

IIR Seminar

Is the UK's decision to leave the EU justified or pointless?
— A Europhile Briton's view —

Date & Time: 29 October 2016 (Sat), 1p.m. – 3p.m.
Venue: Kwansei Gakuin University Library Hall

Institute for Industrial Research (IIR), Kwansei Gakuin University

Francis Rawlinson, Visiting Professor, School of Economics, Kwansai Gakuin University

JUSTIFIED OR POINTLESS? THE UK'S REFERENDUM DECISION - A EUROPHILE BRITON'S VIEW -

In the summer of 2016 an “earthquake” struck the European Union: Britain decided to leave the EU. How did it happen? What will be its effects?

On 23 June 2016 the UK (British) government held a referendum on whether Britain should remain within the European Union. The question people were asked in the referendum was simple: Do you want the UK to remain in the EU? or: Do you want the UK to leave the EU? The result was a majority of 51.9% to 48.1% in favour of leaving the EU.

The “earthquake” will affect the future not only of the UK, but of the EU as a whole. If similar referendums were held in other countries, there is a danger that the EU as a whole could break up.

The main questions to be answered are as follows:

- Why, according to the referendum result, does it seem that the majority of the British people are against the EU?
- Is it possible the referendum result will not be implemented, that “Brexit” (the UK’s exit from the EU) will not take place?
- What options are there for carrying out the referendum decision? What kind of future relationship with the EU is the UK aiming for? What kind of role will the UK in future play in the international community? What changes is Brexit likely to mean for British people in practice?
- How will Brexit affect the other 27 members of the EU?
- In general, are referendums an appropriate way of deciding between basic choices about a country’s place in the international community? Or is it better to leave such basic choices to professional politicians? Should direct democracy (referendums) or representative (parliamentary) democracy be given precedence as the more desirable form of democracy?

1. The background to and conduct of the British referendum

Background

Britain has long held an exceptional position in the EU.

- It initially took part in the negotiations on the treaties that began the cooperation between the countries of Europe after World War II which were the predecessors of the European Union - the European Coal and Steel Community Treaty of 1952 and the European Economic Community and European Atomic Energy Community Treaties of 1958 – but then withdrew from the negotiations and did not immediately join the new organizations. The reason was that Britain did not wish to give up any of the independence to which it was accustomed.
- However, in the 1960s the UK changed its mind and finally joined the European Community, after two applications had been refused, in 1973.
- In the 1970s and 1980s the UK played a major role in the process of integration of the EU, through policies such as regional development, completing the single market through removal of non-tariff barriers and unifying legislation, the liberalization of world trade, and the dismantling of monopolies. This period of about 20 years was the time Britain was most active in efforts to advance the EU.
- In the late 1980s, towards the end of the administration of Margaret Thatcher, however, the EU began to plan further steps towards integration, namely the establishment of a single currency (later to be called the “euro”), the removal of passport controls on people crossing internal EU frontiers, and cooperation on policies in the justice and home affairs area such as security, refugees and immigration. From that time onwards scepticism and opposition towards the EU began to grow in Britain, especially among supporters of the Conservative party.
- As a result, the UK obtained numerous exceptions from the justice and home affairs provisions of the 1993 Maastricht Treaty and did not join the single currency, the Euro, which was introduced in 1999 or the Schengen free travel area that was introduced gradually from the mid-1990s. By not participating in these latest steps in integration, the UK became a member of the EU occupying a special position outside the core and on the fringes of the union.
- Since the 1990s about half of British newspapers – especially in England and Wales - have been against the EU (“Eurosceptic”) and have had an increasing influence on public opinion. From 2000 onwards a party whose main goal was to get Britain out of the EU, the “United Kingdom Independence Party” (UKIP), became active and steadily gained in popularity. From around the same time calls for a referendum on leaving the EU became increasingly frequent.
- After the start of the world financial crisis in 2008, Britain recovered faster from the resulting recession than the Eurozone countries. As a result, large numbers of people from other EU countries, especially the central and eastern European countries that had joined the EU in 2004 and 2007, moved to Britain to work. The increased number of immigrants began to place strain on public services. UKIP took advantage of the dissatisfaction about immigration in local British communities and began to argue - as an additional reason for

leaving the EU - that exiting the EU was the only way to reduce immigration. With this tactic UKIP won support off the pre-existing extreme right “National Front” party and its popularity continued to rise. In the 2014 elections for the European Parliament UKIP won the most British seats in the European Parliament, more even than the ruling Conservatives.

