



GEORGIAN FOUNDATION FOR
STRATEGIC AND INTERNATIONAL STUDIES

WINNERS AND LOSERS OF BREXIT

GIORGI BADRIDZE

62

EXPERT OPINION





საქართველოს სტრატეგიისა და საერთაშორისო ურთიერთობათა კვლევის ფონდი
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The publication is made possible with the support of the US Embassy in Georgia.

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Technical Editor: Artem Melik-Nubarov

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ISSN 1512-4835
ISBN 978-9941-0-9286-2

I am writing this article as a person who has always admired the British people and the great country which they have built over the centuries. I had the honour of representing my country in the United Kingdom for several years* and having met many of the leading campaigners for both the Leave and Remain sides of what is now known as the Brexit referendum, this story has even more personal connotations for me.

I currently read a graduate course in British Politics at Tbilisi State University. One of the points which I want my students to take away from this course is that Britain has given the world the fairest and most efficient political system that evolved in their country from the day that King John sealed the Magna Carta. I also tell them that the British are perhaps the most pragmatic people on earth – they built the world’s largest empire when it was required and then bid farewell to it when they had to choose between imperial status and the National Health Service (figuratively speaking).

I had planned to sum up the course during my final class of the 2016 spring semester on 27 June (just 3 days after the British referendum) by discussing how and why the Remain campaign had won and thus demonstrating once again the famous common sense approach of the British people. However, on 24 June I was among the huge number of those stunned by the result of the referendum.

The reason why I was convinced that British voters would choose to stay in the European Union was not because I thought the United Kingdom would not be able to survive outside the EU. I know it will. But I thought that the question should not have been whether or not Britain could **survive** but where Britain would have better opportunities to **thrive**.

I am also far from thinking that the European Union is without a flaw or the need to change. But I think that membership in the European Union (initially the European Economic Community) has made a huge and positive impact on Great Britain. Let us simply remember the state of this country in the 1970s, when the UK joined the EEC, and the Great Britain of 2016. I know that this has been a difficult journey of repairing a broken economic and social system and turning it into one of the world’s most prosperous

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countries and that this transformation is owed to the leadership and vision of several generations of British politicians, starting with the Iron Lady and including David Cameron, but to deny the enormous effect that their membership in the joint European project has had on this process would be utterly unfair.

As the new British Prime Minister, Theresa May, said: “Brexit means Brexit.” To better understand it, we need to examine why and what exactly has happened so far, what to expect in the foreseeable future and, more importantly, try to figure out what will be the effects of the process that has just begun in the UK, Europe and elsewhere.

To start with, I must emphasise that Brexit has not yet happened. Technically, it has not even begun even though the effects of the vote on 23 June could not be more tangible. The evidence is available to everyone to see on the stock markets, in credit rating companies or even at your nearest currency exchange office. And it has not been good news so far for Britain at all. Article 50 of the EU treaty which provides the mechanism for a member state to leave the Union has not yet been triggered and we should expect that the incoming Conservative government will be in no hurry to do so.

How the “in-or-out” referendum on membership in the EU came about

Euro-scepticism in the UK has deep roots but it alone cannot explain the referendum. The negative attitude towards what a large number of British citizens consider a project of the “ever-closer union” or the “bloated Brussels bureaucracy” has existed for decades. In the 1980s, Prime Minister Thatcher actively fought it and won some concessions – the rebate, to name one, which still brings a considerable share of the British financial contribution back to UK Treasury coffers.

For all these years, the British right has loved to bash the EU but never before were they given an opportunity to actually take the UK out of the European project. This opportunity arrived with David Cameron’s attempt to appease the anti-EU wing in his own party which stated shaking his leadership just as he became the Prime Minister after forging a coalition with the Euro-enthusiastic Liberal Democrats in 2010. After finding himself under the increasing pressure from the right of his party and, particularly, those Conservative members who themselves felt threatened by the

increasing popularity of (and frequent defection to) the United Kingdom Independence Party (UKIP), Mr Cameron apparently decided to consolidate his own position by proposing an in-out referendum as a part of the next election manifesto.

