

THE FIVE PARADOXES OF BREXIT

BY DAVID DE CREMER

Brexit – despite all the promises made – is not necessarily about creating a better economic future for the country but rather reflects a type of identity negotiation. The author discusses UK’s decision to turn away from the EU and how some expected positive outcomes do not necessarily come into reality – resulting into paradoxes.

When Theresa May finally managed to agree on a deal with the EU on the 1st of November 2018, a sigh of relief was heard across the globe. After almost two years of hard labour and strong opposition, many reasoned that the British negotiators finally came to their senses. The UK seemed to accept the fact that they were not going to be able to disrupt the EU internal market system and its governing principles and rules and that the agreed deal was the best option to secure Brexit. Why am I saying finally? Since article 50 was activated in March 2017, many EU representatives have been frustrated with the image of the British living seemingly in a fairy-tale country as they assumed they could have their cake and eat it. As in any divorce, if you are the one who decides to leave, you also need to accept living with the consequences, which usually means that you will not be getting everything you wished for. In the last two years, it was repeatedly demonstrated that some British politicians – with enough power and influence – had difficulties accepting (or even imagining) such a



reality. Although many people had good hopes that with Theresa May agreeing a deal with the EU, the rest of the British government would become more realistic as well. These hopes were, however, quickly smashed when Theresa May returned to the UK. Accusations ranged from statements claiming that her deal was a Brexit in name only to suggestions that she failed as a leader because of her tenacious tendency of listening to no one. The result for now is that the essential Commons vote on Brexit has been delayed and that a vote of no confidence in Theresa May’s leadership has been raised; all events that increase the likelihood of the UK moving in the direction of a no-deal scenario.

As the world watches with disbelief to the unfolding chaos in the UK, one can ask whether all of this is a real surprise or more a predictable surprise? In my view, it should not be a real surprise, because Brexit – despite all the promises made – is not necessarily about creating a better economic future for the country but rather reflects a type of identity negotiation. In other words, those advocating Brexit seem motivated by people’s concern about their standing and representation in the world as being British. This is a natural human concern, but people do differ in how important

Prime Minister
Theresa May of
Britain at the the
summit of European
Union leaders in
Brussels
Source: Getty Images



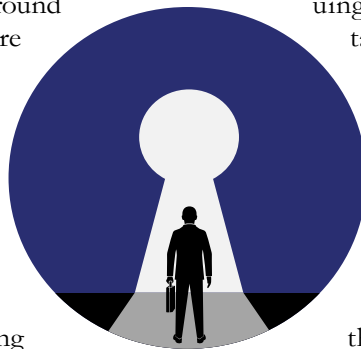
they consider identity issues to be when having to decide on future economic issues. What we do know from research is that if identity and associated emotions drive decisions it leads usually to less rational actions. The promises and resulting expectations that come along with such a decision process are, at the end of the day, usually flawed because they clearly include too many paradoxes to be regarded as rational. Below, I outline five paradoxes that exist within the context of Brexit.

1 Leaving the biggest trading union in the world leads to economic prosperity

One reason that is frequently mentioned for endorsing a Brexit strategy concerns the need for taking back control over the UK's money. Specifically, the UK perceives the payments to the EU as a burden that does not fulfil their hopes and expectations. Therefore, they would like to decide for themselves how to spend their financial resources and establish a position that enables them to negotiate free trade agreements around the world. From a control perspective, there is nothing wrong or irrational with wanting to control your own expenses, but if we are forced to look at this reasoning from an economic point of view, problems quickly surface. In a global economy, power and influence is achieved by being able to be part of a big trading block. Yes, in this case, size matters! Recognising the fact that the EU is the world's largest trading block makes it difficult to understand why the UK would not want to take benefit from being part of a continent that has such a strong negotiation position in agreeing trade deals worldwide. Especially given the fact that the UK has a rather unique position in the EU because of its veto option to block developments or decisions it does not like. Furthermore, most of the trade agreements that the EU has negotiated on behalf of its member states reveal tariffs that are very close to or are zero, which puts EU countries in an economically favourable position. After all, which country or continent would not like to have access to a market of almost half a billion customers.