- The fact that the Eurozone countries were slower to recover from the economic recession following the international financial crisis and their difficulties in resolving the crisis of the euro in 2010-13 worsened the EU’s reputation in the UK. The anti-EU press, right-wing members of the Conservative Party, and UKIP exploited this situation to step up calls for a referendum on Britain’s EU membership. The disagreements in the EU about how to solve the refugee crisis in 2015 provided further ammunition for the Eurosceptics.
- In 2013 the British Prime Minister David Cameron, in order to satisfy the minority of his own Conservative Party who wanted to leave the EU, and to win back support from UKIP, promised that if his party won the 2015 general election he would hold a referendum for or against EU membership in 2017. In the event, the Conservative Party did win a majority in the general election and Mr Cameron was therefore obliged to honour his pledge to call a referendum.

The run-up to the referendum

Although Mr Cameron supported Britain’s continued membership of the EU, he favoured an approach whereby the UK remained outside the core of the organization and was able to choose which policies it participated in as it thought fit, and to preserve maximum freedom of action. He admitted to being “no fan of the EU” and rarely expressed any support for it, but instead, with an eye to the Eurosceptics in his own party, often criticized the EU and sought quarrels with it on various issues such as an unforeseen increase in Britain’s EU budget contribution and the appointment of a federalist Commission President (Jean-Claude Juncker).

Mr Cameron’s strategy for preparing the referendum was as follows:

1. The civil service would carry out a review of the “balance of competences” between the EU and Britain in all the various fields of policy based on a wide-ranging consultation of interested parties,.

<p>The allocation of authority to decide policies between the EU and the Member States varies depending on the policy area. There are three possibilities. Firstly, there are fields like competition policy and agriculture in which most power has been transferred to the EU. A second situation found in fields such as education, social security and health is where Member States have retained virtually complete authority. And finally there are fields like regional development and monetary policy in which power is in various proportions shared between the EU and the Member States.</p>

The purpose of the review was to examine whether the balance of competences was appropriate, or whether or not in particular areas too much power had been transferred to the EU and should be “repatriated”.

2. On the basis of the competences review, the government would negotiate with the EU on the changes Britain wanted in terms of the return of powers in such policy fields.
3. Depending on the result of the negotiations, the British government would decide whether to give its support to remaining in the EU or to leaving it and would recommend people to vote in the referendum accordingly.

After two years' thorough work, the 3,000-page long competences review (1), however, did not identify major areas in which powers needed to be returned to the UK, but concluded that the present division of powers was broadly appropriate. However, the government decided to try to obtain the return of some power to control the increased number of migrants from other EU countries into the UK.

It duly negotiated on this with the EU (2) and obtained agreement that it could withhold social security benefits from workers from other EU countries for four years after they had come to the UK. It thought that this was likely to reduce the roughly 180,000 EU migrants arriving in Britain each year. However, the EU side refused to agree to a direct restriction on migrant numbers, because the free movement of workers within the EU is considered an integral part of the single market. Apart from this indirect reduction of EU migrants, Britain also obtained the concession that it would be exempt from further steps in integration (“ever closer union”).

In February 2016 Mr Cameron announced that he was satisfied with the results of the renegotiation and recommended (3) the people of Britain to vote in favour of staying in the EU. The referendum date was fixed for 23 June 2016. However, Eurosceptics argued that the concessions obtained from the EU were insignificant and would not fundamentally change Britain's relationship to the EU. In this they were actually quite correct.

The referendum campaign

The main characters taking part in the referendum campaign were, on the “Remain” side, the Prime Minister David Cameron and the leader of the opposition Labour Party Jeremy Corbyn, and, on the “Leave” side, the charismatic Conservative minister and former Mayor of London Boris Johnson and UKIP's equally well-known radical leader Nigel Farage. Boris Johnson wavered over whether to support “Remain” or “Leave” until the last moment but perhaps for reasons of personal ambition decided in the end to support “Leave”.

The energetic 4-month long campaign was dominated by discussion of assertions of facts about the EU and forecasts of the effects of leaving it and counter-claims disputing those facts and forecasts.

The “Leave” side, supported by the Eurosceptic press, was able to persuade large sections of the population of their case by repeating lies or misinformation about the

EU and making promises about the possibilities offered by Brexit, which in practice were unrealistic, for example:

- The amount of Britain's contribution to the EU budget that would be saved by Brexit was exaggerated. The "Leave" side claimed that Britain paid £350 million (€400 million) to the EU each week, and that all of this sum could be used for other things, such as for the National Health Service or to reduce the fuel bills of old age pensioners. Although this figure was proved to be exaggerated, the "Leave" camp kept on repeating it right to the end.
- In actual fact, the amount of Britain's net contribution to the EU budget is only a third of the £350 million claimed by the "Leave" side.
 - ❖ £100 million is a rebate granted to the UK and is not paid over to the EU at all.
 - ❖ Of the remaining £250 million, £130 million is returned to the UK from the EU budget and is spent in Britain on the EU budget priorities agriculture, regional development and research. The new government has promised to continue this expenditure after Brexit from national resources, so this money will not be available for other purposes either.
 - ❖ Only the last £120 million, which does not come back to the UK but is redistributed from the EU budget to other, mainly central and eastern European countries, is Britain's net contribution. This amounts to around €8 billion per year. The net contribution to the EU budget can be seen as the "fee" for the indirect benefits the EU brings, such as increased barrier-free trade in the single market, common legislation on the environment, social policies, etc., preferential trade agreements with non-EU countries, peace and solidarity.
 - ❖ The "Leave" side claimed that this net contribution to the EU budget that does not come back to Britain went into a "bottomless pit" and was in effect "wasted". This, too, is a lie. In fact, the EU redistributes money from the net contributor countries like the UK and Germany for the economic and political improvement of Europe as a whole, such as development in central and eastern Europe. This development indirectly benefits net contributor countries through increased trade opportunities and economic and political stability.
 - ❖ Furthermore, after Brexit a slowdown in economic activity in Britain is widely forecast. In that case, tax revenue is likely to decrease, and it is possible the net € 8 billion budget contribution previously paid to the EU that has been "saved" by Brexit could vanish in a puff of smoke and not be available at all.
 - ❖ In short, the argument that not paying a contribution to the EU budget would make the country better off is economically illiterate: it fails to take account of indirect benefits from membership and the adverse effect on

economic activity and tax revenue of leaving the EU. The re-imposition of tariffs on UK goods would by itself exceed the net EU budget contribution.

- The “Leave” side repeatedly claimed that the political organization of the EU was undemocratic and that EU laws and regulations were decided by “unelected bureaucrats”, namely the members of the European Commission and their civil servants.
- In fact, the European Commission only proposes the EU laws and regulations; the people approving the laws and regulations are the ministers from the Member States (the Council of Ministers) and the European Parliament. Both ministers from the Member States and the members of the European Parliament are elected and act as their countries’ representatives, so the legislative system of the EU is based on cooperation but is not undemocratic
- The “Leave” side also claimed that freed from EU regulations and the declining EU economy, Britain would be able to build a more dynamic economy by removing unnecessary restrictions, raising its firms’ competitiveness, and concluding trade agreements on its own.
 - ❖ In fact, the so-called “unnecessary” regulations they were talking about were regulations like those protecting basic workers’ rights or the environment, laws and regulations that are common to all developed countries and which the country would want to continue after a Brexit. Also, the EU’s single market is important for the UK’s economic prosperity, but if it wishes to retain access to the EU market after Brexit it will still have to observe EU regulations and standards. In other words, the Brexit camp’s claims on this subject, too, were simplistic and populist.
 - ❖ In 2016, the economies of the Eurozone countries were in fact growing faster than the UK. The “Leave” side exaggerated the gap between the “booming” UK economy and the “stagnant” economies of the rest of the EU. The UK has economic problems of its own, such as low productivity and a large balance of payments deficit.
 - ❖ For a medium-sized country like Britain, concluding new trade agreements on its own will take many years, and it is unlikely to obtain more advantages from the new agreements than from the trade agreements the EU has concluded and is continuing to conclude all the time.
- The “Leave” side claimed that the accession of countries like Turkey, the countries of the former Yugoslavia and Albania that had applied to join the EU was imminent, that Britain could not prevent this, and that some 85 million Turks, Albanians and others would soon be streaming into Britain as immigrants, sharply increasing immigration.
 - ❖ In fact, Turkey is a very long way from meeting all the conditions for EU membership and is only likely to enter the EU at the earliest in about 25 years’ time.

- ❖ Secondly, every existing EU member has a veto on the admission of new member countries and can therefore prevent this.
- ❖ Thirdly, before citizens of new member countries can move to an existing Member State to enter its labour market there is usually a transitional period of about five years.
- Although this claim, too, was baseless, the “Leave” side continually repeated it, because, as their campaign managers admitted, “it worked, so why not use it?”
- To scare people in the same way, the UKIP leader Nigel Farage published a poster, which used a picture taken in 2015 of a column of refugees from the Middle East streaming across one of the Balkan countries towards northern Europe. On the poster Farage is standing in front of the column of refugees, with a caption reading “Breaking Point – The EU has failed us all – Break away from the EU and take back our borders – Leave the EU”.
- In fact, Britain has an exemption from the EU’s refugee policy and hardly took any of the refugees that swept into Europe in 2015. There is no possibility it could be forced by the EU to take any refugees from the Middle East or anywhere else this year either.
- The immigrants living in Britain are mostly not refugees but migrants who have come from other EU countries or from “Commonwealth” countries (India, Pakistan, etc.). It has accepted relatively few refugees.
- The misinformation that was spread about migrants and refugees not only increased support for leaving the EU, but also led to violence and an increase in hate crime against immigrants. A week before the referendum a Labour Member of Parliament campaigning for the “Remain” side, Jo Cox, was murdered in broad daylight while walking along a street in northern England by a man with extreme right wing sympathies. After the referendum, there was an increased number of incidents of graffiti being scrawled on the walls of immigrants’ houses or of insulting comments being made to them, such as customers in restaurants asking the (immigrant) waitresses “Have you packed your bags to go home yet?”

