining in the EU, but this chapter will endeavour to address the options for individual FTAs and a Commonwealth FTA fairly and factually.

First, it offers some key facts about the Commonwealth, demonstrating the disparity in wealth and development, and indicating why an economic policy which covered the whole organization would be so problematic.

Second, it examines in detail the current state of free trade between the Commonwealth and EU, demonstrating how the UK is already on the way to building free trade networks with the vast majority of the Commonwealth.

Third, it considers the effect of Brexit on both developing and developed Commonwealth economies.

The chapter then moves to analysing individually the major Commonwealth economies, including the UK's, assessing how their trading relationships might help or hinder a Commonwealth FTA, and for countries outside the EU, a bilateral post-Brexit FTA with Britain.

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<sup>125</sup> World Economics, 'Commonwealth Growth Tracker', 6 May 2016: [http://www.worldeconomics.com/papers/Commonwealth\\_Growth\\_Monitor\\_0e53b963-bce5-4ba1-9cab-333cedaab048.paper](http://www.worldeconomics.com/papers/Commonwealth_Growth_Monitor_0e53b963-bce5-4ba1-9cab-333cedaab048.paper); Tamara Chabe, *supra* n. 1

<sup>126</sup> Office for National Statistics, 'How important is the European Union to UK trade and investment?', 26 June 2015: <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/international-transactions/outward-foreign-affiliates-statistics/how-important-is-the-european-union-to-uk-trade-and-investment-/sty-eu.html>

<sup>127</sup> *Ibid.*; see Grahame Allen, *UK-Commonwealth Trade Statistics*, House of Commons Library Standard Note 12/6497, 6 December 2012, p. 8: <http://researchbriefings.files.parliament.uk/documents/SN06497/SN06497.pdf>

<sup>128</sup> This report does not consider the USA, but it can probably be taken for granted that that country, which has no interest in joining the Commonwealth, would be unlikely to join a Commonwealth free trade area. Ireland remains a member of the EU, which would preclude it from signing a bilateral FTA with the UK or from joining a Commonwealth FTA.

Finally, it explores how Commonwealth countries might develop their trade without recourse to a one-size-fits-all FTA.

## SOME KEY ECONOMIC FACTS ABOUT THE COMMONWEALTH

- Just eight of 51 Commonwealth countries, or 16 per cent (Australia, Canada, New Zealand, Singapore, UK, Brunei, Cyprus and Malta), are considered by the UN to have 'very high' development;<sup>129</sup> 19 (37 per cent) have high development, ten (20 per cent) medium, and 14 (27 per cent) are considered to have a low level of development. As a point of comparison, 26 of the 28 EU countries are considered to have very high development, with Bulgaria and Romania high.<sup>130</sup> Another UN development division considers only six Commonwealth states to have developed economies: in alphabetical order, Australia, Canada, Cyprus, Malta, New Zealand and the UK. This index also considers all 28 EU economies to be developed.<sup>131</sup>
- Only 12 Commonwealth states feature in the top third of countries (71) by total gross national income (UK, India, Canada, Australia, Nigeria, South Africa, Malaysia, Singapore, Pakistan, New Zealand, Bangladesh, Sri Lanka); 26 are in the bottom third.<sup>132</sup> 31 Commonwealth countries are classed as 'small states'.
- Just seven Commonwealth members are in the top 50 countries ranked by income per capita (Australia, Singapore, Canada, UK, New Zealand, Brunei and Cyprus), with a further 10 in the top 100.<sup>133</sup> The average annual income per capita exceeds \$10,000 in 15 Commonwealth states; the Commonwealth median figure – Fiji's – is \$4870.<sup>134</sup>
- While the Commonwealth accounts for around 32 per cent of the world's total population, it accounts for just 14.6 per cent of global exports – of which a half come from Australia, Canada, Cyprus, Malta, New Zealand and the UK.<sup>135</sup>
- In 2011, just six Commonwealth countries accounted for 84 per cent of trade: Singapore, India, Malaysia, Australia, Britain and Canada.<sup>136</sup>
- The Commonwealth is highly uneven in terms of trade with itself. 85 per cent of intra-Commonwealth exports in goods come from just eight of the 53 countries: India, Malaysia, Singapore, UK, Australia, Nigeria, South Africa and Canada. India, Malaysia and Singapore alone account for over half of all this trade.<sup>137</sup>

<sup>129</sup> Nauru and Tuvalu were not included in this index.

<sup>130</sup> World Bank, *supra* n. 98

<sup>131</sup> See Department of Economic and Social Affairs of the United Nations Secretariat, *Country classification*, 14 January 2014: [http://www.un.org/en/development/desa/policy/wesp/wesp\\_current/2014wesp\\_country\\_classification.pdf](http://www.un.org/en/development/desa/policy/wesp/wesp_current/2014wesp_country_classification.pdf)

<sup>132</sup> World Bank, *supra* n. 89

<sup>133</sup> These are: Bahamas, Malta, Trinidad and Tobago, Barbados, St Kitts and Nevis, Seychelles, Antigua and Barbuda, Malaysia, Mauritius, and Grenada.

<sup>134</sup> World Bank, *supra* n. 89

<sup>135</sup> Commonwealth Secretariat, *supra* n. 88, p. 17

<sup>136</sup> 'Commonwealth or Europe? Why a choice?', Sir Ronald Sanders, *Jamaica Observer*, 6 January 2013: [http://www.jamaicaobserver.com/columns/Commonwealth-or-Europe--Why-a-choice-\\_13313896](http://www.jamaicaobserver.com/columns/Commonwealth-or-Europe--Why-a-choice-_13313896)

<sup>137</sup> Commonwealth Secretariat, *op. cit.*, p. 22

- The intra-Commonwealth trade in services is even more unevenly spread, with just five of 53 countries accounting for 81 per cent of the total: the UK (32 per cent), Singapore (17 per cent), India (12 per cent), Australia (11 per cent) and Canada (9 per cent).<sup>138</sup>

Certainly it is true that 2.2 billion people live in the Commonwealth, and it is a young and growing marketplace – but 55 per cent of the total Commonwealth population lives in India alone. The next three biggest countries by far, with populations of 199 million, 181 million and 168 million respectively, are Pakistan, Nigeria and Bangladesh, which together account for almost a further quarter of the Commonwealth.<sup>139</sup> These four countries cannot substitute the EU on their own. India and Nigeria are the second and fifth largest Commonwealth economies, but their citizens earn an annual average of just \$1570 and \$2970 respectively.<sup>140</sup> Bangladesh, Pakistan and India are the seventh, eleventh and twelfth poorest countries in the Commonwealth on per-capita terms, and the UN considers Bangladesh a 'least developed country' (a designation also employed by the EU for trading purposes).

By contrast, the four wealthiest per-capita countries in the Commonwealth besides the UK, namely Australia, Singapore, Canada and New Zealand – the states so often touted as prime candidates for bilateral FTAs – have a combined total population of just 68 million, or 3 per cent of the Commonwealth. This is only slightly larger than the UK's population, and considerably smaller than Germany's (let alone the EU's).

## FREE TRADE BETWEEN THE COMMONWEALTH AND UK AS PART OF THE EU

In order to assess the viability of either a Commonwealth FTA or bilateral FTAs with the UK, it is instructive to consider the extent of free trade that currently exists between the EU, of which the UK naturally forms a part, and the 52 other nations of the Commonwealth. The EU has already implemented, negotiated or is in the process of negotiating free trade agreements with all but five Commonwealth states. In other words, **only 9 per cent of Commonwealth countries are not currently involved in free trade negotiations or agreements with the EU.**

The following table illustrates the current state of free trade between the EU (and therefore UK) and Commonwealth:

Agreements implemented	Agreements negotiated but not ratified	Negotiations for agreements ongoing	Negotiations stalled or in preparation	No current plans for negotiations
Cyprus, Malta (via EU)	Botswana, Lesotho, Mozambique, Namibia, Swaziland (EPA)	Kiribati, Nauru, Samoa, Solomon Islands, Tonga, Tuvalu,	India (FTA, stalled)	Bangladesh (already has unilateral free access via EBA)

<sup>138</sup> *Ibid.*

<sup>139</sup> Population figures taken from Central Intelligence Agency, *supra* n. 8

