

Aktuelle Debatte:

Brexit-Strategien und die soziale Frage

Fault Lines in the Brexit Camp

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At the end of March 2017 Prime Minister Theresa May invoked Article 50 of the Treaty of European Union and began the process of British withdrawal from the EU. There is an ongoing political struggle to influence the objectives and strategy of UK negotiators: it pits minimalists – those concerned to preserve economic linkages with the EU – against hard-line euro-sceptics, determined to sever any linkages which impair Britain's sovereignty. But beneath that open conflict there is also a latent one among the Brexiteers themselves. It is far from clear which approach will be pursued by the Prime Minister, although her rhetoric has so far been hard-line.

As this is written, the PM has called an early general election in a political climate which seems very likely to give her an increased majority in the House of Commons. This would tend to strengthen her against pressure from all sides in the disputes over negotiating strategy.

Developments since the Brexit referendum, and especially since formal negotiations opened, have brought out the complexity of the withdrawal process. During the forty-four years of British membership countless administrative and legal interconnections have tied Britain into EU structures – in every field from education and research to agriculture and policing. Disentangling this host of relationships without serious disruptions is going to be a time-consuming and difficult task.

Further, a very high degree of economic integration has led to substantial commercial, industrial and financial risks to the UK if negotiations fail. The most salient example of the level of the UK's material integration with the EU is the presence of some three million people born in other countries of the EEA, of whom some two million are economically active. There is little doubt that EU citizens already in the UK will be permitted to stay permanently but one of the first blows to the British side in the negotiations is that the cut-off point for this entitlement will be at the conclusion of the formal negotiations in 2019, not 2017 when withdrawal talks begin.

It seems as though the UK side have already accepted that Britain's formal departure will be followed by a lengthy "transitional" period during which immigration from the EU will continue unchecked. If the conservative government receives a fresh electoral mandate and a reinforced majority in the Commons, with the next general election deferred until 2022, it will be relatively protected against growing discontent with the consequences of Brexit and the foreseeable failure to achieve the government's stated aims in the negotiations – the undisturbed continuation of economic relations with the EU at the same time as control over immigration and an end in Britain to the authority of the European Court of Justice.

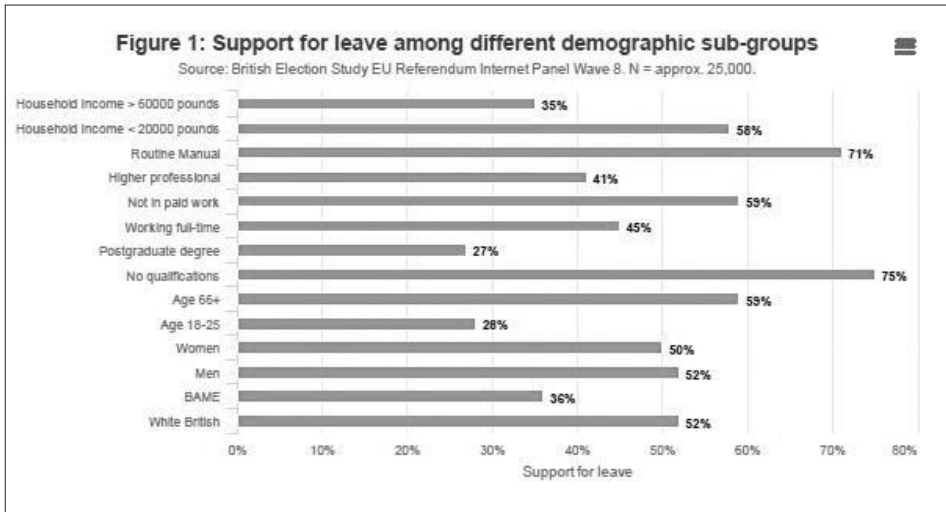
The present note looks at the possible conflicts among the proponents of Brexit and at the key issue of immigration controls.