The leaders of the “Remain” side (Cameron and his finance minister George Osborne) mainly stressed the economic disadvantages of leaving the EU during the campaign. Positive arguments for staying in the EU such as the advantages EU membership brought Britain – peace, stability, solidarity between countries, cultural exchanges, free movement, improvement of the environment, food safety, cheaper air fares, etc. – were largely only expressed by people playing supporting roles in the campaign. Neither Mr Cameron, who himself admitted to being a Eurosceptic (six months previously he had still been saying he might support “Leave”), nor the Labour Party leader Corbyn, who is obsessed with left-wing policies such as workers’ rights and nationalization of public service industries, seemed to have much ability to persuade people to support the EU.

Two thirds of politicians in both houses of parliament, the House of Commons and the House of Lords, supported remaining in the EU. The overwhelming majority of economists, businessmen, international organizations like the IMF and foreign leaders such as President Obama and the Japanese Prime Minister Abe also urged Britain to stay in the EU. Despite this, many British people, especially from the less well-off socio-economic groups, stubbornly decided that, whatever these “experts” said, they were going to vote “Leave”. They felt a general skepticism towards the “establishment” (government, big business), established political parties (not including UKIP), and experts generally.

The British public service broadcaster, the BBC, on which 70% of the British population rely for their news, adopted a neutral position in the campaign. When choosing speakers for its special debates during the referendum campaign or in news programmes - for debates even when choosing the members of the audience! – and in determining the content of the articles on the BBC News website, it applied strict neutrality. The disadvantage of the BBC’s approach of maintaining strict neutrality was that it did not challenge the clear lies or misinformation being repeated by the “Leave” side or sufficiently assess the validity or otherwise of its arguments. A frequent complaint among the general public was that the media, including the BBC, were not much help in distinguishing facts from lies, exaggeration and misinformation.

Unlike the mainly neutral audiovisual media, the print media were strongly partisan. The majority of the newspapers in England and Wales (unlike newspapers in Scotland and Northern Ireland) supported “Leave”, the conservative and nationalist “Daily Express” calling its campaign to get Britain out of the EU a “crusade”. Conservative newspapers have a strong influence especially on the older people.

2. The referendum and its aftermath

Right to vote in the EU referendum

The British Parliament passed special legislation for the EU referendum. The right to vote prescribed by the legislation was largely the same as for general elections. The minimum voting age was 18. The following were eligible to vote in the referendum:

- British citizens resident in the UK
- Citizens of Commonwealth countries (former colonies such as India, Pakistan) resident in the UK
- Irish citizens resident in the UK, and
- British citizens living abroad who had been registered to vote in the UK within the last 15 years.

Citizens of EU countries other than Ireland living in the UK (totalling around 3.2 million) were not given the right to vote. Among these are quite a large number of people who have been living in Britain for 10 years or more. British citizens who had been living abroad for more than 15 years (like me, who had been living in Belgium

for 40 years) were also denied the right to vote. The number of British people who have been living abroad for over 15 years is around 600,000.

The definition of the electorate influences the result of any vote. In the referendum, the discrimination between Commonwealth citizens resident in Britain, who were eligible to vote, and residents who were citizens of other EU member countries, who were not, was odd. The reason why EU immigrants were excluded from voting was that during the passage of the referendum legislation the Conservative members of the British parliament who were in favour of Brexit opposed giving them the right to vote.

The referendum result

The turnout (proportion of those eligible to vote who actually voted) in the referendum was 72.2%, which is higher than usual. In the UK as a whole the total of people voting to leave the EU was 17.41 million (51.9%), against 16.14 million (48.1%) voting to stay, a majority of around 1,260,000.