As a politician who intended to keep Britain within the EU, he must have known that this was a huge gamble. But this was not the only time he took his chance – I cannot think of any other Prime Minister who would allow the Scottish independence referendum but he did and won narrowly. I do not know how much emphasis future history textbooks will make on David Cameron’s economic policy which ensured a rapid recovery from one of the deepest recessions Britain has ever experienced, but I suspect that his role will still be defined by the outcome of the referendum that he, and he alone, initiated. The gamble helped him to consolidate his position as the Tory Leader and win the 2015 Parliamentary election with an overall majority but eventually it cost him his position as the Prime Minister only after one year into his second term and thus ending his otherwise brilliant political career. In other words, David Cameron was the first victim which the referendum has claimed so far. And there are many more losses to count.

Why did the Leave campaign win?

I am afraid that my libertarian-leaning friends in the UK and elsewhere have no real reason to be jubilant. They believe that on 23 June they witnessed a victory of freedom over the “Brussels socialist diktat” and a victory of parliamentary democracy over the “unelected and unaccountable bureaucracy.” But the demographic, the age and the regional context of the Leave vote tells us a different story.

In my view, it was the immigration fatigue which determined the victory of the Brexiteers and not the lofty ideals of democratic representation or the longing for a free market and less regulations which are so dear to the libertarian wing of the Leave party. I do not feel comfortable saying this but what in reality united a large number of the Tory, UKIP and Labour voters (and even some Scottish nationalists) was the hope to stop the “uncontrollable immigration” which had changed the Britain as they knew it. It has emerged that older people overwhelmingly supported Brexit. Yes, immigration changed Britain before their eyes and one can

sympathise with these people. But I still think that they have made a poorly informed decision which was influenced by less than scrupulous political campaigning.

The promise of the Leave campaign that Brexit would let Britain regain control over its borders was, to say the least, not entirely honest. It implied that the problem with immigration was the result of the UK's membership in the EU (which allows for the free movement of EU nationals). But they did not want to remember that serious demographic changes started long before Britain joined the EU – at least since the 1950s – in a reality shared by many former colonial nations. Secondly, EU nationals currently account for only half of the immigrants in the UK. The other half comes from other parts of the world and the British government was perfectly entitled to apply stricter regulations to its immigration policy (as all previous governments pledged to do) but somehow it never delivered real results. There is only one known cure for immigration – that is to make your country considerably poorer. And Brexit may actually help with this.

Unfortunately, immigration was not the only issue which was exploited by the Leave campaign. One of their slogans was the promise to redirect the vast amount of funds which the UK pays to the EU budget to the needs of the British people. Although most leaders later denied they had ever made such claims, there are hundreds of photos and videos which prove the contrary.



Implications

Brexit's proponents argue that liberation from excessive EU regulations will allow Britain to build a freer economy at home and build new free trade deals internationally which would compensate in the long term for the losses associated with the process of leaving the EU.

The immediate implications of the referendum on the economy could hardly be worse indeed. The pound has fallen close to its lowest rate ever. British stock markets have been hit hard and Standard & Poor downgraded the UK's AAA credit rating by two notches to AA (skipping the AA+). Other agencies have done the same by cutting the outlook to "negative." The UK's impressive GDP growth rate is expected to take a heavy hit with a return of a recession by the end of this year becoming quite possible.

While Brexit's expected negative effects are already evident and progressing, the issue with new free trade deals is far from clear. The first question, of course, is whether or not and on what terms would the UK remain in the Single Market? After all, Britain's foreign trade is deeply intertwined with EU countries. But even if we assume that the EU will be as cooperative as possible, who can guarantee that the UK will be able to preserve all of the privileges of membership in the Single Market while relieving itself of the obligations? The most difficult issue will be to retain access for the British services sector while restricting EU migration.

Even if the new government miraculously succeeds in this endeavour, the outcome will not necessarily please all Brexit voters – membership in the Single Market will be far from free of cost (Norway pays hundreds of millions of Euros annually and the British bill is likely to be in the billions) while at least two-thirds of Brussels laws, regulations and directives will remain compulsory for implementation in Britain with London losing a vote on their formation.