<sup>140</sup> World Bank, *supra* n. 98

		Vanuatu (EPA)		
12 countries of CARICOM (EPA)*	Ghana, Nigeria, Sierra Leone (EPA)	Malawi, Zambia (EPA)	Australia (FTA, in preparation)	Pakistan (has preferential access via GSP+)
Fiji, Papua New Guinea (interim EPA)	Kenya, Rwanda, Tanzania, Uganda (EPA)	Malaysia (FTA)	New Zealand (FTA, in preparation)	Sri Lanka (has preferential access via GSP)
Seychelles, Mauritius (interim EPA)	Singapore (FTA)			Maldives
Cameroon (interim EPA)	Canada (CETA)			Brunei
South Africa (TDCA)				
<b>TOTAL: 20</b>	<b>14</b>	<b>10</b>	<b>3</b>	<b>5</b>

<b>CETA</b>	Comprehensive Economic and Trade Agreement: specific to Canada, liberalizing trade in goods and services (see below for more details)
<b>EBA</b>	'Everything but Arms': a unilateral trade preference granted to the world's poorest countries, granting them full tariff and quota-free access to EU markets for all their goods except arms
<b>EPA</b>	Economic Partnership Agreement, specific to ACP countries: like an FTA but with fewer demands to liberalise access to markets for EU goods, and more geared towards development (see below for more details)
<b>FTA</b>	Free Trade Agreement
<b>GSP</b>	Generalized Scheme of Preferences: offers developing countries reduced (or in some cases zero) tariffs on two-thirds of export categories
<b>GSP+</b>	an enhanced version of GSP, applied to developing countries with vulnerable and undiversified economies, granting full exemption of tariffs in return for strict compliance with international regulations
<b>TDCA</b>	Trade, Development and Cooperation Agreement: specific to South Africa (see below)

\* Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Lucia, St Kitts and Nevis, St Vincent and the Grenadines, Trinidad and Tobago

## Commonwealth in EU's single market

Cyprus and Malta are the most economically integrated Commonwealth states, both with the UK and each other. As part of the single market, they would be legally unable to sign bilateral FTAs with Britain, or to join a Commonwealth FTA. Therefore **an FTA spanning the entire Commonwealth would be a legal impossibility**. It would also mean that the Commonwealth as an institution could not be involved, as all members must be treated equally. Of course, as the table above illustrates, Cyprus and Malta (and the UK) are already building free trade relationships with almost every Commonwealth country in any case.

## Non-EPA free trade agreements

Free trade agreements have been negotiated with three Commonwealth states: South Africa, Singapore and Canada. Singapore and Canada's are awaiting ratification. Negotiations are ongoing or being prepared with four more states: Malaysia, India, Australia and New Zealand.

**South Africa's** Trade, Development and Cooperation Agreement (TDCA) covers 90 per cent of trade between that country and the EU, and since its implementation in 2000, trade in goods has increased by 120 per cent, and foreign direct investment by 400 per

cent.<sup>141</sup> South Africa is also participating in the EPA with the Southern African Development Community states (see below).

The Comprehensive Economic and Trade Agreement (CETA) with **Canada** was agreed in August 2014, but is yet to be formally ratified. In its current form, it eliminates 99 per cent of customs duties, greatly liberalises trade in services, and significantly dissolves non-tariff barriers to trade (for example in the field of regulation).<sup>142</sup> EU firms will be able to bid for Canadian government contracts. Within seven years of implementation, the EU's exports to Canada are projected to increase by 24.3 per cent, and imports by 20.6 per cent, with GDP increases of £9.1 billion for the EU and £6.4 billion for Canada.<sup>143</sup> The UK Government estimates that the UK alone will increase its GDP by £1.3 billion per year as a direct result of CETA.<sup>144</sup>

CETA, of course, is no substitute for a single market; Canadian officials reject the idea that the Canadian model is an appropriate prototype for Britain to follow after Brexit, not least because the deal largely excludes financial services (a significant part of the UK's economy), and contains rules-of-origin clauses which are currently absent from the UK's trade with the rest of the EU.

**Singapore's** FTA with the EU was agreed in October 2014, and is now awaiting formal approval and ratification by the European Commission and Member States. Trade between Singapore and the EU in goods and services has increased by 17 per cent and 40 per cent respectively since 2008.<sup>145</sup>

A trade agreement is being negotiated with **Malaysia**, with seven rounds conducted to date.<sup>146</sup>

Twelve rounds have taken place to negotiate the FTA with **India**, but there has been a "de facto standstill" since 2013.<sup>147</sup> However, a recent EU-India summit has raised hope that negotiations could shortly be resumed. Needless to say, the agreement will not be concluded for some years.

In November 2015, the EU and **Australia** announced the start of preparatory work for FTA negotiations, following a similar announcement between the EU and **New Zealand** in October 2015.<sup>148</sup>

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<sup>141</sup> European Commission, 'Trade – Countries and regions: South Africa', 13 June 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-africa/>

<sup>142</sup> European Commission, 'Comprehensive Economic and Trade Agreement (CETA)', 2 June 2016: <http://ec.europa.eu/trade/policy/in-focus/ceta/>

<sup>143</sup> European Commission, 'Trade – Countries and regions: Canada', 28 April 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/canada/>

<sup>144</sup> Hugo Swire, *supra* n. 87, p. 18

<sup>145</sup> European Commission, 'Trade – Countries and regions: Singapore', 29 April 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/singapore/>

<sup>146</sup> European Commission, 'Trade – Countries and regions: Malaysia', 29 April 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/malaysia/>

<sup>147</sup> European Commission, *Overview of FTA and other Trade Negotiations*, 7 June 2016, p. 4: [http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc\\_118238.pdf](http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf)

<sup>148</sup> European Commission, 'Trade – Countries and regions: Australia', 28 April 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/australia/>; European Commission, 'Trade – Countries and regions: New Zealand', 29 April 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/new-zealand/>

## Economic Partnership Agreements

The 39 Commonwealth states in the ACP group (who make up almost half of the ACP's 79 states) already enjoy preferential access to EU markets, and they are all negotiating free trade agreements with the EU, as a key plank of the 2000 Cotonou agreement.<sup>149</sup> As stated earlier, this was only possible thanks to the UK's membership of the EU, which brought the ACP into existence.

Economic Partnership Agreements (EPAs) differ from other FTAs in that they are specifically designed for developing states, assisting the diversification of their economies while protecting vulnerable markets from EU competition. They are intended to boost regional infrastructure and trade, as well as trade with the EU; currently, many ACP countries trade significantly more with the EU than with their immediate neighbours.<sup>150</sup> EPAs have faced criticism in some quarters for supposedly disincentivising poorer countries from developing their economies, and for giving European producers an unfair advantage in developing markets, but the European Commission insists that while EPAs grant ACP states immediate full access to EU markets, duty and quota-free, ACP countries will have between 15 and 25 years to phase out tariffs on EU imports, with the most sensitive 20 per cent of goods permanently protected from EU competition, and assistance guaranteed if economies suffer.<sup>151</sup> The EU has also refuted the widespread allegation that processed products from developing states incur higher tariffs than raw commodities.<sup>152</sup>

The EU is (or has completed) negotiating EPAs with seven regions, all of which include Commonwealth members:

The **CARIFORUM** deal (CARICOM plus Dominican Republic), involving 12 Commonwealth Caribbean states and three non-Commonwealth (with access extended to British, French and Dutch overseas territories), was signed in 2008 and is operational.<sup>153</sup> The deal has expanded Caribbean-EU trade to cover services as well as goods, in addition to tackling non-tariff barriers such as competition and environmental and labour standards, and was accompanied by over €145 million in EU funds to assist development and implementation.<sup>154</sup> The EU is the second biggest trading partner for CARIFORUM after the United States.<sup>155</sup>

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<sup>149</sup> European Commission, 'ACP - The Cotonou Agreement', 20 June 2016:

[https://ec.europa.eu/europeaid/regions/african-caribbean-and-pacific-acp-region/cotonou-agreement\\_en](https://ec.europa.eu/europeaid/regions/african-caribbean-and-pacific-acp-region/cotonou-agreement_en)

<sup>150</sup> European Commission, 'Trade – Countries and regions: Africa, Caribbean, Pacific (ACP)', 6 May 2010:

[http://ec.europa.eu/trade/policy/countries-and-regions/regions/africa-caribbean-pacific/index\\_en.htm](http://ec.europa.eu/trade/policy/countries-and-regions/regions/africa-caribbean-pacific/index_en.htm)

<sup>151</sup> European Commission, 'Trade – Economic partnerships', 13 October 2015:

<http://ec.europa.eu/trade/policy/countries-and-regions/development/economic-partnerships/>; see European Commission, *Economic partnership agreements*, 17 February 2016: [http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc\\_151010.pdf](http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_151010.pdf)

<sup>152</sup> European Commission, *Cocoa and Chocolate: trade myths about tariff rates for developing countries*, 9 August 2006:

[http://trade.ec.europa.eu/doclib/docs/2006/august/tradoc\\_129598.pdf](http://trade.ec.europa.eu/doclib/docs/2006/august/tradoc_129598.pdf)

<sup>153</sup> Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Lucia, St Kitts and Nevis, St Vincent and the Grenadines, Trinidad and Tobago; European Commission, 'Trade – Countries and regions: Caribbean', 29 April 2016:

<http://ec.europa.eu/trade/policy/countries-and-regions/regions/caribbean/>

<sup>154</sup> See European Commission, *The CARIFORUM-EU Economic Partnership Agreement (EPA): A new partnership for trade and development – Factsheet: How the EU is putting the EPA into practice*, 2 April 2012:

[http://trade.ec.europa.eu/doclib/docs/2012/april/tradoc\\_149286.pdf](http://trade.ec.europa.eu/doclib/docs/2012/april/tradoc_149286.pdf)

<sup>155</sup> European Commission, *supra* n. 154

The EPA with six countries of the **Southern African Development Community** (SADC) has been negotiated but not yet ratified. All six are Commonwealth members (Angola has the option to join in future): Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland. The EPA will build on the current TDCA with South Africa (see above), for example, protecting geographical names.<sup>156</sup>

The EU and SADC countries enjoy a healthy trade relationship, which is almost balanced in terms of respective imports and exports, and whose surplus has alternated between the two sides in recent years. The EU is the region's largest trading partner (26.4 per cent of total trade), with India (with 6.1 per cent) following China and the US into fourth place. In a sign of the difficulties in establishing continental trade links, let alone across the Commonwealth, the only other African country in the top-ten list is Nigeria in seventh place, accounting for 2.4 per cent of the region's trade.<sup>157</sup>

The EPA with the **East African Community** (EAC), comprising the four Commonwealth countries of Kenya, Rwanda, Tanzania and Uganda (and non-Commonwealth state Burundi) is due to be signed and ratified in October 2016.<sup>158</sup> The agreement pays particular attention to the region's growing integration (with a customs union already in place, a monetary union agreed, and plans afoot for a political federation), and is designed to boost the region's competitiveness and the scale of trade between its countries. Trade with the EU is growing year on year; the EU is the EAC's largest export partner, but India and China are larger trading partners overall because the region imports so much more from them. (The value of the region's imports from the EU are nonetheless 55 per cent greater than the value of its exports.)<sup>159</sup>

The EU and **West Africa** have initialled but not ratified their EPA. Three of the 16 states included are Commonwealth members: Ghana, Nigeria and Sierra Leone (in addition to ex-member The Gambia). The Commission asserts that the EPA will "stimulate investment" and increase development cooperation, as well as building on existing preferential access by liberalizing 'rules of origin', so West African countries can develop and join more supply chains.<sup>160</sup> The EU is the region's largest trading partner, and in 2013 and 2014 West Africa enjoyed healthy surpluses in the relationship. Ghana and Nigeria are two of the region's largest economies and account for a substantial proportion of the exports to the EU.

The EPA with **Eastern and Southern Africa** (ESA) is still being negotiated. It concerns 11 countries, of which four are Commonwealth members: Malawi, Mauritius, Seychelles and

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<sup>156</sup> European Commission, 'Southern African Development Community (SADC)', 10 June 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/regions/sadc/>

<sup>157</sup> See European Commission, *European Union, Trade in goods with ACP – Southern African Development Community (SADC)*, 14 April 2016: [http://trade.ec.europa.eu/doclib/docs/2013/november/tradoc\\_151902.pdf](http://trade.ec.europa.eu/doclib/docs/2013/november/tradoc_151902.pdf)

<sup>158</sup> European Commission, *Economic Partnership Agreement between the EU and the Eastern African Community (EAC)*, 13 October 2015: [http://trade.ec.europa.eu/doclib/docs/2009/january/tradoc\\_142194.pdf](http://trade.ec.europa.eu/doclib/docs/2009/january/tradoc_142194.pdf)

<sup>159</sup> European Commission, *European Union, Trade in goods with ACP – East African Community (EAC)*, 14 April 2016: [http://trade.ec.europa.eu/doclib/docs/2013/november/tradoc\\_151901.pdf](http://trade.ec.europa.eu/doclib/docs/2013/november/tradoc_151901.pdf)

<sup>160</sup> European Commission, 'Trade – Countries and regions: West Africa', 29 April 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/regions/west-africa/>; European Commission, *Economic Partnership Agreement with West Africa: Facts and figures*, 18 September 2015: [http://trade.ec.europa.eu/doclib/docs/2014/july/tradoc\\_152694.pdf](http://trade.ec.europa.eu/doclib/docs/2014/july/tradoc_152694.pdf)

Zambia (in addition to former member Zimbabwe). The region is poorly integrated, which has made the negotiations a challenge.<sup>161</sup> (The Seychelles, for example, is the richest African Commonwealth country based on income per capita, and Malawi the poorest.)<sup>162</sup> Nevertheless, two of the Commonwealth countries in the group, Mauritius and Seychelles, have been part of an interim EPA since 2009, which has granted their exports full duty and quota-free access to EU markets, while allowing them to specify an extensive list of EU imports subject to tariffs in their own countries.<sup>163</sup> This interim agreement will, it is hoped, be replaced by a comprehensive EPA in due course. Trade between the EU and ESA has been growing year on year, and the EU remains the region's largest trading partner.<sup>164</sup>

The EU's ongoing negotiations with the eight countries of the **Central Africa** region affect only one Commonwealth member, Cameroon – which is the only country in the group to have ratified an interim EPA. In addition to trade in goods, this also covers "aid for trade, institutional issues, and dispute settlement".<sup>165</sup> The fact that Cameroon is negotiating a comprehensive agreement with seven non-Commonwealth members demonstrates the primacy of region over Commonwealth in trade deals.

The EPA with the **Pacific** is one of three still to be in the process of negotiation, and of those three concerns the largest number of Commonwealth states, nine – namely, Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu (and a further five states and territories). The agreement is using the Pacific Island Countries Trade Agreement (PICTA) as the basis for negotiation, although the economic, political and logistical difficulties in trading between the disparate islands could demonstrate why negotiations have not yet been concluded.<sup>166</sup> Nevertheless, the two largest economies in the group, Fiji and Papua New Guinea, have both ratified interim EPAs which are now being implemented, with key EU imports protected from liberalization (e.g. meat, fish, vegetables and jewellery) and improved rules of origin designed to boost local fisheries.<sup>167</sup>

This EPA region counts the most Commonwealth countries among its key trade partners, with Australia, Singapore, New Zealand and Malaysia in first, fifth, eighth and ninth place respectively. It has a trade deficit with the EU but surpluses with Australia and China.<sup>168</sup> Reflecting the comments of the Pacific island diplomat in the previous chapter, it is notable that the EU is only the region's fourth largest trade partner; the bloc accounts for just 6.5 per cent of the Pacific's total trade, compared with 23.5 per cent for Australia, 11.7

<sup>161</sup> European Commission, 'Trade – Countries and regions: Eastern and Southern Africa (ESA)', 29 April 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/regions/esa/>

<sup>162</sup> See World Bank, *supra* n. 98

<sup>163</sup> See European Commission, *Economic Partnership Agreement between the EU and the ESA EPA Group*, 20 January 2015: [http://trade.ec.europa.eu/doclib/docs/2012/march/tradoc\\_149213.pdf](http://trade.ec.europa.eu/doclib/docs/2012/march/tradoc_149213.pdf)

<sup>164</sup> See European Commission, *European Union, Trade in goods with ACP – Eastern and Southern Africa (ESA)*, 14 April 2016: [http://trade.ec.europa.eu/doclib/docs/2013/november/tradoc\\_151900.pdf](http://trade.ec.europa.eu/doclib/docs/2013/november/tradoc_151900.pdf)

<sup>165</sup> European Commission, 'Trade – Countries and regions: Central Africa', 29 April 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/regions/central-africa/>

<sup>166</sup> Government of Fiji, 'The Pacific Island Countries Trade Agreement (PICTA)', 2 April 2016: <http://www.mit.gov.fj/index.php/divisions/trade-division/regional-trade-agreement/the-pacific-island-countries-trade-agreement-picta>

<sup>167</sup> European Commission, 'Trade – Countries and regions: Pacific', 29 April 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/regions/pacific/>

<sup>168</sup> *Ibid.*

per cent for China and 10 per cent for Japan.<sup>169</sup> It can be inferred that the UK has a reasonably insignificant commercial role in this region that accounts for 17 per cent of all Commonwealth countries.

