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“THE FUTURE OF BRITAIN” – synopsis, and some key facts

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Robert Jackson - "THE FUTURE OF BRITAIN"

Introductory

Problems of Forecasting: Forecasting the future is a doubtful art, but I can lay claim to at least one correct prediction. Last July I rejected the title for this talk proposed by the Summer School, which was "Britain after Brexit": no, I remember saying, we can't yet be sure of that! Nevertheless, forecasting does have its uses. It is a kind of thought-experiment whose claims cannot be disconfirmed in the present: but which can meanwhile at least help to provoke debate and focus discussion, which is what I hope to do today. In all this we have to extrapolate from current trends, all the while bearing in mind the unforeseeability not only of Donald Rumsfeld's "unknown unknowns" but also of his "known unknowns": such as, for example, the consequences of the next down-turn in the global economic cycle, when it comes, and also of accidents of personality such as whether Boris Johnson continues his present transition from Prince Hal to King Henry, or whether he will eventually be tripped up by the evident Falstaffian aspects of his character (but remember that Falstaff has long been one of the best loved characters in English literature"). It is in this spirit that I now address the question of "Britain's Future" ...

My plan today will be to begin with reflections on some near-term and local questions, notably concerning the future of Britain's political parties, and also the prospects for constitutional change, including the future of the British Union. And I will then go on to reflect on such longer term and more global questions as the prospects for the British economy, for her future inter-state trading agreements, and for Britain's future place in global geo-politics. I will conclude with some well-meant advice for "Remainers" concerning how to live with Brexit.

The Political Parties

Introductory: Last month's general election in Britain was a striking demonstration of how abruptly a political scene can be transformed. Three years of confusion resulted from the hung parliament elected in 2017: but now, and suddenly, the UK has what is surely the most solidly entrenched government in the Western world, with a probable life-expectancy of more than ten years ahead. Compare this with the impending breakdown of the governing coalitions in Germany, Italy, and Spain, the current extensive civil disorder in France, and the constitutional struggle now under way in the USA....

The Conservative Party now has both the opportunity and strong incentives to shift its centre of gravity from its former heartlands in the heavily-capitalised South northwards, and towards the under-capitalised, under-invested and long neglected regions of the English North and Midlands. What this will mean in practice has yet to be worked out, but I have no doubt that an immense effort will be made: a point to which I will return when I discuss future economic developments. Meanwhile, let me situate this development in its proper historical context.

Much of the academic and journalistic commentary on Brexit has preferred to talk about what has happened in terms of Marxist language borrowed from the Continental politics of the 1920s and 30s: ie Brexit has been identified with "Fascism", "Populism", "Racism",

and with a turn to “the Hard Right”. But if such commentary were more mindful our own British political traditions, it might have noticed that we have been here before.

In most of the hundred years that followed Disraeli’s extension of the franchise to working men in 1867, and assisted by the extension of the vote to women by Conservative governments in the 1920s, the Conservative Party was kept in office largely by the votes of what were then known as “the Working Class Tories”: whence Lord Randolph Churchill’s slogan of 1884, “Trust the People”. Over that period many of the seats which composed the so-called and now collapsed Labour “Red Wall” across the Midlands and the North were held by MPs from the party which has now recaptured them. During this period a consistent reforming “One Nation” policy was maintained by successive Tory Prime Ministers from Lord Salisbury (who introduced the current system of local government) through Balfour (introducing national state secondary education), Baldwin (initiating regional policy), and Chamberlain (who initiated national housing and health policies). This was also the line pursued in the 1950s by Churchill and Macmillan. But in the 1960s it encountered the severe problems occasioned by post-war onset of economic globalisation, leading to the shift overseas of many of the older first- and second-generation manufacturing industries which had first arisen in Britain. Cutting loose from these industries required the painful surgery administered by Mrs Thatcher in the 1980s.

This process was obviously very painful for many in the “deindustrialising” areas: but the general election vote last month in those same areas suggests that the scars from this hurt may be healing, and that the Conservative party may now be able to revert in the rest of the 21st century to that policy and a style which enabled it to function as the British “party of government” through much of the 20th century. So to be blunt, while it may be more exciting to align Boris Johnson with Mussolini, and even with “the Nazis”, it will I think turn out to be more accurate, though perhaps rather less exciting, to align him, rather, with Harold Macmillan – and even, though I hesitate to mention it, with Michael Heseltine.

The Labour Party and the LDs: Turning now to the Labour Party and the Liberal-Democrats, it seems to me that Labour is now facing its greatest crisis since its refoundation just over a century ago, in 1918. This crisis can be encapsulated in a single statistic: in the two most recent general elections a substantially higher proportion of the so-called “working class” voted for the Conservative rather than the Labour party: in the election last month these proportions were, respectively, 48 per cent and 33 per cent. The Labour Party structure that was put in place in 1918 was one in which political leadership was supplied by often quite far Left “intellectuals” in and outside Parliament to vast numbers of members principally recruited and led by a series of powerful and on the whole quite moderate Trade Union leaders. This system was undermined in the 1960s and 70s by the same forces of “deindustrialisation” which also brought about, at least for a time, the occlusion of “Working Class Toryism” in the North and in Scotland: overall trade union membership shrank, and the centre of gravity in the unions shifted to “white-collar” workers, mostly in the public services, and with a leadership which is now much more Left-wing.

