

Habemus Brexit

Brexit is finally a reality. A fatally flawed referendum was followed by a disastrous political process that no responsible UK politician can be proud of. UK obtained the thinnest of all deals with the EU, essentially only avoiding a complete chaos regarding trade of physical goods. The economically much more important cross-border trade in services is left in a limbo. Sober economic forecasts point to a longer-term loss of 4 per cent of UK GDP compared to the reference scenario without Brexit.

Setting the stage

On 31 December 23:00 GMT the UK finally left the European Union. History is unlikely to look kindly on the process that led to this outcome.

The short version is that then PM Cameron in 2013 promised an "in-or-out" EU referendum hoping to silence the small, but loud group of Eurosceptics in the Conservative party - in case he was re-elected as PM at the next general elections. At that time, he made the promise, opinion polls pointed to a resounding defeat for the Tories and it seemed unlikely that Cameron would ever have to make good on this promise.

The accidental Prime Minister

Suddenly Cameron found himself - with a narrow majority - in a situation where he had to make good on the promise from 2013. He called a referendum on 23 June 2016.

The Brexit Ballot Paper was essentially a blank piece of paper with two tick boxes.

A ballot clearly less inspired by ambitions for prudent information on the subject than of the British punk rock band The

Then two things happened. In 2014, the Scottish Independence referendum showed a Labour Party sitting on the fence, not choosing side.

In 2015, Labour was punished badly for this attitude at the general elections, where the party lost 39 of 40 of the 59 Scottish seats it held in the Commons.

At the same elections, the Lib Dems suffered the typical fate of the junior party in a coalition government - the party was nearly wiped out.

Clash' 1981 hit "[Should I stay or should I go](#)".

Referendum on the United Kingdom's membership of the European Union	
Vote only once by putting a cross <input checked="" type="checkbox"/> in the box next to your choice	
Should the United Kingdom remain a member of the European Union or leave the European Union?	
Remain a member of the European Union	<input type="checkbox"/>
Leave the European Union	<input type="checkbox"/>

Connecting the dots...

Cameron even stated that whereas his personal preference was to remain, he would not impose any discipline on the other cabinet ministers.

It is remarkable that the first Brexit minister, David Davis back in 2002 had stated the following surprisingly wise words:

"Referendums should be held when the electorate are in the best possible position to make a judgment. They should be held when people can view all the arguments for and against and when those arguments have been rigorously tested. In short, referendums should be held when people know exactly what they are getting. So, legislation should be debated by Members of Parliament on the Floor of the House, and then put to the electorate for the voters to judge.

We should not ask people to vote on a blank sheet of paper and tell them to trust us to fill in the details afterwards. For referendums to be fair and compatible with our parliamentary process, we need the electors to be as well informed as possible and to know exactly what they are voting for. Referendums need to be treated as an addition to the parliamentary process, not as a substitute for it."

If only Cameron had heeded these words. He did not, and chaos ensued, since the UK had not made any preparations whatsoever for the outcome. It is fair to

say that as of Referendum Day no two brits held the same ideas of what Brexit should mean.

The Eurosceptics win the battle

Cameron resigned and was succeeded by Theresa May. Her majority was sufficiently slim that the Eurosceptic members of Parliament, now renamed the European Research Group (ERG), held sway over the majority. May unwisely called for new elections in 2017, only to see the Tory majority reduced further, increasing the clout of the ERG.

May learned that finding support in the parliament without talking to Labour and with no means to bring the ERG to heel was a dead end. Theresa May resigned in 2019, and was followed by Boris Johnson, who called for elections after having sharpened the "Hard Brexit" profile of the party.

The outcome was an unmitigated disaster for Labour and in particular for party

leader Jeremy Corbyn. Labour lost 7.8% of the overall vote. Winners were the Lib Dems (+4.2%) and the Brexit Party (+2.0%). The Tories saw a small gain of 1.2% of the vote.

The peculiarities of the British first-past-the-post system meant that the Conservatives won a majority of 81 seats in the Commons. This was immediately spun to be a stunning victory for Johnsons harder line against the EU, even if the fact is that Labour imploded. The Conservatives got the seats lost by Labour without gaining a significant share of the votes.

In the end, "Brexiteers" had taken over the Tory party, had a Prime Minister with a flair for words if not decisive action, had expelled the old pro-Europe wing of the

party, ditched the withdrawal agreement painstakingly put together by May's government, gained a solid majority and

Sovereignty won't put food on the table

In an interdependent world, sovereignty is a metaphysical concept. As soon as a country begins to interact with other countries, it will quickly realise that the other countries have their own rules regulations and interests. Hence, any cooperation must naturally respect the sovereignty of both countries. Getting to a deal requires giving up some sovereignty in order to obtain a better situation.

Indeed, the UK have had sovereignty for the past 1,000 years. But the UK has no self-sufficiency in all essential areas, such as for instance food. For good measure, the Johnson government quickly removed all experienced UK trade negotiators, as they had earned their spurs in Brussels and therefore were deemed unreliable.

Towards a glorious future

Brexit has created complications for the trade in goods and produced the need to negotiate the trade in services with the EU sector by sector. But surely there is a greater good for the UK waiting now that the country has broken free of EU constraints? Somebody certainly had a plan when pushing so hard for the Brexit? Initiatives to make Britain a hotbed of new innovations? Don't hold your breath.

Mark Francois, chairman of the pro-Brexit Tory European Research Group, [said](#): "Now that we have 'cried freedom' it must make sense for government departments to put their heads together and undertake a thorough analysis of areas where it makes

were ready for restarting negotiations with the EU where a fresh agenda that UK sovereignty would have to be respected.

In real world trade negotiations, if one country is bigger than another, the larger country will often extract promises and guarantees from the smaller country that can only be seen as limitations on the other country's sovereignty. EU is much larger than the UK. Roughly half of UK exports go to the EU. Only 7 per cent of the EU exports go to the UK. So, it is unsurprising that the UK had to give in on many central points.

As the Brexit Deal was clinched, Theresa May pointed out that "[We have a deal in trade that benefits the EU, but not a deal in services that would have benefited the UK.](#)"

We would agree and our guesstimates are that the EU got some 90% and the UK 10%, of what they wanted from the deal.

sense for us to apply that freedom to diverge from EU regulation."

The ideologues that pushed the Tories into a disastrous referendum have no idea on how to use the sovereignty, except for entering new trade agreements with third parties - which will take many years. Not counting the Brexit deal, the [UK has entered into more than 30 bilateral trade agreements, covering a measly 8% of the total exports.](#)

Is there nothing good to say about the referendum and its aftermath? Well, of course there is. It was concluded while PM Boris Johnson was busy bungling the UK Covid-19 response and the UK economy

has been pounded as a result. It will be difficult or even impossible to separate the negative effects of Brexit from the disastrous effects of CoViD-19. Johnsons

spinmeisters will know how to use this situation.

Go figure.

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