

Center for Strategic and International Studies

TRANSCRIPT

The Truth of the Matter

“Brexit: What Happens Next?”

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Bob Schieffer: I'm Bob Schieffer.

Andrew Schwartz: And I'm Andrew Schwartz, of The Center for Strategic and International Studies, and this is The Truth of the Matter.

Bob Schieffer: This is the podcast where we break down the policy issues of the day. Since the politicians are having their say, we will excuse them with respect, and bring in the experts, many of them from the CSIS, people who have been working these issues for years.

Andrew Schwartz: No spin, no bombast, no finger pointing, just informed discussion.

Bob Schieffer: And to get to The Truth of the Matter on what is happening with Brexit, we'll talk with CSIS's Heather Conley. Ms. Conley is the Senior Vice President for Europe, Eurasia and the Arctic, and Director of the Europe Program at CSIS. Prior to joining CSIS, as a senior fellow and Director for Europe in 2009, Conley served four years as executive director of the Office of the Chairman of the Board of the American Red Cross.

Bob Schieffer: Thank you Ms. Conley for being with us today. Let's talk about what happens now that Brexit has happened.

Heather Conley: Well, it's great to be with you both. So in some ways we have been focusing on Brexit for three and a half years, ever since the June 2016 referendum. We've had our ups and our downs, we've had general elections, we've had votes in parliament that have gone wrong, we have new prime ministers. And you sort of feel like we just sort of stagger across this finish line because on Friday, January the 31 at 11:00 PM in the UK, the UK will formally leave the EU. And in some ways, it sort of feels like a letdown that this is happening, in part because, really, nothing happens at 11:01 PM. Because 2020 is basically a year of transition, meaning that everything sort of stays the same, and then there's a year for the UK and the European Union to negotiate a new future trade relationship. So everything changes and nothing changes on the 31st.

Heather Conley: And the other part where I think this is a little bit of a letdown in some ways, UK Prime Minister Boris Johnson is basically trying to stop the talk about Brexit. Brexit is done, he got that over with, that was dusted and done. He wants to focus on the UK internally. He wants to focus on helping schools and hospitals and policing, and helping the voters that voted him into power with an enormous majority in the House of Commons, they were a lot of votes from the opposition party, and he wants to focus on them to basically realign the United Kingdom politically.

Heather Conley: But we're not done yet. For my friends and fans of Brexit, it's going to be a monumental year because the UK has to make so many important choices about its future economic orientation, and we don't quite yet know what those choices will be. But what UK officials are telling us, is that they are not going to comply with EU regulations and standards. They're going to

diverge. They're going to take their sovereignty, and they're going to choose some different paths, which will have enormous ramifications for the British economy, certainly next year.

Bob Schieffer: Yes, I think you and I have talked about before, at CBS, we always had this rule, what does it mean for us? Why should we care about this story? Why should the United States care about this? How's it going to affect our relations?

Heather Conley: It's always where we begin. What is important to US interest? So the United Kingdom is the United States' closest intelligence, security and defense partner. That is a relationship that has grown over the last hundred years. We have a strong economic relationship, and of course we have the cultural impact. So the UK is a very important partner to the United States globally, and we've always relied on the United Kingdom to help encourage Europe, the European Union in particular, to be strong, market-oriented, globally active, whether that's in foreign and security policy or international aid and development. We've always used that partnership and leveraged it really across Europe.

Heather Conley: And now that's going to change. We'll have a strong bilateral relationship with the United Kingdom, but in fact, that bilateral relationship may in itself be transformed quite a bit because this year lots of encouraging talk coming from both Washington and London about a new US-UK free trade agreement, and that's what our US Trade Representative Office wants to focus on. So we may reorient that economic relationship, make it stronger potentially. And the intelligence relationship has really undergone quite a bit of challenge because of the decision that the United Kingdom just made about 5G and Huawei, which after much barking from this administration and threatening that the US would withhold any intelligence sharing with the United Kingdom should they allow Huawei into the UK telecommunications system, that they would stop that. Well, the UK just announced that they are going to allow Huawei to develop at least 35% of the telecommunications backbone, the non-core, and monitor the rest.