### **Commonwealth countries not currently negotiating free trade agreements with the UK/EU**

It has thus been established that the UK effectively has free trade agreements with 20 Commonwealth countries, has completed negotiations with a further 14, and is in the process of negotiating with another 13 – which leaves five countries, none of which would be viable free trade partners for the UK post-Brexit.

**Bangladesh** is one of 14 least developed countries (LDCs) in the Commonwealth, and thus qualifies for the EU's 'Everything But Arms' (EBA) scheme, allowing it full tariff and quota-free access to the EU for all its exports except weapons.<sup>170</sup> Bangladesh is the only Commonwealth LDC not in the ACP group; those countries' trade access will eventually be superseded by the EPAs, which will grant them added free-trade advantages involving, for example, rules of origin, but also require them eventually to open more of their markets to EU imports. Conversely, Bangladesh will be limited to the narrow parameters of the EBA scheme with none of the other advantages or liberalizations afforded by an FTA – but free to maintain full tariffs on EU imports, without any obligation to remove them. **Bangladeshi sources suggest that, for this reason, there is no desire for an FTA** – a move which is unlikely to change with Brexit.

Bangladesh's relationship with the EU remains key. The EU is its largest trading partner, and in 2015 Bangladesh had a trade-in-goods surplus of €12.7 billion with the EU, exporting more than six times as much to the bloc as it imported.<sup>171</sup> It increased its exports to the EU by 143 per cent between 2009 and 2015. Indeed, in 2014 the EU accounted for 22.4 per cent of Bangladesh's total trade, and 46.9 per cent of its total exports – dwarfing its largest non-EU Commonwealth export partner, Canada, which accounted for just 2.7 per cent.<sup>172</sup> In a sign of how difficult a Commonwealth FTA would be, India received just 1.5 per cent of Bangladesh's exports, only a slightly larger share than it took of the UK's exports in the first three months of 2016 (namely 1.2 per cent), despite India and Bangladesh being both neighbours and allies.<sup>173</sup>

**Pakistan** is the only Commonwealth country to benefit from the EU's GSP+ scheme.<sup>174</sup> Whereas the ordinary Generalized Scheme of Preferences (GSP) offers developing countries reduced (or in some cases zero) tariffs on two-thirds of export categories, GSP+

<sup>169</sup> European Commission, *European Union, Trade in goods with ACP - Pacific Countries*, 14 April 2016: [http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc\\_147359.pdf](http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc_147359.pdf)

<sup>170</sup> European Commission, *Everything But Arms (EBA) – Who benefits?*, 10 October 2014: [http://trade.ec.europa.eu/doclib/docs/2014/october/tradoc\\_152839.pdf](http://trade.ec.europa.eu/doclib/docs/2014/october/tradoc_152839.pdf)

<sup>171</sup> European Commission, 'Trade – Countries and regions: Bangladesh', 28 April 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/bangladesh/>

<sup>172</sup> European Commission, *European Union, Trade in goods with Bangladesh*, 14 April 2016: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113349.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113349.pdf)

<sup>173</sup> Although India accounted for 9.4 per cent of Bangladesh's trade overall, given the high volume of Indian exports; HM Revenue & Customs, 'Top 25 Trading Partners – Imports and Exports', 9 June 2016: <https://www.uktradeinfo.com/Statistics/Pages/Monthly-Tables.aspx>

<sup>174</sup> European Commission, *The EU Special Incentive Arrangement for Sustainable Development and Good Governance ('GSP+') covering the period 2014 – 2015*, SWD (2016) 8 final, 28 January 2016: [http://trade.ec.europa.eu/doclib/docs/2016/january/tradoc\\_154178.pdf](http://trade.ec.europa.eu/doclib/docs/2016/january/tradoc_154178.pdf)

offers full removal of tariffs on the same two-thirds of categories for developing countries with undiversified and vulnerable economies, which comply with 27 international conventions on labour, the environment, good governance and human rights.<sup>175</sup> There is no obligation for GSP or GSP+ countries to reciprocate tariff reductions on EU exports. Pakistan's share of the seven largest GSP export categories accounts for almost 95 per cent of its total exports;<sup>176</sup> textiles and clothing make up 75 per cent of its exports to the EU (duty-free), and in 2015 Pakistan enjoyed a €1.6 billion trade-in-goods surplus with the bloc.<sup>177</sup> Echoing the limited regional trade seen with Bangladesh, while in 2014 the EU was Pakistan's largest export market, receiving 24.7 per cent of goods, the only two Commonwealth countries in the top ten were India and Bangladesh at eighth and tenth respectively, accounting for 1.8 and 1.6 per cent of Pakistani exports.<sup>178</sup>

Given Pakistan's undiversified economy and current preferential access for the vast majority of exports, it would appear to have little to gain from an FTA either with the EU or UK post-Brexit. The UK's Commonwealth Minister Hugo Swire has pointed out that the UK pushed strongly for Pakistan's GSP+ status, and that Pakistani exports to the EU rose by over 20 per cent in the first year it applied.<sup>179</sup>

**Sri Lanka** formerly benefited from GSP+, but this was suspended in 2010 as a response to Sri Lanka's apparent failure to honour key human rights conventions. The country nevertheless still benefits from the standard GSP for e.g. clothing and fisheries.<sup>180</sup> The EU remains Sri Lanka's largest trading partner, and in 2014 received 31.8 per cent of the country's exports.<sup>181</sup> Given the political as well as economic context, Sri Lanka would appear to be low down the list of Britain's priorities for an FTA, and it is doubtful whether Sri Lanka would want to open its market to British exports given its current preferential unilateral arrangement under GSP.

**Brunei**, with 430,000 inhabitants, is a wealthy country by per-capita income, but only the 24th largest Commonwealth economy by GNI; oil and gas account for 95 per cent of its exports.<sup>182</sup> In 2014, the EU accounted for just 4.1 per cent of Brunei's trade, and the country only has one bilateral trade agreement – with Japan, its largest partner.<sup>183</sup> Its other FTAs are conducted through ASEAN, which, as already discussed, is the overwhelming priority for that organization's Commonwealth members. Brunei exports

<sup>175</sup> European Commission, 'Generalised Scheme of Preferences (GSP)', 24 May 2016:

[http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/index\\_en.htm](http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/index_en.htm)

<sup>176</sup> European Commission, *Information Notice for countries which may request to be granted the special incentive arrangement for sustainable development and good governance under Regulation (EU) No 978/2012 of 31 October 2012*, 31 October 2012:

[http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc\\_150043.pdf](http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150043.pdf)

<sup>177</sup> European Commission, 'Trade – Countries and regions: Pakistan', 29 April 2016:

<http://ec.europa.eu/trade/policy/countries-and-regions/countries/pakistan/>

<sup>178</sup> European Commission, *European Union, Trade in goods with Pakistan*, 14 April 2016:

[http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113431.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113431.pdf)

<sup>179</sup> Hugo Swire, *supra* n. 87, p. 20

<sup>180</sup> European Commission, 'Trade – Countries and regions: Sri Lanka', 29 April 2016:

<http://ec.europa.eu/trade/policy/countries-and-regions/countries/sri-lanka/>

<sup>181</sup> European Commission, *European Union, Trade in goods with Sri Lanka*, 14 April 2016:

[http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113449.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113449.pdf)

<sup>182</sup> EEAS Delegation to Indonesia and Brunei Darussalam, 'Trade', 18 October 2015:

[http://eeas.europa.eu/delegations/indonesia/eu\\_brunei/trade/index\\_en.htm](http://eeas.europa.eu/delegations/indonesia/eu_brunei/trade/index_en.htm)

<sup>183</sup> European Commission, *European Union, Trade in goods with Brunei*, 14 April 2016:

[http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113360.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113360.pdf); Asia Regional Integration Center, 'Free Trade Agreements: FTA by country/economy', 3 June 2016: <https://aric.adb.org/fta-country>

little to the EU, and would appear to have little to gain from an FTA. The chances of that country conducting a bilateral FTA with the UK, or joining a Commonwealth FTA without the non-Commonwealth ASEAN members, would appear remote, and not a priority for any of the parties concerned. Indeed, the UK Government states that "there is an opportunity to advance UK interests by taking a regional approach in addition to bilateral activities".<sup>184</sup>

**Maldives** has the 15th smallest economy in the Commonwealth, and was considered an LDC until 2013.<sup>185</sup> It is currently implementing just one FTA, namely the South Asian Free Trade Area.<sup>186</sup> The EU is its largest export partner, receiving 43.6 per cent of its exports in 2014, but even this amounted to just €63 million.<sup>187</sup> Certainly, Britain would be at liberty to negotiate a bilateral FTA, but it would be under immense pressure to offer unilateral preferences to its market only; even with bilateral liberalization, the size of Maldives' economy suggests that the rewards would be slim. Moreover, if Maldives did want to negotiate an FTA, the EU could be a likelier candidate than a putative post-Brexit UK: In 2012 and 2013, the country exported more to France and Germany than Britain.<sup>188</sup>

## THE EFFECT OF BREXIT ON DEVELOPING COMMONWEALTH ECONOMIES

For the 42 Commonwealth countries negotiating or implementing EPAs, or benefiting from GSP or EBA in Asia, Brexit could have serious consequences. As discussed in the previous chapter, the ACP pre-dates European enlargement, and the group is already less of a priority for many eastern European member states who have little historical connection to the ACP regions; without the key UK voice, there is uncertainty about the European political will in continuing to nurture future ACP (and Asian) trade and development as a priority. There are also fears about declining EU aid and investment in developing Commonwealth countries.