The Two Main Forces behind the Leave Vote

Mass support leading to the victory of the Leave campaign began to develop with the growing popular base of the UK Independence Party, which had already scored major successes in elections to the EP but failed to break through to the British parliament where the established parties are strongly protected by the first-past-the-post voting system. Thus, in the general election of 2015 nearly four million votes for UKIP translated into a single seat in parliament.

The capability of UKIP activists often fails to impress. As in many cases where a newly launched party achieves rapid growth, recruits included many cranks and opportunists. The consequent internal problems have been aggravated by the fact that UKIP was focussed on a single issue – the EU. On other questions there could be very wide divergences. But UKIP activists were hardly representative of UKIP voters who were protesting against the established order as a whole. At present UKIP seems to be a spent force because those voters who want a decisive and complete rupture with the EU will be happy to support a Conservative party led by May.

However, it is a long way from the four million votes achieved by UKIP when running against the established parties to the 17.4 million votes against EU membership when rivalries among established parties (all of them supporting the Remain campaign) were not in play. A study published by the Joseph Rowntree Foundation gives a portrait of the Leave voters:



The most important indicator of a Leave vote was a low educational level. The second factor was a low household income. Regional economic performance was also important: in regions with higher unemployment and lower levels of average income all voters were more inclined to take a negative view of the EU. The accumulation of these three factors accounts for most of the age effect: withdrawal from the EU is a policy imposed by the old on the young.

Although opposition to high levels of immigration was a key theme of the Leave campaign the regions with most EU migrants did not support Brexit – London, for example,

voted strongly against. Black, Asian and Minority Ethnic (BAME) voters might be expected to take a more liberal view of immigration, being themselves mostly second or third generation immigrants from the Commonwealth and often being concerned to preserve access for spouses or other family members from Commonwealth countries.

Both the EU and immigrants became to some extent scapegoats, held responsible for stagnant incomes, housing shortages, rising inequalities and weakened public services. In reality other factors were of greater importance. Pressure on working class incomes owes much more to the mobility of capital – to outsourcing and off-shoring – than to labour mobility. The decline of key industries – steel, coal, much of manufacturing – has had the main impact on wages and job security.

Resentment of the EU as an institution seems similarly metonymic – a displacement effect suppressing a painful investigation of the internal causes of economic malaise and social distress. The EU's macroeconomic regimes which have devastated southern member states do not apply in the UK, which is outside the eurozone and not bound by the Stability Pact. The EU's competition and market access rules might well obstruct certain types of intervention but this is a slack constraint as there has been no pressure for such policies within Britain. It is often forgotten that the single market is a British initiative, stemming from a white paper drafted by British Commissioner Lord Cockburn during the Thatcher government.

If Britain has not been closely involved in EU developments this has largely been because British governments have preferred a peripheral position: it is very rarely that Britain has been put in a minority in the Council. (Indeed, had Britain's potential influence been exercised in a positive way many of the problems arising under German hegemony might have been avoided.)

The mass support for Brexit clearly invites comparison with other revolts against the established political class – in several European countries, in the US and elsewhere. Differences, however, must be recognised. Low income voters in the US presidential regions went strongly for Clinton against Trump, although voters in deindustrialised regions supported Trump. Ethnicity was probably important here – many low income voters in the US belong to groups who felt threatened by Trump's nativism. Nevertheless, *mutatis mutandis*, the Brexit phenomenon does fit into a broad pattern: accumulated resentments at the outcome of market-led globalisation fuelling a revolt against the elites associated with that project.

However, the drive for Brexit also involved another, quite different political force – a group of leading conservatives, strongly committed to neo-liberal policies, whose resentment of the EU has little or nothing to do with migration but rather with the constraints that EU membership puts on their globalisation strategies. Influential members of this group include John Redwood, Iain Duncan Smith, both former cabinet ministers, and David Davis, currently in charge of Brexit preparations within the UK government. The issue of sovereignty is critically important to them and they see the very limited regulatory structures of the EU – in labour markets, consumer protection, the environment and finance – as seriously impairing Britain's freedom of manoeuvre.