Heather Conley: Secretary of State, Mike Pompeo, is in London on January 30 trying to get them to reverse that decision or maybe make a different decision. But there's some sovereignty here. The UK is certainly making some decisions. Some are supportive of the US, some are not.

Bob Schieffer: But this whole situation with Huawei, which is this enormous Chinese company, we're trying to decide how do we deal with Huawei. Just talk a little bit about what this company is, what the dangers of dealing with it are, and what are the advantages of dealing with it.

Heather Conley: Sure. So in many ways this has been ... Huawei, because it has made enormous commercial inroads into Europe, also to the US, it's certainly part of some of our telecommunications infrastructure, it was a very cheap alternative. The problem is, once it is in the network and the software

integration and updates, the United States has profound questions about China's ability to survey and to tap all of that data that's being transmitted on those networks.

Bob Schieffer: In other words, to just kind of find a back door into our internet-

Heather Conley: Completely. Completely.

Bob Schieffer: ... and all of the things like our electric grid.

Heather Conley: Yes, exactly. And it's because ... In some ways, Europe is a little behind in those important telecommunications updates and advances to really be as prepared as possible for the digital economy and to receive all the benefits of that. And so it's already in the system and now they want to grow it and advance it. The US has really had a very strong message for all of our intelligence sharing partners and allies in the so called Five Eyes group, as well as our NATO partners, to say we're not sure we can trust sharing information if your systems are compromised.

Heather Conley: So it was a very robust, diplomatic demarche to the British and quite frankly, they've been pretty consistent in saying we do not accept your premise that we have to rip out all of the Huawei introduced infrastructure hardware and software, that we can monitor it. But in concession to the US, the UK said, "We're not going to ... Some of our core, critical infrastructure, some of those core communications that support intelligence sharing and the most classified information, we're not going to allow Huawei in that. But we'll allow more of the commercial, non-core element of it to 35%." And then the UK feels very confident that it can monitor Chinese behavior and activity in that 35% to make sure that it does not do anything untoward.

Heather Conley: Now, we're all over the place. We have Australia, New Zealand, the Czech Republic, some allies who just completely removed Huawei out of their system. But the UK now has provided sort of this third way, and the European Union is wrestling with this issue. They just set out some guidelines. The Germans have yet nationally to pronounce on this. And in some ways, the UK decision here is going to allow all of our allies to say, "Okay, if the US doesn't really hit the Brits very hard on this decision, this is okay then." So it actually ... The US really threatened the UK and if there's not going to be any action, I'm not a proponent of that, but I'm just saying if we don't follow through on our threats, it sends a message to all the other allies, "Oh, we're all bark, we're not going to bite. And the UK has basically found a way that we can all allow Huawei into our system in a way that the maybe the US will find acceptable." So it's a really, really big decision, and the pressure that the US applied to the UK was pretty extraordinary.

Bob Schieffer: Let's bring in Andrew.

Andrew Schwartz: Bob, thank you. And Heather, thanks for being here with us. I think you're our most frequent guest on The Truth of the Matter, which is a great thing for me and Bob.

Heather Conley: Well, thank you. You're very kind. Always invite me back. Lots to talk about.

Andrew Schwartz: There's so much to talk about in your space. Your spaces, I should say. You cover so much of the world.

Heather Conley: My empire.

Andrew Schwartz: Let me ask you about this. Immigration was a massive issue in inciting Brexit in the first place. Do we have a clear understanding of how the British immigration system is going to shape up following Brexit?

Heather Conley: It's still a very powerful point of discussion. And again, just to back up a little bit, the United Kingdom is not part of the Schengen process, meaning that the UK decides who comes into its borders outside of the European Union. But as a member, last day as of January 31, of the EU, they allowed all the EU member states, their citizens, to travel freely and work. And of course when the Central European countries were welcomed into the European Union in 2004, you saw a pretty significant increase of Polish citizens, and Romanian, Bulgarian. Again, English-speaking, great universities, a very thriving service sector, all of those things very important. And so it was internal EU migration that really was the challenge. The UK itself, they had put targets and limits on allowing migration and they never were able to achieve those. It was sort of a governing failure.