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cost them dearly resides in many. A wide range of numbers are already floating around in support of this. For example, the decision to leave in June 2016 has already made the British economy about 2.5 percent smaller compared to if they would have voted remain (as communicated by the Centre for European Reform). More recently, the Bank of England (BOE) also published some analysis regarding possible scenarios and concluded that by 2023 the deal Theresa May advocates would reduce the British economy between 1.25 and 3.75% compared to a projection of the UK continuing as normal, without a referendum having taken place. Even worse – and by some referred to as “Project fear” – the BOE also revealed that after 15 years a no-deal would shrink the economy by a mind-blowing 6.3 to 9% compared to deciding to stay in the EU. Even though any estimations need to be approached with some caution, it is worth noting that if Brexit is about the numbers and striving for financial independence, then the rational perspective is clear: leaving the EU will not lead to more prosperity. Or, as Philip Hammond, in charge of the Treasury and the UK's finances declared in November, staying in the EU is economically the best choice.

2 Once an empire always an empire... not really

A brief look back throughout history teaches us that the UK is without a doubt a wealthy nation. Very few countries have such a rich history of influence and invention, shaping the world as we know it today. The UK, once known as the empire where the sun never sets, however, has moved – as

all other countries have – into a global interconnected environment where the old idea of an empire does not (or cannot) exist anymore. Nevertheless, Brexit seems fuelled by a desire and sense of nostalgia to the old ideal of the empire that the UK once was. As Boris Johnson, an influential Brexiteer, noted: “We used to run the biggest empire the world has ever seen... are we really unable to do trade deals? We were once great on our own, so we can be again.” Despite the ambition of Mr. Johnson, it is to be expected that this desire is, rationally speaking, hard to achieve. In fact, historical evidence in abundance demonstrates that no empire lasts forever. Indeed, any empire that the world has known had an expiration date. And, importantly, none of them came back from the dead to see the light of day again. Nevertheless, when British politicians refer to a Brexit that will allow them to take back control over their laws, the sentiment of being an empire again is very much present. Or, in the words of Henry VIII’s 1533 Act in Restraint of Appeals to the influence of the Pope in Rome: “this realm of England is an empire.”

One reason why an empire usually becomes vulnerable and eventually is torn apart concerns the existence of structural, justice and geographical tensions that are built into its fabric. The UK, however, is no stranger to tensions. Simply looking at which parts of the UK voted in favour of Brexit and which ones opposed Brexit, geography seems to count very much. Northern Ireland achieved a remain vote of 55.7% in the 2016 referendum. Obviously, given its history, people in Northern Ireland and Ireland, which is part of the EU, are extremely worried for both reasons of peace and economics. At the same time, this voting result also carries some irony in it because it is very much the unique status of Northern Ireland that complicates getting a satisfying Brexit deal. Another part of the UK that opposed Brexit is Scotland, where 62% of the population and all 32 constituencies opted to remain in the UK. Michael Russell, the Scottish constitutional relations secretary, even noted: “Brexit isn’t a better future – it is a backward step into an imagined past. We must acknowledge that this deal is unacceptable to Scotland and her citizens.” These numbers do not bode well for a nation wanting to



become an empire again. Why? It was Voltaire who once said about the Holy Roman empire, “Neither holy, nor Roman, nor an empire.” Given the presence of forces threatening the unity of the UK and the social unrest addressing the experienced injustice by many regions, it could well be that the Holy British empire is “Neither holy, nor British, nor an empire.”

3 Democracy is not about changing your mind, or is it? One of the alternatives to the deal that Theresa May agreed with the EU that is rapidly gaining support across the UK concerns the organisation of a second referendum or also referred to as the “people’s vote”. Time and time again, Theresa May has rejected this option. Her reason for doing so, in her own words, is that a second referendum would be a “gross betrayal of our democracy...and trust.” By connecting the word democracy to the notion of trust, Mrs. May does have a point. After all, in 2016, a large mass of people came out to vote and it is reasonable to assume that these voters were under the impression that their vote would count. If one would decide to cancel out the results of the first referendum and organise a second one then this decision runs the risk to undermine trust in the government, split up the country further, and ultimately have a negative influence on the legitimacy of any leadership and political authority for many years

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to come. But, there is also a point to be made that a second referendum would be the most realistic and rational thing to do. After all, being a democracy is not about sticking to the first vote made and ignoring the reality you face at the same time. Indeed, since the referendum in 2016, people have started to feel the possible consequences of their choice and at the same time the world has been faced with major challenges (e.g. trade war between China and U.S.) that may hinder the negotiations for future free trade agreements for the UK. So, what do you do when reality is staring you in the face and you come to realise that the first vote was maybe not in the interest of the people after all? Do you resist and defend the fact that a choice was made and no matter what happens as a consequence we shouldn't revoke it? Or, do we interpret the notion of democracy as a system that allows us to learn and change if the circumstances point towards a better alternative?