Nigel Lawson, Chancellor of the Exchequer under Margaret Thatcher, when he made drastic cuts in the higher bands of income tax, spoke for this group when he said that Brexit makes it possible to complete the Thatcher revolution. The motto of this group is not "restrict EU immigration" but rather "leave the EU – join the world". Although in their thinking and in their social status they are a long way from the mass of Brexit voters,

they provided the Brexit campaign with most of its more prestigious leaders and greatly enhanced its political respectability.

The concern with sovereignty can be related to a continuous theme in British politics. At the time of the Schuman Plan and then the Common Market reluctance to impair sovereignty was the main motive for Britain's refusal to participate and the reason why it preferred free trade agreements to customs unions. (Surrender of sovereignty was on the other hand precisely a French objective since the subordination of German heavy industry to supranational control was a key motive.) However, at that time Britain was a much more powerful country, still benefitting from its escape from occupation in World War II and with a substantial colonial empire. How much does sovereignty mean without power? In the 1950s Britain developed a prescient approach to trade liberalisation, the "one world" strategy. Three main actors were to dismantle, simultaneously, their protective tariffs and quotas. Britain would remove Commonwealth/Empire preference. The Europeans would remove their common external tariff and other restrictions. The US would open up the dollar zone. Globalisation *avant la lettre*. It was not the absence of sovereignty which frustrated this ambition, but a lack of bargaining power: Britain's trade with the dominions and former colonies was stagnant; their industrialisation strategies required bigger markets than Britain alone could provide and so the imperial trading system would fall apart anyway – to dismantle it formally did not offer significant advantages to the Europeans or the Americans. Britain's recourse was then to throw in its lot with the European Economic Community. But Britain at the time was a much more important player in the world economy than it is today.

The free market Brexiteers are optimistic both about Britain's future economic relations with the EU, where they see no reason to anticipate serious disruption, and with outside countries where they hope that a radically liberalising stance will lead to advantageous terms in bilateral agreements. Whether the first of these two hoped for outcomes will materialise depends on the course of the negotiations but even given good will on both sides there are dangers for Britain. The hard-liners want Britain to withdraw from both the single market (otherwise immigration cannot be restricted) and the customs union (otherwise Britain cannot negotiate trade deals with third countries). However, if even low tariffs come into effect for UK-EU trade massive administrative tasks could arise. British officials today struggle to deal with some 50 million customs declarations a year – that figure could treble if imports from the EU have to be declared. Unlike customs unions, free trade agreements require the imposition and enforcement of rules of origin, which could introduce serious frictions into trade with the EU. (The thoroughly Eurosceptic Christopher Booker, commentator in the very conservative Sunday Telegraph, has spelt out many such dangers.)

As for trade with other countries, the contrast remains between the sovereign right to conclude trade agreements and the lack of power to secure advantageous terms. Brexit Britain will, for example, be in a position to sign a trade deal with Canada. But will it obtain better terms from the Canadians than the EU? Why should the Canadians make more concessions to Britain on its own than to the world's largest trading bloc? Initial explorations have not been too encouraging. India would be interested in a deal if it were linked to easier entry into Britain for its citizens – hardly the way to achieve Prime Minister May's objective of much lower immigration levels. There have also been overtures to Saudi Arabia – any agreement there might have political strings attached. Some civil servants refer ironically to the free market hard Brexit project as "Empire 2" and there may indeed be an element of nostalgia in that position.

Immigration: Brexiteer Conflicts?

It seems very likely that the two main forces behind Brexit, call them the “populists” and the “neoliberals”, (so as not to say “little Englanders” and “Thatcherites”) will come into conflict over the terms of British withdrawal and the shape of the post-Brexit economy. The populist concern with stagnant incomes and economic insecurity suggests both tighter immigration controls and reinforced employment protection. The neoliberal drive points in the opposite direction. Completing the Thatcher revolution would presumably mean lower taxes, reduced welfare expenditure and weaker labour market and employment regulation.