The UK will also lose its say on the trade deals which the EU is currently negotiating with other major international partners (such as the Transatlantic Trade and Investment Partnership currently being discussed between the EU and the USA) or any future deals while remaining dependent on their outcomes.

One of the most important assumptions of the Leave campaign was that post-Brexit UK would build its own new bilateral trade deals outside the

EU. But again, this is not at all guaranteed, at least in the short term. Even with the utmost political will and most enthusiastic cooperation from the USA and other major trade partners, negotiating new trade deals will take years. The effects of the uncertainty for such a long time can only hurt the economy even further.

Now let us consider the issue of sovereignty which was turned into another slogan used excessively by Brexit campaigners: “Let’s take our country back.” As I have discussed above, if the UK succeeds in remaining in the Single Market, it would not be able to repatriate all of its sovereignty from Brussels. Brexit, however, has already re-energised Scotland’s own Leave campaign, claiming that if the UK actually leaves the EU there will be a legal ground for a new referendum in Scotland on its leaving the UK (with much higher chances of success than in 2014). In other words, it is possible that the UK will not regain much of its sovereignty from Brussels but will risk losing Scotland.

There might be an issue with sovereignty over another part of the UK – Northern Ireland – where the painstakingly achieved peace deal is based on the notion that Northern Ireland and the Irish state will not be separated by a state border – which currently does not exist but which the UK and Ireland will have to rebuild when the UK is no longer a member of the EU. This does not necessarily mean building a wall but any new dividing lines could potentially undermine the stability in the region. Like the SNP leaders in Scotland, the Sinn Fein has already raised the issue of a referendum; in this case, on the issue of unification with Ireland.

Apart from Britain itself, the EU will be at the receiving end of the waves of implications originating from Brexit. This is the most serious crisis since the launching of the European integration project in the 1950s. Never before has a member state declared its desire to leave the Union. And this is happening as far-right Eurosceptic movements are gaining strength in other parts of the EU.

But I do not think that it is all doom and gloom for the EU or the wider Europe. This crisis must be used as an impulse to re-organise European nations around the core values and common goals that united them decades ago. In my view, despite all its imperfections, the European Union is worth saving as it has proved to be the most successful project of international cooperation that history has ever known. It helped to bring

peace, stability and prosperity to the nations of Europe that had been at war with one another for most of their previous history.

So, does Brexit have any winners at all? So far, it has claimed the careers of several British political leaders, badly affected the economy, created risks for the disintegration of the UK and a domino effect for the EU. Logically, those British politicians from the Brexit campaign became the main beneficiaries of the success of the Leave campaign. But where are they?

UKIP leader, Nigel Farage, declared that his job was done and he resigned (although he has done this in the past and only time will tell whether or not he is gone for good).

Boris Johnson was expected to run for the leadership of the Conservative Party after having ousted David Cameron (whom he failed to defeat in proper elections) but he had to settle for the job of Foreign Secretary in Teresa May's cabinet.

Another prominent figure of the Leave team, Michael Gove, tried but failed to be elected as the Tory leader and his political future is quite uncertain.

Brexit has claimed some unexpected victims, too – Labour Members of Parliament have rebelled against the party leader, Jeremy Corbyn, who was supposed to lead the Remain campaign from the left but did next to nothing. He currently refuses to stand down as the Labour leader but may not manage to survive the autumn party conference.

The only clear winner so far is Mr Putin who would love to see a weakened UK and a disunited Europe. As a result of the pound's devaluation, Russian oligarchs have already been given a considerable discount on London's luxury real estate.

Perhaps the most important lesson which we must take away from Brexit is that in our age even the most advanced democracies can be susceptible to the effects of populism and that referenda should be treated with the utmost care and not used casually, especially in parliamentary democracies where there is no issue with a proper democratic representation.

I do hope that the UK and the EU will be able to reach a mutually acceptable deal and that the EU will find inner resources to rebuild itself. I still think that Brexit was a mistake and it has no real winners except for those who cannot be considered as friends of the UK or Europe.