Heather Conley: And so when the 2016 referendum was held, of course that was the outgrowth and outpouring of the 2015, 2016 migration crisis, where over nearly 2 million people came to Europe, mostly Syria, but also Afghanistan, Pakistan, some from Africa, and this was used from posters, "We have to stop this migration crisis." But the UK had absolute control over that, unlike the other EU countries. But it was used very powerfully as a fear factor. Now, fast forward three years from now, as the UK is deciding its economy, it needs high skilled labor, it needs that powerful force to propel its economy. So it's now contemplating having an Australia type of migration system, which is basically a point system. Meaning those highly skilled migrants, that you, if you are have skills that match with jobs in the UK, that will be encouraged.

Heather Conley: But in the meantime, they're still, even though there was agreement between the European Union and the United Kingdom on EU citizens that are staying in the United Kingdom, and British citizens that are in the EU, they have agreed to those citizens' rights. It's still unclear whether the UK, quite frankly, can really manage its own migration system in light of all the structural changes that have to occur very rapidly. So still an issue, still important. But in some ways, it was really ... The migration crisis was used

inappropriately for the referendum, but fear motivates and it was a very powerful motivational factor in the decision to leave the EU for sure.

Andrew Schwartz: Recently there was a report released by the Migration Advisory Committee. What were some of its findings?

Heather Conley: Again, this gets to The Truth of the Matter. What is fact, and what is being used for fear? And again, what this demonstrates is that the UK government has had a difficult time managing the numbers and keeping them manageable. At the meantime, its economy needs that high skilled labor. How do you manage those two dynamics? There's also challenges, and certainly the UK has suffered greatly from violent extremism, homegrown terrorism, trying to manage that as well. So you have all of these forces, they know they need a stream of migration to keep their economy humming, they have to control that, but finding that balance is so, so difficult, and I think that's what that study really suggests.

Bob Schieffer: There's going to have to be a trade agreement with the United States and a lot of people say, "Well that's going to be very easy. The United States and Britain have this special relationship."

Andrew Schwartz: Both leaders have similar haircuts.

Bob Schieffer: Yeah.

Heather Conley: [inaudible 00:13:27].

Bob Schieffer: I've never heard of a trade agreement that was easy. What do you think? For one thing, drug prices, taxes on corporations, high tech companies, I think there are a number of things that are going to be a difficulty for both sides to come to an agreement, and even though both sides know they need this agreement.

Heather Conley: You're absolutely right. There is no such thing as an easy trade agreement. Even when the sides are very dissimilar and one is overwhelmingly more powerful than a smaller economy, they are still difficult. So I think it's important that there is a strong US-UK free trade agreement at the end of this process. It won't be easy. We can talk about the timing of what can happen this year as opposed to in the future. Because we want to make sure our strongest security, defense, intelligence partner, we have a strong and robust trade relationship. Over the last several years there have been a series of working group meetings between the UK trade officials and again, the UK had to find trade negotiators. They haven't had to negotiate a trade agreement in 40 plus years because as a member of the EU, the European Union is the trade negotiator on behalf of all the EU.

Heather Conley: So first of all, it was finding the human capital to negotiate all of these trade agreements. So the US and UK have formed working groups, they have been working on the foundations of this agreement, so some of the spade work

has been done. But the US will not really be able to negotiate on some of the key issues until we know how the UK and the EU are going to proceed in the future. Because if the UK decides that it wants to stay in pretty good trade alignment with the European Union, all of the standards, all the regulations, environment, that's going to limit the ability for the United States to negotiate a robust, deep trade agreement. And in some ways it'll feel a little bit like the US and the EU negotiating a trade relationship. But if the UK decides to really scrap, in many ways, its trade relationship with the EU because it wants to completely go in a new direction, there are opportunities in the US-UK relationship. But we aren't going to know that until they make some preliminary decisions about their future relationship with the EU.

