



# The Bottom Line

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## IS BREXIT IN DANGER OF FAILING?

### Summary

Almost eleven months into Brexit, significant issues remain unresolved between the U.K. and E.U. British Prime Minister Boris Johnson has threatened to suspend parts of the Northern Ireland Protocol, and the E.U. has mulled terminating the agreement if that happens.

### Background

The U.K. formally left the E.U. on January 31, 2020. A year of 'transition' followed to allow each of the parties to prepare for post-Brexit realities. The negotiations did not stop during the transition, however. At the heart of the disagreement was the E.U.'s insistence that if Britain wanted tariff-free access to its single market of almost 450 million people, it could not be allowed to dramatically undercut the European economic model, with its strict standards on workers' rights, climate change, and subsidies. If Britain did significantly undermine the "level playing field," its market access should be curtailed. After almost 50 years of membership of the European club, Johnson wanted sovereignty, pure and simple. The final agreement contained provisions and oversights that are creating difficulties for the U.K. now.

At the heart of one issue is the Northern Ireland Protocol, which was included in the Brexit deal to avoid returning a physical border between Northern Ireland, which is part of the United Kingdom, and Ireland, which is a member of the European Union.

The European Union worried that a physical barrier could once again become a source of tension. As a result, it would not agree to police the border between Ireland and Northern Ireland to protect the integrity of the E.U. market. Johnson, who helped lead the campaign for Brexit, instead agreed that Northern Ireland would remain subject to E.U. market rules and check goods flowing from the United Kingdom to Northern Ireland.

### Current Status

Europe has been Britain's most important export market and its most significant source of foreign investment, and E.U. membership helped London cement its position as a global financial center. For decades, British companies could move goods to and from the European Union without taxes or tariffs. People could move freely, too. But as 2021 began, business changed for many — and most benefits of a 'Global Britain' so far remain theoretical. The Office for Budget Responsibility has said it expects

little effect from new trade deals, and Mr. Johnson's attempt to show diplomatic dynamism at a summer Group of 7 summit in England was marred by arguments over Northern Ireland. E.U. officials have repeatedly rejected the U.K. call for a renegotiation of the Northern Ireland Protocol.

Under the terms of Johnson's agreement with the EU, Northern Ireland remains in the E.U.'s single market, with a customs border in the Irish sea. The two sides are currently in intense negotiations after the E.U. put forward a series of proposals to break months of deadlock over the protocol. The E.U.'s proposals would slash most inspections between the two territories and ease imports of goods, including chilled meats, sausages, and medicines. The British submission rewrites aspects of the protocol, including rules governing state aid and the movement of goods. Should the U.K. stick to its position that the top E.U. court should have no role in Northern Ireland's trade affairs, then a deal is unlikely, one of the people said.

### Impact

Stephen Kelly, chief executive of Manufacturing NI, which represents 5,500 Northern Irish firms, says that "not one" of his members has raised the obscure question of the government's attempt to remove the European court of justice (ECJ) as arbitrator of trade disputes. If Britain does follow through on its threat, then the E.U. would be able to justify terminating the trade agreement by pointing out that it had insisted from the start that a deal on Northern Ireland was a necessary condition for any trade accord. Shutting down the trade accord sealed on Christmas Eve last year would play havoc with a British economy already plagued by supply shortages. It would also impose costs on European businesses with clients in the U.K.

Before a September meeting with Boris Johnson, President Biden issued a fresh warning to the U.K. that peace in Northern Ireland must not be jeopardized due to complications caused by Brexit. He made it clear he had concerns about the Irish border amid continuing issues with Northern Ireland Protocol. Moreover, it's clear from both sides that there is no rapid path to a trade deal — the opportunity that used to be lauded by Brexiteers and by President Trump.

### RESOURCES

[EU Mulls Terminating Brexit Trade Deal if U.K. Rift Deepens](#) (Bloomberg/Yahoo! Finance)

[The Tories are Sacrificing Northern Irish Businesses on the Altar of Brexit Purity](#) (The Guardian)

[What Is Brexit? And How Is It Going?](#) (The New York Times)

[Joe Biden Plays Down Chances of UK-US Trade Deal](#) (BBC News)