More specifically in terms of trade deals and GSP/EBA, the UK could lose its access to current arrangements in the post-Brexit negotiations. While this would be more to the UK's detriment in existing or forthcoming deals with e.g. South Korea or Canada, for developing countries the burden could fall entirely with them – in that they could, in the short term, lose tariff and quota-free access to the UK market. Alternatively, they would have to expend time and resources negotiating separate deals with the UK just to maintain the arrangements that they already enjoy. Given the full access to the UK market currently granted to these countries, a UK outside the EU can offer them nothing more.

The UK, for its part, has little to gain after Brexit from these countries, whether or not it chooses to implement free trade deals. If the Government decided to abandon the current negotiations of EPAs or GSP/EBA rules, it could either suspend tariff-free access for

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<sup>184</sup> HM Government, 'UK and Brunei', 18 June 2016: <https://www.gov.uk/government/world/brunei>

<sup>185</sup> European Commission, *supra* n. 171

<sup>186</sup> South Asian Association for Regional Cooperation, 'Agreements', 9 April 2016: <http://www.saarc-sec.org/Agreements/69/>

<sup>187</sup> European Commission, *European Union, Trade in goods with Maldives*, 14 April 2016: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_115812.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_115812.pdf)

<sup>188</sup> Maldives Customs Service, 'Major Exporting Countries: Top 5 Exporting Countries', 31 December 2014: <http://www.customs.gov.mv/majorexportingcountries/>

those countries' exports, which would impose severe damage on developing economies and make Britain deeply unpopular in the Commonwealth, or it could insist on a full liberalizing of its own exports to these nations, which would have a similarly debilitating effect on their economies. Conceivably, the UK could eliminate all tariffs for GSP countries, and/or extend the GSP system, while allowing developing countries to retain tariffs on UK exports, but this would only affect a small number of countries and products, and put UK manufacturers at a competitive disadvantage with their EU counterparts (and perhaps not prove popular with many on the free-market right wing). In terms of the EPA states, the legal expert Steve Peers suggests that the UK would in fact be unable to offer unilateral trade access under WTO rules, and that without duplicating the EPAs, UK exports to developing Commonwealth countries would decline.<sup>189</sup>

## THE EFFECT OF BREXIT ON DEVELOPED OR LARGE COMMONWEALTH ECONOMIES – AND THE UK'S TRADE WITH THEM

For the seven Commonwealth countries negotiating or implementing non-development-focused FTAs – Australia, Canada, India, Malaysia, Singapore, South Africa and New Zealand – the economic effects of Brexit could be significant. In terms of the trade deals, they will obviously suffer from the loss of the UK's share of the EU market – but officials from all the countries insist that their deals with the EU will continue to stand or be negotiated, as applicable (although some of the deals may have to be adjusted to account for the removal of the UK's market).

When it comes to negotiating bilateral FTAs, the governments are clear that the EU, with its market of 508 million people<sup>190</sup> – or even of 444 million people without the UK – is a greater priority than the UK's market of 64 million. Officials vary on the discussions of eventual bilateral FTAs. Some echo President Obama's bald assertion of the UK joining the 'back of the queue', with one senior official describing how the UK would be 'gored' in trade negotiations. Others suggest that they would welcome deals with the UK eventually, but not before their deals with the remaining EU had been completed, and crucially, **not before the UK had completed its post-Brexit negotiations with the EU** – a process which could take several years. Canadian Prime Minister Justin Trudeau alluded to some of the problems when he remarked that there was "nothing easy or automatic" about trade deals.<sup>191</sup>

Clearly Brexit would cause great economic uncertainty, and risk-averse developed countries would want to wait for the dust to settle before determining their own terms for a trade deal. For pragmatic reasons, they would also want to see how much access they could acquire to other markets (not least the EU) before agreeing to begin bilateral negotiations. **One senior Commonwealth diplomat described this as a 'lost generation' for the UK.** Those countries might also approach trade negotiations from a much stronger

<sup>189</sup> 'The EU or the Commonwealth: a dilemma for the UK - or a false choice?', Steve Peers, *EU Law Analysis*, 29 November 2015: <http://eulawanalysis.blogspot.co.uk/2015/11/the-eu-or-commonwealth-dilemma-for-uk.html>

<sup>190</sup> European Union, 'Living in the EU', 5 April 2016: [http://europa.eu/about-eu/facts-figures/living/index\\_en.htm#goto\\_1](http://europa.eu/about-eu/facts-figures/living/index_en.htm#goto_1)

<sup>191</sup> David Ljunggren & Andrea Hopkins, *supra* n. 108

position than the UK: Britain, potentially shorn of any trade deals, and certainly looking to build a large number quickly, could have a key strategic disadvantage, and would either be looking to initiate negotiations, or respond to other countries' overtures on less than favourable terms. (One UK official suggested that the UK could create 'most favoured nation' status for its key trading partners in order to facilitate trade in the short term, but which would further reduce those countries' motivations for FTAs.)

It is perhaps true that it is easier for one country to negotiate a trade deal than 28, with differing economies and priorities; but as several Commonwealth officials have pointed out, it also makes the deal less interesting and attractive. Diplomats from the largest Commonwealth economies have speculated that there is little that they would hope to obtain from the UK in a bilateral trade deal which they could not get from an agreement with the EU – a position which, again, puts the UK on the back foot in future negotiations and grants more political capital to the other side. Similarly, it is not clear what the UK could achieve in bilateral deals that it could not as part of the EU, with a far larger market behind it. Commonwealth business leaders have not only been sceptical about the prospect of FTAs, but suggested that the UK's trade with the Commonwealth could actually decline after Brexit.<sup>192</sup>

There is furthermore no guarantee that negotiations will take significantly less time if Britain is outside the EU; indeed, they could take even longer. For example, Canada and South Korea's FTA came into force 10 years after the launch of negotiations, while the EU's deal with South Korea was applied after just four – and the EU is a far larger trading partner for that country than Canada is.<sup>193</sup>

One further fact remains clear: Britain's imperial history, despite the nostalgia of some in the Brexit camp (and the explicit argument of Boris Johnson), is as unlikely to expedite trade deals with Commonwealth countries as it would be with states such as China or Japan.

## THE UK'S TRADE WITH THE EU AND THE COMMONWEALTH

While the UK could, in theory, push for a Commonwealth FTA after Brexit just as it could push for FTAs with any number of countries or organizations, the key contention of the 'Commonwealth option' – that the Commonwealth could in effect 'replace' the EU in trade – is simply not borne out by the facts.

- In 2014, 44.6 per cent of the UK's exports went to the EU, or almost £227 billion, while 53.2 per cent of its imports (worth £288 billion) came from the bloc.<sup>194</sup>

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<sup>192</sup> Karin Wasteson, *supra* n. 96

<sup>193</sup> Global Affairs Canada, 'Canada-Korea Free Trade Agreement Negotiations', 16 December 2013: <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/korea-coree/info.aspx?lang=eng>; European Commission, 'Trade – Countries and regions: South Korea', 29 April 2016: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-korea/>; European Commission, European Union, *Trade in goods with South Korea*, 14 April 2016: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113448.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113448.pdf)

<sup>194</sup> Office for National Statistics, *supra* n. 127

- Only three of the UK's top ten export partners in 2015 were outside the EU, with the US, Switzerland and China occupying first, third and fourth place respectively (Germany was second); China, the US and Norway were the only non-EU import partners in the top ten list (with Germany the largest source of UK imports).<sup>195</sup>
- In the first three months of 2016, only four Commonwealth countries featured in Britain's top 25 export or import partners. The leading destinations for exports were Singapore (15th), Canada (16th), India (21st) and Australia (22nd), worth 5.4 per cent of Britain's total, or £3.84 billion. By contrast, the top four EU destinations for UK exports (Germany, France, Netherlands and Ireland) accounted for 29.1 per cent, or £20.57 billion.<sup>196</sup>
- In the same period in 2016, the only Commonwealth countries in the UK's top 25 import partners were Canada (14th), India (17th), South Africa (20th) and Australia (22nd). These countries contributed 5.8 per cent of imports, or £6.09 billion. The top four EU sources of imports, conversely (Germany, Netherlands, France and Belgium), accounted for 32.8 per cent, or £34.82 billion.<sup>197</sup>

