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## BREXIT REFERENDUM 2 YEARS AFTER

### 6 LESSONS THAT WE (SHOULD) HAVE LEARNT.

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**Last weekend marked the 2<sup>nd</sup> anniversary of the referendum on exit of UK from the European union.** What did we learn over those 24 months that we did not / may not have know(n) before?

**First, that to leave the EU in time set by the Article 50 (i.e., 2 years) is impossible.** This wasn't the biggest of all surprises as nobody in his right mind could have expected that unwinding the 40-year old membership is going to be achieved in two years' time: although likened to such, this was never going to be the divorce of 40 years' old marriage, with mortgage paid, kids out of home, you name it. Just recall that it took Greenland almost 3 years to negotiate the exit ↗ from the EU after the February 23, 1982 referendum and back then the only thing that was being discussed was the fish...With UK-EU relationship billion times more complex and intertwined, it was always going to take more time. And the way the negotiations stand today supports this expectation: the most significant progress to date is the color-coded draft agreement ↗ on withdrawal of UK from the EU that was released back in March. The problem with it is that

it hasn't yet been formally approved by either EU or the UK, with significant differences remaining (for instance, the apparently intractable problem of Northern Ireland / Ireland border), and that it

merely kicks the can down the road with the envisaged transitional period (that shall last until the end of 2020) in the hope that by then some kind of miraculous solution will be found to enable smooth trade without single market / customs union membership. All the UK got in exchange for agreeing to the transitional period (during which UK will be bound by EU rules, will continue to pay but will not vote on them) is the permission to strike its own free-

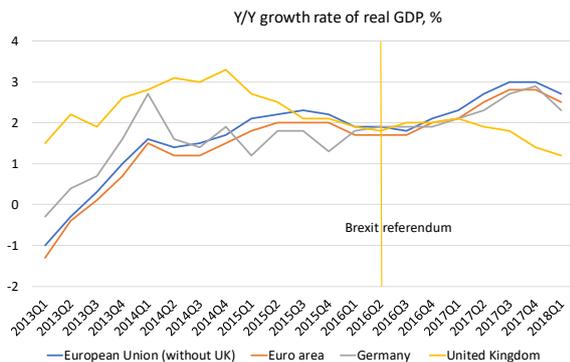
trade agreements (which no country of importance seems to be too eager to do while UK's final status vis-à-vis the European Union is known).

**Second, the hopes of quite a few in UK that UK will be able to get a terribly good deal from EU-27 in post-Brexit negotiations were shown to be vain.** The hope of anti-EU Tories that EU-27 will split into countries that have lot to lose in no-deal scenario (i.e., those that run surpluses with UK<sup>1</sup> or have big immigrant populations in UK) and those that have little to lose (i.e., those that have deficits, which are few and far between), with latter being outnumbered by the former, have proved to be nothing more than wishful thinking: EU27 continues to present a unified front against the clearly helpless UK which run by torn government that doesn't seem to have a clue of what it wants. Although now and then someone in UK still says that no-deal Brexit will be disaster for EU, the numbers don't add up: although EU does run a surplus with UK, EU exports to UK (GBP 347 bn. in 2017) account for less than 10% of all EU28 exports (intra-EU and extra-EU) and approx. 15% if only extra-EU 27 exports are in the denominator, whereas UK exports to EU account for 44% of all UK exports (GBP 276 bn.). If there was anything to be learnt from last two years, it is that **EU is resolute and doesn't waver**: by now all except for few delusional Brexiteers know that there will be no cherry-picking that Brexiteers hoped for ("single market YES, free movement of labor NO). And that any UK's **post-Brexit arrangement with the EU will be dictated by how many red lines** UK government chooses to see as pink – in other words, where on the notorious 'steps of doom' ↗ UK chooses to stop.

<sup>1</sup> Most of the countries in EU save for Ireland and Sweden run a surplus with UK. The biggest surplus with UK is run by (i.e., the countries UK has largest deficit with are) Germany, Spain, Netherlands.

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**Third, that Brexit has tangible economic impacts which, though not as sudden as feared before the referendum, are none less real.** The UK economy turned to be a clear global post-Brexit laggard, with noticeably slower GDP growth rate compared with EU27, Germany or Eurozone (let alone US).



SOURCE: EUROSTAT

Moreover, now that the hard Brexit (which the likes of Johnson or Rees-Mogg prefer) seems to be the most likely outcome, courtesy of indecisiveness and infighting of May's government, it is more likely than not that the torrent of bad news and economic slowdown will accelerate. Last week, for instance, Airbus, employing 14k people in UK, good part of that in the poorest part of UK that is Wales, said that its continuing presence in UK is not guaranteed unless frictionless trade (airplane producers, just like carmakers, run tight just-in-time supply chains) is assured. Which, without customs union and single market, is not going to happen, the max-fac fantasies of the Brexiteers nonetheless.

**Fourth, Brexit can endanger the unity of the UK and exacerbates internal divisions.** There are two problems here. One, the intractable problem of Northern Ireland / Ireland. Here, if there is to be no hard border on the island of Ireland as envisaged by the Good Friday agreement (which is what all those living there wish), EU insists on Northern Ireland remaining in the customs union / single market. This 'regulatory divergence', however, is an anathema to Tories as well as their coalition partners DUP. This is not the only problem, even though it is the most visible / talked-about one. There is more explosive

situation of Scotland where, I expect, the next referendum on independence is a certainty, the only uncertainty being whether Scottish nationalists (SNP) wait until March 2019 (de iure Brexit) or until the end of 2020 (end of transition period) or for still some more time to let the consequences of Brexit sink in for voters like David Lawless who exhibit 'false consciousness' that would make Antonio Gramsci red with anger. And make no mistake, those 5% that the Scottish nationalists could not find back in 2014 referendum won't be much of a problem now, considering that all 32 councils in Scotland voted to remain in the EU, making Scotland the most pro-Remain part of the (still-) United Kingdom.

**Fifth, we should not underestimate the migration.**

This was pre-eminent reason for Leavers to vote to leave the European Union and is now the reason why we have unsavory Italian government that wants to count Roma, why we have discord between new and old members of the EU and why Germany is on the brink of early elections. It makes little difference that economically Boston, the most pro-Brexit voting area, wouldn't be much better off without Polish or Lithuanian immigrants: what matters are the perceptions and ideology and I think it is not worth to sacrifice European coherence for unchecked freedom of movement. In other words, **time is now high to tackle migration, intra-EU and extra-EU.**

**Lastly, to tackle internal political issues or, what's worse, intra-party problems, using referendum on foreign policy, and one about such a complex issue as is membership of the EU on top of that, is irresponsible at best, outright stupid at worst.** As illustrated by notices of preparedness issued by EC, the Brexit has impact on areas so innumerable that it is impossible for any voter to grasp the consequences of voting on it. What is even more irresponsible (yes, Cameron, that's on you) is to call binary referendum on exit that can take myriad of forms, from Norway-like scenario through Swiss, Ukrainian or Turkish model all the way to Canada arrangement or WTO. **Referenda should only ever be held on trivial questions.** Of which, in our increasingly complex society, there are increasingly fewer of them. And, finally, self-serving

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