Heather Conley: Now this, all trade is politics, as we know here in the United States. We have a very rambunctious political conversation about the benefits of trade. The US-UK free trade agreement became very politically potent in the last UK general election because, and this is where I think this year of discovery that will be 2020 for the UK, I think they're going to find out they're actually more European in their preferences. They don't want US hormone beef, they don't want our poultry chickens, they don't want some of the US trade practices, which their perception is, I'm not speaking of reality, it is of a different standard than what they're accustomed to. They actually want European standards. This became a big issue in the election, so this is going to be very hard because the US is going to be a very, very tough trade negotiator, and they are going to want the UK to go on their side of it on agriculture, on everything's on the table. US wants to maximize its trade benefits.

Heather Conley: At the same time, the EU is going to be playing really hardball with the UK because the moment they start diverging, particularly if they do it even in this year, in this transition period, you can see the EU starting to sanction the UK for unfair trade practices. So this could be like a double whammy of both the EU hitting the UK, the US using its muscularity to force it to do things. The UK just has a lot of big decisions to make. It's really important to know that the UK's economy is oriented towards Europe. 43% of UK exports go to the EU. So if they decide to diverge, which again, political signaling telling us that they're going to, this is a pretty profound reorientation of the UK economy. We don't know what that means for supply chains, and if the EU plays really hardball, for instance, not giving adequacy to the UK on data sharing, their companies aren't even going to be able to share data. So I mean this could get very rambunctious and it will deeply impact what the US could negotiate down the road.

Bob Schieffer: Well, just to underline the enormity of what's ahead, let me just read you something. The Financial Times counted more than 750 treaties running to hundreds of thousands of pages and spanning 168 non-EU countries. That's what's coming here. This is not going to get done in a year. I mean, don't most trade agreements take about seven years?

Heather Conley: That is the average lifespan, yes. What the UK is hoping to do, is do some immediate rollovers. So all the, at least the negotiated agreements with the EU. So basically what the UK would say is, "We accept ... It'd be the exact same trade relationship, so you're just rolling it over and you're scratching out the EU and putting the UK. We'll agree to all of that." But that only works if the UK is going to remain in alignment with the EU on its trade regulations and standards. So that's sort of the consequence of choice here, is if they don't, then they can't roll them over. The other trading partner, again, putting ourselves in the US position, look, if we can wait and hold out and get better trade concessions from the UK, if they all have really made some big decisions, our position may be stronger. So the Canadians also were sort of waiting to see, "Well, let's see if we have trade advantage depending on what the UK does with the EU."

Heather Conley: So that wonderful Staples' big red button, they just press, "Easy." Every political figure says, "This is easy, this is easy, this is easy."

Andrew Schwartz: Yeah, the easy button.

Heather Conley: It's never easy. Trade is so complicated and there's so many constituencies, and in particular on agriculture, the most politically sensitive in all of our countries. The biggest fight between the EU and the UK, believe it or not, is going to be on fisheries. And it just comes to a very important impulse for sovereignty. Agriculture. The US is not going to allow agriculture not to be part of the US-UK free trade agreement. It's what we're demanding for the US-EU trade agreement. And it is so politically sensitive here. So as I said, get your bowl of popcorn for the wonderful trade nerds out there. This is going to be a show to watch because it's multidimensional chess, and you have a UK that just does not have that longstanding trade negotiating capabilities. They are going to have to do it pretty quickly.

Andrew Schwartz: Yeah. The Trade Guys are chomping at the bit on this one. Yeah.

Heather Conley: Can't wait. Cant wait to get them in there.

Andrew Schwartz: We've got to get you on The Trade Guys soon to explain all this. But on another issue, do you have a sense of which direction the UK is going to head in terms of foreign policy?