It is clear that the UK's trade relationships lie overwhelmingly with the EU, with China and the US – neither of them Commonwealth members – the remaining principal partners. Indeed, China is a more valuable trading partner than India, which has a comparable population and location: in 2015 China exported over six times more than India to the UK, and the UK exported 4.6 times more to China than India at the same time.<sup>198</sup> Indeed, UK exports to India were 29 per cent lower in 2015 than in 2011, whereas its exports to China had increased by 106 per cent.<sup>199</sup>

It is of course welcome that Britain is trading more with the Commonwealth, with UK exports increasing by 120 per cent between 2001 and 2011, and imports from the Commonwealth by 55 per cent; but in 2011 the Commonwealth still represented just 8.8 per cent of the UK's export trade in goods, and 10.6 per cent of its imports.<sup>200</sup> This increase also took place while the UK remained a member of the EU, and there is no reason why further increases should not also take place while staying a member – particularly given the expanding free trade network being constructed between the EU and Commonwealth. Germany has overtaken the UK as a trading partner through much of the Commonwealth while remaining an integral member of the EU.

Crucially, being outside the EU does not guarantee increased trade with the Commonwealth; whereas in 1948, the UK's exports and imports to the Commonwealth accounted for 37.9 and 38.1 per cent of its respective totals (significantly less than today's proportions with the EU), by 1972, the year before the UK joined, those figures were 20.5

<sup>195</sup> HM Revenue & Customs, *Overseas Trade Statistics*, 2 February 2016:

[https://www.uktradeinfo.com/Statistics/Documents/Webtbls\\_dec-cum\\_2015.xls](https://www.uktradeinfo.com/Statistics/Documents/Webtbls_dec-cum_2015.xls)

<sup>196</sup> HM Revenue & Customs, *UK Exports General Trade: Top 25 Trading Partners*, 4 May 2016:

[www.uktradeinfo.com/statistics/documents/ctys\\_1603.xls](http://www.uktradeinfo.com/statistics/documents/ctys_1603.xls)

<sup>197</sup> HM Revenue & Customs, *op. cit.*

<sup>198</sup> HM Revenue & Customs, *supra* n. 196

<sup>199</sup> *Ibid.*

<sup>200</sup> Grahame Allen, *supra* n. 128, p. 8

and 20.2 per cent.<sup>201</sup> The Commonwealth's decline and resurgence has nothing to do with the UK's membership of the EU.

In the event of Brexit, the UK would of course do well to engage with Commonwealth countries – particularly Canada, Singapore, India, South Africa and Australia based on the above measures – but under no circumstances could they replace the UK's relationships with the EU.

## **COMMONWEALTH FTA, BILATERAL FTAs OR NONE OF THE ABOVE? A LOOK AT THE DEVELOPED ECONOMIES**

In order to gauge the possibilities of FTAs between the UK and its key Commonwealth partners – or the viability of a Commonwealth FTA – it is necessary to explore the other largest Commonwealth economies, and likely bilateral partners, in greater detail. These are the same countries who currently implement, or are negotiating, non-EPA free trade deals with the EU: Australia, Canada, India, Malaysia, New Zealand, Singapore, South Africa, in addition to Nigeria (which has the fifth largest economy in the Commonwealth).

### **Australia**

In terms of trade, Australia is focused on its own region and not on the Commonwealth. The only Commonwealth country in its top five trading partners is Singapore (5th), with New Zealand, the UK and Malaysia occupying the next places in the rankings. In 2014, Australia's trade was worth 7.3 times more with China, 3.5 times more with Japan, and almost three times more with the US, than with Britain.<sup>202</sup> Although the UK is Australia's second-largest source of services imports (and third largest export destination), and the UK is the second-largest investor in Australia, in some ways it is not even Australia's most important partner in the EU: it imports 11 per cent more in goods and services from Germany.<sup>203</sup> Indeed, while the UK remains Australia's top trading partner in the EU overall, in goods alone, Germany exports more than twice as much to Australia as the UK does, and the UK only exports slightly more than Italy.<sup>204</sup>

Consequently there is little reason to suggest that Australia would wish to privilege the UK over the rest of the EU in future trade deals, still less the Commonwealth. Indeed, the Government's key ambition is negotiating the FTA with the EU by the end of the decade – leaving, if necessary, a post-Brexit UK out in the cold. Certainly, sources indicate that hard-headed economics would take precedence over Commonwealth kinship.

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<sup>201</sup> *Ibid.*

<sup>202</sup> Government of the Commonwealth of Australia, 'Australia's Trade at a Glance: Australia's Trade with the G20', 6 April 2016: <http://dfat.gov.au/trade/resources/trade-at-a-glance/Pages/g20.aspx>

<sup>203</sup> Government of the Commonwealth of Australia, *United Kingdom Fact Sheet*, 22 July 2015: <http://dfat.gov.au/trade/resources/Documents/uk.pdf>; Australian Government, 'Australia's Trade at a Glance: Australia's Top 10 Two-way Trading Partners', 6 April 2016: <http://dfat.gov.au/trade/resources/trade-at-a-glance/Pages/default.aspx>

<sup>204</sup> Government of the Commonwealth of Australia, *op. cit.*, n. 203

## Canada

Canada's largest export-in-goods partners are the US, China and the UK – although it conducts the overwhelming majority of its trade with the US, exporting over 10 times more to that country than the entire EU in 2015.<sup>205</sup> Conversely, the UK is only its sixth-largest import partner, and last year Canada imported 73 per cent more from Germany than Britain. Certainly it is true that Canada enjoys a large trade surplus with Britain (it exports almost double what it imports from the UK), and might therefore be interested in a favourable trade arrangement at some point – but in relative terms the UK still represents a small share of Canada's trade, accounting for just 3 per cent of its exports and 1.6 per cent of its imports (compared with 75.6 per cent and 66.2 per cent with the US). Moreover, the UK's exports to Canada were actually 18 per cent lower in 2015 than in 2011, while Germany's were 40 per cent higher – not an encouraging direction of traffic for Brexiteers placing their faith in the UK's largest trading partner in the Commonwealth.

In terms of the wider Commonwealth, Canada's trading relationships are minor: the only significant partners are India, Australia and Singapore, which last year collectively accounted for 1.5 per cent of Canada's exports, and less than 1 per cent of its imports.<sup>206</sup> It is therefore safe to conclude that there is no 'Commonwealth option' for Canada. Canadian and UK officials stress that the best hope for deeper integration comes from CETA, which promises to boost Canada's trade with the UK and cement a key Commonwealth relationship. Some diplomats, however, have expressed the fear that Brexit could jeopardise or severely delay the agreement, as the EU would have so many other priorities while managing the fallout. Certainly, the Canadian government would not be looking to negotiate a bilateral FTA with Britain in the meantime.

## India

Despite the high level of mutual investment by India and the UK – India is the UK's third-largest source of investment, and India invests more in the UK than the rest of the EU put together<sup>207</sup> – the UK is only India's 12th largest trading partner. India has a large trade surplus with the UK; while in the last year the UK was its fifth largest destination for exports, the UK was only its 23rd largest source of imports.<sup>208</sup> Germany is India's most valuable trading partner in the EU (sixth overall), and Germany exports 133 per cent more than the UK to India.

Nevertheless, the UK and India have been improving their trade relationship, and £9 billion in trade deals were negotiated during Prime Minister Narendra Modi's visit in November – deals which were perfectly possible while remaining a member of the EU.<sup>209</sup> India would

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<sup>205</sup> Statistics Canada, 'Imports, exports and trade balance of goods on a balance-of-payments basis, by country or country grouping', 3 May 2016: <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/gblec02a-eng.htm>

<sup>206</sup> *Ibid.*

<sup>207</sup> Karin Wasteson, *supra* n. 96

<sup>208</sup> Government of India, 'Export-Import Data Bank', 22 March 2016: <http://commerce.nic.in/eidb/iecnttopnq.asp>

<sup>209</sup> HM Government, 'More than £9 billion in commercial deals agreed during Prime Minister Modi visit', 13 November 2015: <https://www.gov.uk/government/news/more-than-9-billion-in-commercial-deals-agreed-during-prime-minister-modi-visit>

be a prime candidate for a bilateral FTA in the event of Brexit – particularly given the sluggish nature of its negotiations with the EU – and indeed, a recent State Bank of India report suggested that the EU deal would be scuppered by Brexit:

If the UK comes out of the EU, then there is no need for this trade deal. Growing discomfort among Indian firms about the existing FTAs, which have led to imports shooting up and Indian businesses becoming uncompetitive, is another reason the government is being cautious while negotiating new trade deals.<sup>210</sup>

However, if the bank is correct, Brexiteers advocating the 'Commonwealth option' would need to look elsewhere, as both the EU and UK would suffer from the absence of a deal. Indeed, UK sources frequently discuss the protectionist and anti-competitive instincts within the Indian economy. A further obstacle to a bilateral UK-India agreement would be India's demand for greater freedom of movement for professional workers, such as in the IT field – a move which would be unlikely to appeal to the anti-immigration wing in the Brexit camp.