The United Kingdom of Great Britain and Northern Ireland (UK) is divided into four regions or “countries”, England, Scotland, Wales and Northern Ireland. The latter three regions/countries have had powers devolved to them to a certain extent by the UK central government. The result of the vote by region/country was as follows:

- England: “Leave” 53.4%, “Remain” 46.6%; however, there was a clear difference between the big cities (London, Manchester, etc.) and smaller towns and rural areas, with the former (especially London) voting “Remain”, the latter “Leave”.
- Wales: “Leave” 52.5%, “Remain” 47.5%
- Scotland: “Remain” by an overwhelming majority (62%)
- Northern Ireland: “Remain” 55.8%, “Leave” 44.2%

The correlation between the voting in the four parts of Britain and the tendency of the local press to be Eurosceptic or more positive towards the EU is striking: England and Wales with a mainly Eurosceptic press voted “Leave”; Scotland and Northern Ireland whose newspapers are more positive voted “Remain”.

According the results of surveys, the split was not only a geographical one, but there was also a clear difference between young and old and according to educational qualifications - between university graduates and non-graduates. A large majority of young people and graduates voted “Remain”, a large majority of older voters and non-graduates were for “Leave”. Manual workers, technicians, unemployed people and pensioners mainly voted “Leave”.

Surveys and voter interviews conducted after the vote have cast light on the motives of “Leave” supporters.

1. Opposition to immigration was an important reason. Many people gave as their reason for supporting “Leave” the fact that immigration had changed the

appearance of towns (for example, many Polish shops on high streets), had put pressure on public services, and that by working for low wages immigrants had taken jobs away from British workers. With the free movement of labour principle preventing any regulation of the entry of EU immigrants, to control immigration it was necessary to leave the EU.

- Net immigration to Britain (inward migration minus outward migration – people leaving Britain for abroad) has in recent years been averaging around 350,000 a year. However, migrants from the EU account for only half of this total, the remainder being mainly from British Commonwealth countries like India. Although the British Government can control migration from outside the EU, it still lets considerable numbers of such immigrants into the UK each year. This is because with the ageing of the indigenous population, Britain needs immigrant labour. While in some sectors, such as building, immigrants do have the effect of depressing wages, in general they do not take British people's jobs, but do work British people are unwilling to do (such as in agriculture and the food industry) or work for which there are not enough British people with the right skills or qualifications available. For example, 12% (over 50,000) of people working in the National Health Service are citizens of other EU countries. Without this labour, medical treatment in the NHS might become unavailable. Thus, while reducing immigration is perhaps a natural reason for people to want to leave the EU, it is not a convincing reason.
2. Many "Leave" voters were from sections of the population that felt "left behind" by the general rise in prosperity in the country as a whole, because of the decline of traditional industries, the stagnation of wages, poverty, and the lack of public investment outside big cities. They felt they had "lost out", not benefited from economic globalization, unlike the sections of society that were part of the so-called "Establishment", who had been the winners from globalization. For these disaffected voters, the EU through its encouragement of free trade and competition was a symbol of globalization. They were casting a protest vote against globalization which they considered was to blame for their situation.
 - In fact, it is not the EU or globalization as such that is to blame for the situation of these people but rather it is the fault of British governments that have failed to spread the benefits of globalization more equally. Britain is one of the countries with the most unequal distribution of wealth in Europe.
 - On this analysis, the referendum result can be seen not so much as a judgment on the EU, but as a protest vote against globalization, the policies of the British government, the British "Establishment" and the ruling elites of British society.
 3. Although "Leave" supporters voting for the two above reasons seemed to be unfairly blaming the EU for the bad effects of globalization and the British government's own policies, there is no doubt that some voters were actually

passing judgment on the EU. Many British people do not appreciate the political aims of EU cooperation such as preserving peace, but look at it purely from the point of view of its economic advantages. They scoffed at the award of the Nobel peace prize to the EU in 2012. They believe the claims that Britain has transferred too much sovereignty to make laws to the EU, that the EU's political organization is undemocratic, with unelected bureaucrats (the European Commission) deciding laws and regulations and forcing them on Britain. They argue that Britain must get back its power of self-determination so as to be able to make all its own laws.

- Such people fondly recall the greatness of the British Empire and the country's victories in two world wars, and think that as an island nation with the fifth biggest economy in the world (actually since the fall in the pound after the referendum Britain is now only the 6th biggest economy in the world, having slipped behind France) Britain should stand independently on the world stage. They stress how Britain recovered from the global financial crisis relatively more quickly than continental European countries and are proud that their national language English has become the world language, seeing no need to learn foreign languages themselves.
- The people holding this type of views are mostly middle-aged or elderly supporters of the Conservative Party or former Conservative or Labour voters who have defected to UKIP. They are typically daily readers of Eurosceptic newspapers and over time their views have hardened to make them fiercely anti-EU.
- In my view, in today's world where countries are interdependent in many fields, international cooperation and pooling sovereignty to adopt common laws make sense. Nationalism is an outdated approach. In Europe, which has a common history and is facing common challenges, it would be more natural for the UK not to walk away from its continental European neighbours but to show solidarity with them in tackling these common problems.