The word – democracy – is derived from two Greek words. The first one is Demos and refers to the people. The second word is Kratos and means rule. So, democracy stands for the rule of the people or in Brexit language, the “people’s vote”. At the end of the day, democracy is here to serve the people and responsible leaders evaluate their interests by making decisions that do not hurt the people and society (note: not hurting others is one of the moral concerns

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that all people share across cultures). However, if there is one lesson that all the Brexit discussions in the House of Commons teaches us is that there is currently much hurt. As Sir Simon Roberts, the former Rolls-Royce chairman, noted by saying that he was “deeply depressed at the tone of the Brexit debate and that he considered it to be complete balderdash to say the people have spoken, therefore you can’t go back. The people can speak again – why can’t we have another vote on it?”

4 Breaking away from the EU creates future freedom

The general sentiment underlying the choice for Brexit is to regain sovereignty from Brussels. It has been an old complaint of the UK that the EU acted as a ruler controlling everything from border access, use of laws to financial regulation. For this reason, Theresa May often refers to Brexit as a project that regains control over all these dimensions. But, will the UK really be free when Brexit takes place? In the process of leaving the EU, the UK will have to invest much time and effort into developing prosperous and beneficial economic partnerships with other nations. One nation that the UK is keen to further develop relationships with is China. Several reasons exist for this ambition. UK-China trade has grown considerably in the last decades (trade growth was more than eightfold between 1999 and 2017), thus a priority will be to prepare firm agreements on future trade and investment between both countries as soon as possible. Furthermore, since 2015, the relationship between China and the UK has been identified as a special one when the Chinese president Xi Jinping met with the then-PM David Cameron to solidify the ambition of a “Golden era” between the two countries. In addition, the UK also is of special interest to Chinese real estate investors. In fact, the Chinese are one of the biggest buyers of UK property. Asian investors accounted for 28% of the houses bought in the UK in 2016, and the majority were Chinese (about 60%). Even more important, despite looming Brexit uncertainty, Chinese investors maintain focus on the UK's housing market.


The above clearly suggests that the UK and China regard each other as an important source for opportunity. However, concerns about this relationship remain. First, with the UK stepping out of the EU, China feels the pressure to build more positive relationships with the European continent. The initiation of the One Belt One Road initiative places the EU as an important and even crucial focus of China. Furthermore, the EU is the biggest trading partner of China, with Germany even reporting trading numbers that are three times as high as those of the UK. Finally, the fact that the EU represents a market of about half a billion customers versus the UK with a market of around 60 million, means that a China looking for more investments may favour a united EU over a possibly divided UK when Brexit sets in. A final, and maybe even most important, reason to worry may be that a UK-China trade agreement likely will come with costs as greater trade with China will translate itself into a greater trade deficit. Also, if the UK becomes increasingly dependent on China for its trade, a risk exists that a loss of sovereignty again will need to be accepted – which is something that cannot be accepted, considering the current desire of the UK to become an independent nation again.

5 The future is for the old and not the young

Once the UK leaves the EU it will not be an option to run back to the EU if things do not work out immediately. It is therefore important to think of Brexit as a decision that needs to be workable for future generations to come. As former education secretary, Justine Greening, noted when saying that the Brexit deal needs to be "sustainable and workable for young people." In her words: "You can't do Brexit to young people, you've got to do it with young people. That's not a policy suggestion, it's a simple fact."

Surprisingly, however, when we look at the statistics of the 2016 referendum, we see that the young voters did not show up as much as the older voters did. In fact, estimates show that only about 36% of people in the 18-24 age category placed their vote in the 2016 referendum. Other results showed that of the

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voters aged 18-24 and who registered, about 64% showed up, whereas for those aged over 65 and who registered, 90% showed up. How to explain this? Were the older aged voters more motivated or do they have a different attitude towards the EU? All these variables are likely to have played a role because much of the jargon used by the Brexiteers played on feelings of nostalgia and regaining control to become the old great UK again. With the words of the author William Faulkner: "The past isn't dead. It isn't even the past." This is a jargon that probably appeals more to the older voters who have vivid experiences of how it was before the UK became part of the EU than to the younger voters. However, to implement change – as Brexit aims to do – any change management consultant will tell you that it is necessary to have a view of how the future will be different from the past and present. 



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