The neoliberals will be seeking capital inflows from around the world by providing advantages in lower corporation tax (and perhaps lighter regulation) to compensate for the impairment of access to the single market which would, in itself, discourage FDI in Britain. But it will be difficult to attract FDI without a flexible supply of labour. Now it is clear that, without an abundant supply of immigrant workers the British labour market would have very limited flexibility.

At present this conflict is latent and unacknowledged. There is open conflict only between, on the one hand, those trying to minimise the changes implied by Brexit, who include both many employers as well as all those who, for various political reasons, voted to remain and, on the other, those determined to extract Britain completely from EU institutions. However, the sharp differences among the latter group seem certain to come to the fore as Brexit proceeds.

With the substantially increased majority which seems likely, it will be the Prime Minister who arbitrates between the two forces. It is difficult at present to anticipate which direction will be chosen. On the one hand May has retained the target she announced as home secretary: to reduce immigration to tens of thousands per annum, instead of the net inflows of several hundred thousand which have been seen recently. She has also ruled out taking advantage of Brexit to reduce employment rights. On the other hand she voiced the threat to “change Britain’s economic model” in the event of a breakdown in relations with the EU. What the new model would be was not spelt out but it sounds ominously like an attempt to compete by racing to the bottom in various ways – reductions in corporate taxation, relaxed governance rules, deregulation and so on.

In any case reliance on large-scale immigration is now built into the British economy and any serious reduction in numbers will do immense material damage:

“The growth in the number of EU workers in Britain has accelerated sharply since 2013, rising from 1.4 million to 2.1 million in the last three years, as Britain’s relative prosperity has established it as ‘the jobs factory of Europe’. Citizens of other EU countries now account for 6.8% of the British workforce, compared to 4.8% three years ago and 2.6% a decade ago ...”

“ ... HMRC figures also show that EU migrants more than pay their way. Those who arrived in Britain in the last four years paid £2.54bn more in income tax and national insurance than they received in tax credits or child benefit in 2013–14. The Office of Budget Responsibility has estimated that their labour contribution is helping to grow the economy by an additional 0.6% a year.” (Guardian web-site)

Representatives of a series of sectors have expressed their need for continuing inflows. Agriculture is a case in point – it is hard to envisage fruit and vegetable crops being harvested by indigenous labour. The same goes for hotels and catering. But it is by no means only

less qualified workers which are provided by EU members states. The Mayor of London, Sadiq Kahn, has gone so far as to propose a separate migrant worker system for the capital to provide both less qualified service sector workers and highly paid professionals for the City. Some 13% of the London workforce are EEA migrant workers, contributing therefore to the UK region with by far the highest output per head. In London, in particular, workers from the EEA have significantly higher education levels than do British-born workers: 55% of them left education after the age of 21 as against 44% for the natives.

The costs Brexit will impose on Britain's financial sector have not yet become clear. Some job losses are inevitable as both British and foreign financial corporations secure their access to the single market. Labour markets might well tighten even prior to immigration restrictions because of the insecurity Brexit imposes on migrant workers.

Conclusion

The mass of relatively disadvantaged voters who won the referendum for Brexit seem doomed to disappointment. To the extent that established business interests prevail, and a "soft" or minimalist Brexit takes place, existing practices and structures will be safeguarded even if that involves the continuation of high rates of EU or EEA immigration. The only change will be that UK representatives no longer have a formal role in decision-making.

On the other hand, however, if the departure from the EU is "clean" and "hard", the latent conflict among the proponents of Brexit will come to the fore. A serious loss of competitiveness will reinforce the drive for a complete liberalisation of external economic relations, for a "changed economic model" and for a transfer of the weight of taxation away from internationally mobile corporations towards the immobile masses. The global strategies of the neoliberal Brexiteers hardly make sense without an extremely flexible labour market – the only difference will be that mass immigration is authorised by a "sovereign" UK government rather than by the European Union.

The disappointment will be the penalty for a cardinal error: the confusion of reclaimed social control over the economy with a reassertion of the nation and of national self-interests.