My analysis of the referendum result is as follows: The victory of the "Leave" camp was the result of the nationalists or "Little Englanders" (the third group above) managing to persuade people dissatisfied with the level of immigration, the bad effects of globalization and the British government's policies (groups 1 and 2) to make the EU a scapegoat for much of what was bad in their lives. The "Leave" camp's nationalist slogan of "Take back control" struck home among the population and narrowly won the argument. The victory for "Leave" came despite the fact that an overwhelming majority of business leaders, economists and foreign statesmen and two-thirds of the British Parliament supported "Remain". The victory was facilitated by years of anti-EU propaganda by many British newspapers.

The aftermath: The situation brought about by the Brexit decision, putting the decision into effect

1. Economic impact

The Bank of England fears that the uncertainty about the future caused by the Brexit decision may send the British economy into recession in 2017. The pound exchange rate has fallen 18% against the dollar, the lowest rate since the 1980s. However, apart from the fall in the pound, adverse effects of the decision on the economy are not yet widely apparent, though likely to gradually increase. This is probably partly due to the action of the Bank of England (the UK's central bank) immediately after the referendum to cut interest rates and introduce quantitative easing measures.

In the longer term, Brexit is likely to have an adverse effect on the growth of the UK economy. How big this effect will be depends on the future trade relationship the UK agrees with the EU, whether it involves a "soft" (maintaining the status quo) or a "hard" (a clear split) Brexit.

The fall in the pound has had some impact already:

- on airlines' profits (e.g., EasyJet, Ryanair), because fuel costs are in dollars;
- on air fares and the price of foreign holidays (leading to a drop in foreign holidays being taken by British people and causing problems to some low-cost holiday airlines like Monarch);
- on food and household good prices in the shops (e.g., Unilever's proposal of a 10% increase in wholesale prices of popular household goods to British supermarkets);
- on exports the fall in the pound initially had the opposite effect: exports of British firms rose slightly thanks to cheaper prices in foreign currencies. However, this price advantage will in many cases gradually be eroded by the increased cost of imported inputs.

Business leaders, especially the London financial markets, and the governments of countries like Japan with a lot of companies that have made foreign direct investments in Britain are calling for Brexit to take the form of a close relationship with the EU that is as little different from the present one as possible, in other words a "soft Brexit". Japan, for instance, has over 1000 companies established in the UK employing 120,000 people. They are warning the government about the risk of severe damage to the economy should the departure from the EU be "hard", with the UK losing access to the EU's single market and even to the Customs Union (possibly leading on tariffs on British exports to Europe):

- Such warnings have recently come from the Confederation of British Industry and British Chambers of Commerce
- The CEO of Renault-Nissan Ghosn has said that the company's Nissan plant at Sunderland in the UK is a "European plant located in the UK". The majority of the cars made there are exported to other EU countries. If in the future tariffs came to be levied on exports to the EU, when the Japanese company was undertaking new investment it would naturally consider choosing other EU countries in preference to the UK for that investment.

- Lloyds of London, the insurance broker market, has also warned of a possible transfer of its headquarters to mainland Europe.
- The City of London financial centre has calculated the cost of losing the right to provide their services freely in mainland Europe: 35,000 job losses in London and the loss of £20 billion in tax revenue from the City to the British exchequer (easily exceeding the net EU budget contribution "saved" by Brexit).

The government has assured the agricultural industry, regional development agencies and universities that the funding they currently receive from the EU budget for agricultural and regional subsidies and for research will be continued from national resources until 2020. However, they are concerned about whether funding will continue after that.

Should there be a "hard" Brexit in 2019, economists and business leaders insist that a transitional period must be negotiated to cover the period until a new trade agreement is negotiated with the EU, because exiting the EU in 2019 without such a transitional period will be like "falling off a cliff". A new trade agreement with the EU may take until the mid 2020s to negotiate.

2. Effect on society

British society after the referendum is split between "Leavers" and "Remainers". According to a survey conducted in July, 12% of people had quarrelled with members of their family or with friends before or after the referendum, even to the point of breaking off relations in some cases. After the referendum children often accused their parents of robbing them of their future by voting to leave the EU.

There has been an increase in incidents of abusive language and aggressive behavior towards immigrants. The government was criticized for adopting an anti-immigrant (even xenophobic) tone at the recent Conservative Party Conference, and suggesting compelling employers to publicly state the number of foreign employees on their payroll. It was claimed (but denied by the government) that foreign economists teaching at the London School of Economics have been banned from advising the government on Brexit: only British passport holders could act as such consultants.