In terms of the Commonwealth, there are 12 states in India's top 50 trading partners (and a total of 21 in its top 100). But the difficulty of Commonwealth integration becomes apparent from the rankings: its key neighbours, Bangladesh, Sri Lanka and Pakistan, are India's 28th, 32nd and 48th largest partners overall – or sixth, eighth and twelfth in the Commonwealth. Indeed, India trades more with Nigeria than Bangladesh, and more with Ghana, Kenya and Tanzania than with Pakistan. A Commonwealth FTA would not be impossible, but it would appear highly unlikely, and not remotely a priority for the Indian Government.

## Malaysia

Malaysia enjoys one of the largest surpluses in the Commonwealth<sup>211</sup> but its trade is largely regional. The EU as a whole is its third-largest trading partner, accounting for 9.9 per cent of trade in 2014 – but the UK was actually only the third-largest destination for Malaysian exports in the EU, after the Netherlands and Germany.<sup>212</sup> Although Singapore received 14 per cent of Malaysian exports, the next largest Commonwealth markets, India and Australia, accounted for just 7.7 per cent.<sup>213</sup> Malaysia in fact already has FTAs with these countries – and so it is unclear what the country would gain from a Commonwealth-wide agreement.<sup>214</sup> Certainly, in terms of Malaysia's trade with the UK, perhaps the best chance to deepen relations is for the UK to remain in the EU and push forward the ongoing negotiations for its deal with Malaysia.

<sup>210</sup> 'Brexit can open up opportunities in India: Report', *Economic Times*, 15 May 2016:

[http://articles.economictimes.indiatimes.com/2016-05-15/news/73102141\\_1\\_brexit-sbi-research-report-referendum](http://articles.economictimes.indiatimes.com/2016-05-15/news/73102141_1_brexit-sbi-research-report-referendum)

<sup>211</sup> Commonwealth Network, 'Import and Export', 5 November 2015: [http://www.commonwealthofnations.org/sectors/business/import\\_and\\_export/](http://www.commonwealthofnations.org/sectors/business/import_and_export/)

<sup>212</sup> European Commission, *European Union, Trade in goods with Malaysia*, 14 April 2016:

[http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113416.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113416.pdf); Malaysia External Trade Development Corporation, *Malaysia*

*External Trade Statistics: Trade Performance for the Year of 2015 and the Month of December 2015*, 5 February 2016:

[http://www.matrade.gov.my/en/component/joomdoc/doc\\_download/2829-trade-performance-december-2015-and-january-december-2015](http://www.matrade.gov.my/en/component/joomdoc/doc_download/2829-trade-performance-december-2015-and-january-december-2015)

<sup>213</sup> *Ibid.*

<sup>214</sup> Government of Malaysia, 'Malaysia's Free Trade Agreements', 22 April 2016: <http://fta.miti.gov.my/>

## New Zealand

The third member, after Canada and Australia, of what used to be called (fallaciously then, as now) the 'white Commonwealth', New Zealand is a small country, but important political and economic partner of the UK. The UK is New Zealand's fifth-largest export partner for goods and services, but only its eighth-largest import partner.<sup>215</sup> In the year to March 2016, Germany exported 82 per cent more goods to New Zealand than the UK – although the UK was the largest source of services imports from the EU, and New Zealand's fourth-largest source overall. The contrast with the 1960s is stark: while at the start of that decade the UK took the majority of New Zealand's exports, in the last year just 3.37 per cent of New Zealand's goods were exported to the UK.<sup>216</sup> This will not be reversed by Brexit, and New Zealand officials are clear that their priority for European trade is a deal with the EU (heavily pushed by the UK Government), with or without the UK's involvement. As with Canada, there is also the fear that the uncertainty of Brexit could disrupt that deal.

Seven other Commonwealth countries feature in New Zealand's top 25 list of trading partners (Australia, Singapore, Malaysia, India, Canada, Fiji and Brunei), but Australia is its closest trading partner (although, in a sign of diminishing geographical and Commonwealth relevance, China is close behind). The two countries are highly integrated via the Closer Economic Relations Trade Agreement (ANZCERTA). Some Brexiteers have in fact suggested that the UK could join ANZCERTA,<sup>217</sup> but given the agreement's focus on the geographical proximity of Australia and New Zealand – and the likely opposition of both governments – this seems as unlikely a post-Brexit scenario as a Commonwealth FTA, which would similarly be rejected by the New Zealand government. As with other countries, it conducts its trade with Commonwealth countries based on where they are located and what their markets offer, and not intrinsically because they are a part of the Commonwealth.

## Nigeria

The EU is Nigeria's largest trading partner, and the bloc accounts for 36.6 per cent of the country's exports, but Nigeria exports more (chiefly oil) to Spain, the Netherlands and France than the UK, and imports more from the Netherlands and Belgium.<sup>218</sup> The West Africa EPA is designed to facilitate closer trade between Nigeria and its own ECOWAS region, as well as with the EU, and it is difficult to see how either a bilateral FTA with the UK,

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<sup>215</sup> Statistics New Zealand, *Goods and Services Trade by Country: Year ended March 2016*, 1 June 2016:

<http://www.stats.govt.nz/~media/Statistics/Browse%20for%20stats/GoodsServicesTradeCountry/HOTPYeMar16/gstc-yemar16-tables.xlsx>

<sup>216</sup> Encyclopedia of New Zealand, 'Story: Britain, Europe and New Zealand: Page 3 – Trade', 20 April 2016: <http://www.teara.govt.nz/en/britain-europe-and-new-zealand/page-3>; Statistics New Zealand, *Goods and Services Trade by Country: Year ended March 2016*, 1 June 2016: <http://www.stats.govt.nz/~media/Statistics/Browse%20for%20stats/GoodsServicesTradeCountry/HOTPYeMar16/gstc-yemar16-tables.xlsx>

<sup>217</sup> See, e.g., Tim Hewish, *Old Friends, New Deals: The Route to the UK's global prosperity through International Networks*, Institute of Economic Affairs, 9 April 2014: [http://www.iea.org.uk/sites/default/files/publications/files/Entry220\\_Hewish\\_am\\_web\\_0.pdf](http://www.iea.org.uk/sites/default/files/publications/files/Entry220_Hewish_am_web_0.pdf)

<sup>218</sup> European Commission, *European Union, Trade in goods with Nigeria*, 14 April 2016:

[http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113427.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113427.pdf); Observatory of Economic Complexity, 'Nigeria', 12 April 2016: <http://atlas.media.mit.edu/en/profile/country/nga/>

or a Commonwealth-level FTA, would be either a priority or even in its particular economic interest.

## **Singapore**

Singapore and the UK (as part of the EU) have already agreed upon an FTA, which is as yet unratified. Given that the UK has a trade surplus with Singapore (unlike with Canada, India, New Zealand and South Africa), this deal stands to be highly profitable. Nevertheless, the EU only accounts for 12 per cent of Singapore's goods imports and 8 per cent of its exports, with China and Malaysia significantly bigger partners.<sup>219</sup>

Singapore has already conducted bilateral and regional FTAs with its main partners,<sup>220</sup> including many in the Commonwealth, and the country could be the likeliest of the major economies to sign a boutique FTA with Britain following Brexit – but this would still be subject to the UK's negotiations with the EU, and could take many years to conclude. Again, given its prolific trade agreements with its major partners, it would appear that a Commonwealth FTA would either duplicate existing deals, or cover countries that would hold little economic appeal for Singapore. Certainly, it would not be on the Government's agenda post-Brexit.

