

THE 2016 U.S. PRESIDENTIAL ELECTION; BREXIT WEST?

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It is hard to overstate the political and policy parallels between the recent UK "Brexit" vote to leave the European Union ("EU") and the pending U.S. presidential election. Both cases reflect the significant tensions between globalism and national sovereignty, as well as the competing ideologies of capitalism and what might be described as European corporatism. The narrowly-decided Brexit vote can be viewed as a reassertion of national sovereignty, reflecting deep political divisions and concerns about economic dislocation, immigration, and national security. Similar political forces in the U.S. have given rise to the unlikely presidential candidacy of Donald Trump.

Regardless of the outcome of the November 8 election, these underlying political forces will continue to shape public policy on both sides of the Atlantic. With respect to Brexit, the UK Prime Minister Theresa May recently revealed that she will trigger Article 50 of the Lisbon Treaty no later than the end of March 2017. Recent statements suggest that the United Kingdom may force a "hard Brexit," i.e., leaving the EU within two years and without the framework for the future relation with the EU being agreed upon. In other words, the pace of fundamental policy changes could be much faster than many observers currently anticipate.

Importantly, domestic policy outcomes will depend, to unprecedented extent, on discussions that will occur at an international level. Understanding these dynamics will be the key to successful strategies for favorably influencing policy outcomes in Brussels, London, and Washington, DC. This analysis briefly touches on some of the key policymakers who will shape the complex interplay between the U.S., the UK, and the EU, demonstrating that a government relations function will be an important facet on every successful strategic business plan.

UNITED KINGDOM

Theresa May, United Kingdom Prime Minister

As leader of a Conservative UK government, Theresa May will play an integral role in setting the tone on the UK side of the Brexit negotiations.

Rt. Hon. David Davis, MP and Secretary of State for Exiting the EU

David Davis will manage policy decisions in the Brexit negotiations and work to establish the future relationship between the EU and UK.

Oliver Robbins, Permanent Secretary for the Department of Exiting the EU

Oliver Robbins will be responsible for supporting the newly-formed Department of Exiting the EU in the Brexit negotiations.

Rt. Hon. Liam Fox, MP and Secretary of State for International Trade

Liam Fox will develop and negotiate free trade agreements with non-EU countries.

Mark Carney, Governor of the Bank of England and Chairman of the Financial Stability Board

Mark Carney will set policy for the Bank of England and will attempt to mitigate shocks to the UK economy throughout the negotiations (his term was recently extended until mid-2019).

EUROPEAN UNION

Jean-Claude Juncker, President of the European Commission

Jean-Claude Juncker will head the European Commission and will set policy for the EU in the Brexit negotiations

Michel Barnier, Chief EU Negotiator

Michael Barnier, former-European Commissioner for Internal Market and Services, will lead the Brexit negotiations for the EU.

Didier Seeuws, Official Negotiator for European Council

Didier Seeuws will lead a "Brexit taskforce" of EU negotiators that will focus on technical issues of the treaty negotiations.

Guy Verhofstadt, Member of the European Parliament and European Parliament Brexit Negotiator

Guy Verhofstadt will represent the European Parliament in the Brexit negotiations.

Mario Draghi, President of the European Central Bank

Mario Draghi and the European Central Bank will likely act in an advisory capacity for the EU during the Brexit negotiations.

UNITED STATES

Considering Hillary Clinton's and Donald Trump's opposing views on the government's role in the financial system, the outcome of the U.S. election will likely impact the ongoing global regulatory tension between market-based capitalism and state-based corporatism. Moreover, the U.S. plays a key role on such international bodies as the G20, the Financial Stability Board ("FSB"), International Organization of Securities Commissions, and Basel Committee on Banking Supervision, which will serve as echo chambers as the new bilateral and multilateral agreements are negotiated.

Hon. Hillary Clinton, Democratic Presidential Nominee

Hillary Clinton will draw on her experience as Secretary of State as the U.S. reacts to Brexit negotiations. A Clinton Administration will be much more inclined to embrace the trend that emerged after the 2008 financial crisis of greater international cooperation on financial regulation. A likely hallmark of Hillary Clinton's approach is an emphasis on collaborating with international economic powers to reduce risks to the stability of the global financial markets. In this regard, a Clinton Administration will probably be receptive to engaging international regulatory

bodies on heightened global capital requirements for financial institutions and on more stringent margin and collateral rules for securities and derivatives transactions. Additionally, Hillary Clinton has advocated in favor of international regulations for resolving globally active financial institutions that could pose a risk to the financial system and called for an expansion of the authority of regulators to police financial market activity, including providing them additional authority to address risky activity in the "shadow banking" sector.

Donald Trump, Republican Presidential Nominee

If Donald Trump wins the election, his nationalistic policy agenda will probably place far less emphasis on international financial regulation. More specifically, a Trump Administration will likely shun the macro-prudential framework set forth by the FSB and the G-20. A Trump Administration may also revisit financial markets regulation with an eye toward U.S. competitiveness. While the Republican Party platform included a provision calling for the resurrection of the Glass-Steagall Act, Republicans are unlikely to pursue this as a policy objective. More likely, the House Republican financial reform proposals, principally House Financial Services Committee Chairman Rep. Jeb Hensarling's (R-TX) Financial CHOICE Act, will be the foundation for any financial reforms in a Trump Administration.

WHAT CAN BE DONE?

These turbulent times will produce winners and losers on both sides of the Atlantic. Accordingly, government relations efforts to favorably influence policy outcomes will be an integral component of every successful strategic business plan. That requires a deep understanding of the nuts and bolts of the relevant issues and relationships with key policymakers in the U.S., UK, EU so they can receive the best input on the merits of competing regulatory alternatives.

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