In the newspapers and on television, although it is now four months since the referendum, Britain's future relationship with the EU is still the number one subject and is likely to remain so for at least the next three years until Brexit takes place.

Although the new government has promised to carry out the Brexit decision, there is pressure among the general public and opposition parties for a second referendum. Although the next election is scheduled for 2020, if the government were to call an early election the opposition might campaign for a second vote on the results obtained in the Brexit negotiations.

Some 4 million people signed a petition calling for a second referendum on the ground of the narrowness of the majority for Brexit in the first referendum. But

Parliament rejected the petition. The government is trying to keep its thinking on the form of Brexit confidential and to limit debate in parliament. A legal action has been launched to force a vote by Parliament on the form of Brexit the government will seek in its negotiations with the EU.

Finally, the Brexit decision has raised a major constitutional problem within the UK. Scotland voted in favour of remaining in the EU, so if Britain leaves it is considering holding a second referendum on whether to become independent from the UK to allow it to stay in the EU.

3. The process of Brexit

Prime Minister Cameron resigned immediately after the referendum. The new government of Theresa May has promised to respect the referendum result and to implement it. The ministers given responsibility for Brexit, the Foreign Minister Boris Johnson, the Minister for Exiting the EU David Davis, and the Trade Minister Liam Fox, all campaigned for Brexit in the referendum. The opinions of the three men on the best kind of future relationship with the EU differ, but Prime Minister May and Finance Minister Hammond who will be supervising the process were on the “Remain” side. Reaching agreement within the government will not be easy.

The negotiations with the EU have to be completed within two years of the UK’s formally informing the EU of its intention to leave. Prime Minister May recently announced that she intends to send the notification to exit the EU by the end of March 2017. Before doing so, the government intends to decide on its negotiating position and objectives. This work is ongoing. Brexit is likely to take place in 2019.

The negotiations with the EU will cover: the form of access, if any, to the single market in return for continued admission of EU immigrants and a budget contribution; the final settlement of accounts, including return of shares in EU institutions such as the European Investment Bank, payment of former EU officials’ pensions and health insurance, etc. (Acting British EU officials will lose their jobs, as employment in the EU institutions is reserved for EU nationals.)

The most difficult problem regarding Brexit is that relating to the free movement of EU citizens. Although Britain would like to continue to have access to the EU’s single market for trade in goods and services after Brexit, normally in return for such access a country has to accept free movement of EU citizens. In addition, in return for access to the single market the country also has to pay a financial contribution. This is so for non-member countries that have access to the single market like Norway and Switzerland. However, in the referendum many British people seemed to support restricting the numbers of EU citizens coming to the UK and stopping financial contributions. So the country is facing a dilemma.

If it wants to limit the number of migrants and stop paying budget contributions the UK will thus have no alternative but to give up single market access. The prospect of a “hard Brexit”, involving the charging of tariffs on British exports under World Trade Organization rules and difficulties of access to the EU market for London’s financial services firms, is looking increasingly likely. The recent Conservative Party

Conference the government took a strongly populist line on immigration, pointing to a “hard” Brexit. The market reaction was an immediate further fall in the pound.

Another possible outcome supposedly being considered by the government is access to the single market for certain sectors such as financial services and the car industry but no access for others, in return for a continued payment of a contribution to the EU budget.

If EU free movement and financial contributions do prove to be unacceptable to Britain and it leaves the single market on Brexit, Britain may afterwards negotiate a new trade agreement with the EU, but this could take a very long time.

Besides the future trading relationship with the EU, there is the problem of what to do with the around 12,000 laws and regulations based on EU law that are currently in force in Britain. It is expected that the UK will want to continue applying most of these laws. The government has now announced its intentions in this regard. When Britain exits the EU in 2019, all EU laws will first be incorporated into British law and the British Parliament will then progressively review them to decide which ones to maintain and which to repeal or amend. This is likely to keep the British Parliament busy for an estimated 5 to 10 years.

In connection with Brexit it has become clear that large numbers of extra civil servants will be required in the central administration. For example, there are hardly any people with experience of negotiating trade agreements in the British civil service. Trade policy is handled in the EU by its central administration (the EU Commission), so the Member States do not need their own civil servants for such work.