Heather Conley: So this is another big, big question. What we've seen from the UK over the last three and a half years is this very strong message of global Britain, and we've seen them really redouble their efforts on NATO, so that the primacy of NATO will take even greater importance. Again, it was no accident that London hosted the NATO Leaders Meeting in December of last year for the 70th anniversary of NATO, have been very forward leading in providing forces to a variety of NATO missions. So that's certainly, they are redoubling their efforts to say, "We may be leaving the EU but we're still strong."

Heather Conley: They're also going to refocus on the UN Security Council again. That's not going to change in leaving the EU and using that to make sure of their global strength. But here again, you sort of see is the UK really more European than they understand? And this, looking at the Iran nuclear agreement, it has been the UK, France and Germany, the EU three, as part of the P5+1, Germany being that plus one. Those three countries have remained in lockstep vis-a-vis the Iran nuclear agreement, they've been trying to preserve it since the US withdrawal. And even after the events over Qasem Soleimani's assassination, and the Iranians announcing that they're going to go back and start doing centrifuge development, they've stayed in lockstep.

Heather Conley: Now we're starting to see a little divergence on the Middle East. So since the president announced the Middle East plan, the British Foreign Secretary, Dominic Raab, was a very more positive statement about it. EU was not as positive, sort of as a basis for conversation, but it must comply with international law and UN Security Council resolutions, which is not redrawing boundaries again. So every time the UK is going to get pulled two ways, they're going to see if they're going to follow a more European foreign security policy outlook. The US again, the muscularity of our voices about the UK, that you must go with us, I think you'll see that continue to play out. But again, what Prime Minister Boris Johnson is trying to do, is actually keep all of that foreign and security policy stuff out of the way. He wants to drive a domestic agenda. But as so many political leaders know, what you want and what the world is going to give you as far as distractions is another.

Bob Schieffer: What do you think the European view, and obviously there are many views, but the European view of the United States is today? Do they have a clear understanding of where this administration comes down on issues?

Heather Conley: So I would think the US unpredictability still is what it is. No ally can accurately predict a decision made by the president in a tweet, and then sometimes it's unmade. I mean the Syria withdrawal decision, it sort of speaks to that. But I think European leaders, after their own three and a half years into this process, have become more comfortable in that environment. I'm not saying they like it, I'm saying they are now either they've accepted it and they're trying to manage around it and through it, but they're no longer shocked and surprised by it. I mean, they still can be very disrupted and very upset, but they're sort of getting used to it, and quite frankly, preparing themselves for a second term. And so what you're starting to see is now allied hedging. They are looking at different partnerships, different alignments, how they can protect themselves from future US action, particularly in the trade space that we've been talking about so much, sanctions.

Heather Conley: And so we hosted here at CSIS the other week, the new EU Trade Commissioner, Phil Hogan. It's fantastic. If you can go back and watch that video, he's a master Irish politician, I have to say.

Andrew Schwartz: On-demand at CSIS.org.

Heather Conley: Thank you. Have to do the plug, thank you.

Heather Conley: But what was clear to me, was the message to the US was, "You want to hit us with more tariffs? We're ready and our countermeasures are going to be severe." So you're starting to see this ... And they don't want to do this. No one wants this. We want stronger relations. But we're ready. You see French President Macron right now ... Last fall, I think in some ways President Macron was so frustrated with getting policy messages that were not coordinated, which had, were very impactful to French interests, whether that's Syria, Iraq, elsewhere, I think President Macron decided, "I'm going to help disrupt this US president. So I'm going to start saying things like 'NATO is brain dead' and I'm going to start doing my independent action because I want the Americans to react to me. I'm sick of reacting constantly to this unpredictability."

Heather Conley: And that that's not helpful either. The last thing we need is more unpredictability and more unilateralism. We need more consultation and moving together with our allies. So everybody has its different manifestations and I think people are now just more comfortable with the bumpy roller coaster ride that has loop-de-loops, and you're climbing up the mountain, you're plunging down. They're just in it for the ride right now.

Bob Schieffer: Heather Conley, we want to thank you so much for helping us find The Truth of the Matter on this very fascinating and important issue. I'm Bob Schieffer.

Andrew Schwartz: And I'm Andrew Schwartz.

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