## **South Africa**

The UK is South Africa's seventh largest trading partner for both imports and exports, but Germany is by far the more important EU partner: in 2015 South Africa exported over 60 per cent more to Germany than the UK (almost as much as the UK and Belgium combined), and imported almost 250 per cent more from Germany.<sup>221</sup> These imports were worth more than those from the next five EU countries combined (UK, Italy, France, Spain and Netherlands). South Africa's trade is thus far more invested in the EU than in the UK alone, and it seems unclear what South Africa could gain from a purely bilateral agreement with the UK that it does not currently enjoy from the TDCA. South Africa has, like India, been accused of protectionism, which would not bode well for a free-market approach signalled in much of the Brexit campaign.

In terms of the Commonwealth, South Africa is firmly invested in SADC and the Southern Africa Customs Union, in addition to the African Union. Besides India and Nigeria, respectively South Africa's fourth and sixth-largest sources of imports, the majority of Commonwealth trading partners are in SADC. If South Africa is going to extend its free trade arrangements, it will likely be through a continental deal, rather than a Commonwealth one.

## **TRADE WITHIN THE COMMONWEALTH: PRESENT AND FUTURE**

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<sup>219</sup> European Commission, *European Union, Trade in goods with Singapore*, 14 April 2016: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113443.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113443.pdf)

<sup>220</sup> Singapore Government, 'Singapore Free Trade Agreements', 1 June 2016: <http://www.iesingapore.gov.sg/Trade-From-Singapore/International-Agreements/free-trade-agreements/Singapore-FTA>

<sup>221</sup> Government of the Republic of South Africa, 'Trade Data', 7 May 2015: <http://tradestats.thedti.gov.za/ReportFolders/reportFolders.aspx>

The Commonwealth demonstrates enormous disparity in prosperity and development. Its economies have different needs and markets; some are heavily diversified, others depend on a small number of commodities and are considered vulnerable, or have large trade deficits. There are marked regional disparities in goods and services trade: for example, services account for 60 per cent of exports from the Caribbean Commonwealth, and only 13 per cent of the African Commonwealth's.<sup>222</sup> While it is not impossible for a free trade area to include countries with different economies, or with broad surpluses and deficits respectively (the EU is one of them), the imbalances in the Commonwealth are extreme, and made much more difficult by geographical distances and wealth and population inequalities. A key added difficulty would be the fact that in several regions, neighbours sell the same major commodity or service (for example, tourism in the Caribbean, or specific fruits in the Pacific), which is traded with other regions but not among themselves. (The Commonwealth Secretariat's trade capacity-building programmes are helping to address this issue, but a Commonwealth FTA is not the prescribed solution.)

A Commonwealth FTA, or substantive economic integration, would not only take decades to achieve, but could also look like a British assertion of supremacy and dominance, unless it was conducted under the aegis of the Commonwealth Secretariat – which has always insisted that it has no mandate for such an endeavour, nor its members any inclination. A trade area would also have to be horizontal, focused as much on boosting, for example, trade between Caribbean or South Asian countries, as serving one key trade dynamic of the UK on one side and the rest of the Commonwealth on the other.

Commonwealth countries already are trading with one another, and joining larger trading groups; Malaysia, Singapore, Brunei, Canada, Australia and New Zealand all form part of the Trans-Pacific Partnership, for instance.<sup>223</sup> All countries, including Britain, can freely devote themselves to increasing intra-Commonwealth trade, and indeed, 33 out of 53 states have increased their exports within the group by over 10 per cent since 2000, with a further 14 increasing them by five per cent.<sup>224</sup> This is no doubt helped by the Commonwealth Secretariat's finding that the costs of intra-Commonwealth trade are 19 per cent lower than with non-Commonwealth countries, as a result of a common language and legal and accounting systems – and initiatives such as the Commonwealth's Hubs and Spokes programme, not to mention the EPAs themselves, should continue to assist this process.<sup>225</sup>

Further integration could be achieved through a series of boutique intra-Commonwealth arrangements, involving tariff reduction or full FTAs, befitting specific levels of development. Needless to say, none of this has anything to do with the UK's membership of the EU, and requires only the political will of the relevant Commonwealth states.

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<sup>222</sup> Commonwealth Secretariat, *supra* n. 88, p. 20

<sup>223</sup> Office of the United States Trade Representative, 'The Trans-Pacific Partnership', 20 June 2016: <https://ustr.gov/tpp/>

<sup>224</sup> See Commonwealth Secretariat, *supra* n. 88

<sup>225</sup> *Ibid.*, pp. 37, 56, 123

Indeed, the agreements would probably have to be tightly ring-fenced and conducted on a regional basis, which would exclude the UK even if it withdrew from the EU.

# CONCLUSION

The Brexit clamour for British free trade with the Commonwealth is being amply satisfied by the EU. Negotiations are taking place, or have already been completed, with all but five Commonwealth countries, and three of these already benefit from reduced or zero quotas and tariffs on their exports. Without the EU, a British dream of comprehensive free trade with the Commonwealth would be much further away, and far less attractive to Commonwealth countries.

The EU is the only viable route to Britain's free trade with the Commonwealth. There is no political will for a Commonwealth FTA, and little need for one. The Commonwealth's shared cultures can facilitate trade but are not its principal mediator, and the vast majority of Commonwealth economies, large and small, are focused on their neighbourhoods. Not only would a one-size-fits-all Commonwealth FTA prove an unwieldy, fiercely complicated distraction, it would also ignore the widely differing stages of economic development of Commonwealth members, levels of regional economic integration, and trade barriers. An FTA could also seriously disrupt trading relationships – particularly in Africa – which involve non-Commonwealth actors, as well as the evolving single markets of ASEAN and CARICOM.

The prospect of any bilateral FTAs between a post-Brexit UK and Commonwealth countries is remote in the short and even medium term. The fact that Germany is so often a more important EU trading partner for Commonwealth countries than the UK, demonstrates the Brexit fallacy of a Commonwealth waiting to throw in its lot with Britain. Major countries' trade negotiations with the EU could be disrupted and delayed after Brexit, but the UK will almost certainly not be a beneficiary – and indeed, could spend the next decade attempting simply to get back to the FTA negotiating positions it currently occupies.

Commonwealth countries would not prioritise FTAs with the UK alone for the same reason that they want the UK to stay in the EU – so they can have access to a market of 508 rather than 64 million people, in which their voices will be loudly heard and vocally supported. Any Commonwealth members approached by the UK would have the greater political capital and advantage, given that a separated UK would want and need to complete negotiations quickly. While the Commonwealth countries would have lost a significant proportion of the EU, the UK would have lost everything.

As a member of the EU, the UK can continue to push for trade deals that benefit the Commonwealth and open up the EU's markets, and indeed, can help to shape and improve them as well. Developing countries, in particular, will have to deal with the EU with or without the UK's involvement. It therefore remains unclear how having the UK outside such a single market will advantage Commonwealth trade at all. As Carolyn Fairbairn, Director-General of the Confederation of British Industry, put it: "Remaining in the European Union and trading with some of our closest Commonwealth allies are not mutually exclusive – they are mutually reinforcing."<sup>226</sup> Truly, the best of both worlds.

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<sup>226</sup> Quoted in Karin Wasteson, *supra* n. 96





# GLOSSARY

<b>ACP</b>	African, Caribbean and Pacific group of states
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>AU</b>	African Union
<b>BOT</b>	British Overseas Territory
<b>CARICOM</b>	Caribbean Community
<b>CD</b>	Crown Dependency
<b>CETA</b>	Comprehensive Economic and Trade Agreement: specific to Canada, liberalizing trade in goods and services
<b>CFSP</b>	the EU's Common Foreign and Security Policy
<b>CHOGM</b>	Commonwealth Heads of Government Meeting
<b>CMAG</b>	Commonwealth Ministerial Action Group
<b>EAC</b>	East African Community
<b>EBA</b>	'Everything but Arms': a unilateral trade preference granted to the world's poorest countries, granting them full tariff and quota-free access to EU markets for all their goods except arms
<b>ECOWAS</b>	Economic Community of West African States

<b>EDF</b>	European Development Fund
<b>EPA</b>	economic partnership agreement, specific to ACP regions: like an FTA but with fewer demands to liberalize access to markets for EU goods, and more geared towards development
<b>ESA</b>	Eastern and Southern Africa (EPA region)
<b>EU</b>	European Union
<b>FTA</b>	free trade agreement
<b>GNI</b>	gross national income
<b>GSP</b>	Generalized Scheme of Preferences: offers developing countries reduced (or in some cases zero) tariffs on two-thirds of export categories
<b>GSP+</b>	an enhanced version of GSP, applied to developing countries with vulnerable and undiversified economies, granting full exemption of tariffs in return for strict compliance with international regulations
<b>LDC</b>	least developed country
<b>SADC</b>	Southern African Development Community
<b>TDCA</b>	Trade, Development and Cooperation Agreement: specific to South Africa



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