The “Leave” side made a number of promises during the referendum campaign. The May government has already announced that it will not be acting on some of these promises. For example:

- It has made it clear that it may not after all spend any of the money presently paid to the EU but “saved” on Brexit on the National Health Service or pensioners. Indeed, it has not ruled out continuing to pay some financial contribution to the EU in future (for example, in return for access to the Single Market). In any case, should the economy fall into recession as a result of Brexit, this will cause tax revenue to decrease, leaving less money to spend. Also, it will be necessary to replace the current aid spent from the EU budget on research and agriculture from national resources in future.
- The government has indicated that it will not be expelling the people from other EU countries currently in the UK or stopping admitting further EU workers in the near future either. The economy cannot at present manage without these workers. On the other hand, it has proposed requiring companies to declare the number of foreign workers on their workforce.
- The EU regulations criticized by the “Leave” camp as needless “red tape” will be incorporated after Brexit into British law and gradually reviewed over the course of many years. This will be done because far from being needless red

tape these EU laws are provisions the UK would have anyway whether it was in the EU or not – provisions on the environment, on workers' rights, etc.

4. Effect on EU

Britain's departure will weaken the EU. Britain, especially in the 1980s and up to the mid 1990s, has been a powerful influence on freeing up markets, increasing competition and promoting free trade. Germany, the Netherlands and the northern European countries will miss Britain's support in continuing this liberal agenda against the more protectionist propensities of France and the southern European countries. The eastern European countries, whose accession was promoted by Britain, will also miss a former strong ally.

The EU countries generally feel Britain has been selfish in turning its back on European cooperation at a time of growing international problems and threats (terrorism, migrants, Russia).

The British referendum has encouraged anti-EU forces in other countries. France and the Netherlands are the two countries most liable to face pressure to hold similar in-out referendums on membership. Should this trend continue, it could have a snowball effect and lead to the break-up of a 65-year old experiment in international cooperation in Europe, endangering peace on the continent and elsewhere.

5. Conclusion: Was the referendum worth it? Is leaving the EU a good thing? Lessons for others

In conclusion, a glance at all these problems raises the question what purpose is served by Britain leaving the EU. Many British people and many people from other countries think there is absolutely no point in it at all.

Brexit will not make "Remain" supporters happy, naturally. But it is unlikely to be a happy experience for the Brexiteers either, as it will not match up to their expectations.

In my opinion, the British referendum has been a bad experience. Referendums on general questions affecting a country's whole future direction and international position for many years into the future are a bad idea. Many voters do not answer the question asked but issue protest votes on many other matters unconnected or only partly connected with the question.

Mrs May says she is putting into effect the will of the people expressed in the referendum in taking Britain out of the EU. On the other hand, she admits that many British voters were not really voting on the EU at all but protesting against being the victims of globalization.

In referendums voters tend to be captured by populists spreading misinformation, providing simplistic solutions and making false, unrealistic promises. The vote to leave the EU was clearly based on such a "false prospectus" which downplayed the benefits of membership and exaggerated its disadvantages and the advantages of Brexit. This calls into question the validity of the vote.

A British electoral reform society suggested an arbitration panel to sift through the competing claims of the two sides and condemn lies and misinformation.

In Britain's case that advice, even if it were practicable, comes too late.

Referendums are also socially divisive, creating tensions and inflicting wounds that take a long time to heal.

【Profile】

Francis Rawlinson was born in Preston, United Kingdom, in 1944 and after German studies in Manchester and obtaining a PhD in German linguistics at Marburg University, Germany, entered the service of the European Union (then European Community) in Brussels in 1973, where he worked until his retirement in 2009. In the European Commission he served first as a translator and then, after studying Economics in the 1980s, as an economist in the competition and regional development departments. During his time at the European Commission he published articles on state aid control and co-authored with Ritter and Braun a book on EC competition law, "EEC Competition Law: A Practitioner's Guide" (1991), and contributed the state aid chapter of successive editions of the German commentary on the EU Treaty edited by Lenz, "Kommentar zum EU-Vertrag," (from 1994). After retirement from the Commission he lectured on EU policies at Kwansei Gakuin University from 2011 until 2017, as a professor attached to Institute for Industrial Research and as visiting professor in the School of Economics. During this time he gave public lectures on the euro crisis, regional development and Brexit, and contributed to a book comparing ASEAN to the EU, "Establishment of the ASEAN Economic Community: Possibilities of the Comparative Study for Regional Integrations" (ed. Ichikawa), with the chapters on competition and regional development. His book on the effect of the British Eurosceptic press on the result of 2016 EU referendum, "How Press Propaganda Paved the Way to Brexit," is due to appear in the summer of 2019 (publisher Palgrave Macmillan).



Co-funded by the
Erasmus+ Programme
of the European Union

Institute for Industrial Research (IIR) Seminar

Is the UK's decision to leave the EU justified or pointless? – A Europhile Briton's view –

Publisher

Institute for Industrial Research, Kwansei Gakuin University
1-155 Uegahara Ichiban-cho, Nishinomiya, Hyogo 662-8501 Japan

Tel +81-(0)798-54-6127

Fax +81-(0)798-54-6029

E-mail: sanken@kwansei.ac.jp