After the electoral disaster 1983, resulting from Michael Foot's shift to the Left, Tony Blair was able in the mid-1990s to pull off what seemed as the time to be a spectacular take-over of his much reduced party by a posse of more "modern" types drawn from the newly emerging trades of public relations, advertising, the media, and political consultancy. But this undoubtedly worthy attempt to relocate Labour at the centre of British politics eventually ran into the ground under Gordon Brown: and, by a series of those kind of small mistakes that so often bring about a mighty ruin, Jeremy Corbyn was able to secure election to the leadership of the party in 2015. He will soon take his leave, but even if a knighted lawyer succeeds him – and in the Labour Party it seems always to be a him - it seems likely that "Momentum" and "Corbynism" will continue to dominate the party on the ground. Of them it may justly be said, with Talleyrand on the Bourbons, that "they have learned nothing and forgotten nothing".

Because this will not be a winning formula, I would expect yet another come-back on the part of the ever-hopeful Liberals, perhaps reinforced by Labour defectors aiming to establish a new political force along Blairite lines in the centre and to its left. Lots of us would wish this venture well: but it would be unrealistic to think that it will take less than the next ten years either to revive and renew the Labour Party, or clear away its debris: remember that it took 14 years for Labour to win again after its defeat in 1983. Meanwhile any new "Centrist" grouping must face the danger of being captured by London-centred "woke" cosmopolitans whose lack of serious contact with the thought-worlds of ordinary people has been so spectacularly exposed by the Brexit experience.

The Constitution

Introductory: Meanwhile, there is no doubt that this experience has been something of a trial for the British constitution. The divisions about how, and indeed whether, to deal with the unexpected outcome of the 2016 EU referendum were all too accurately reflected in the hung parliament which was produced by the 2017 general election. But these controversies have now been settled by last month's general election, which was in effect a decisive ratification by the electorate of its vote in 2016 to leave the European Union. Meanwhile, I think it is worth noticing that throughout this difficult period parliament has lived up to its historical role as the cockpit for national political debate, and that at every step the crucial decisions about Britain's future have been made by way of democratic electoral and parliamentary processes.

Cast a cold eye for a moment on the scene on the other side of the English Channel, and contrast this situation with the on-going, persistent, and underlying problems of governability in France.

Having said this, however, the wrangling of the past three years have thrown up a number of issues concerning the future of the UK's constitutional arrangements, which I will now address. I will look first at the problem of what I will call "Judicial Overreach", and then at the question of the future of the British Union in Scotland and Northern Ireland.

Constitutional Issues around Brexit: The British constitution has a long historical track-record of success in sustaining governmental legitimacy by responding energetically to

significant shifts in public sentiment – note here three big words which I suggest are fundamental in respect of any political constitution, viz “Legitimacy”, “Responsiveness”, and “Energy”.

“Legitimacy” refers to the practical consent of the governed to the arrangements by which they are governed. Sustaining this has been the central feature of British constitutional history since at least 1660, and perhaps even since the break with Rome in the 1530s. In historical retrospect, it is clear that a serious problem of Legitimacy was raised by the vote of the House of Commons in 1972 with a cross-party majority of only 8 votes for British entry into then European Community. A consequence of this problem was the first ever British referendum in 1975, intended to secure such Legitimacy for our participation in what was then referred to as the “Common Market”. Since then we have had a series of referenda, each concerning proposals for basic long-term changes in the form of government and each designed to underwrite the popular Legitimacy of those changes. There have been four of these in Scotland and Wales, one in Northern Ireland, one in the English North-East, together with two more UK-wide referenda, one on changing the electoral system and the other, in 2016, on whether we should continue to participate in the process of “ever-closer union” in what had by now become the “European Union”. Thus, it is obvious that the principle of the grounding of legitimacy by means of plebiscite has now become an important new feature of the British constitutional landscape. A first conclusion I draw from this fact is that we will need now to devote some serious thought to the question of the conditions for holding such referenda: for example, should there be an entrenched rule concerning the reopening of questions purportedly settled by a previous referendum? Should the losers be bound by their promises that this or that referendum will “settle the question for a generation”?

“Responsiveness” and “Energy”: My two other requirements for a successful constitution are “Responsiveness” and “Energy”. The capacity of our constitutional system to respond energetically to the result of the 2016 referendum was markedly damaged by two very recent constitutional innovations. In 2010 an element in the rushed deal to set up the Cameron-Clegg coalition government was the ill-considered legislation providing for a fixed five-year term for every parliament. And in 2017 the very recently created Supreme Court in the Miller case overturned the long-established principle that the framing of inter-state treaties is the prerogative of the executive, subject only to the continuing confidence of parliament. Over the past three years both of these constitutional innovations have been proved to be highly damaging, and I think that they should now be reversed.

“Judicial Overreach”: Moreover, the decisions made by the Supreme Court in the context of Brexit raise a wider and more fundamental constitutional question, that of “Judicial Overreach”. This question was extensively discussed in last year’s Reith Lectures by Lord Sumption, recently retired from Supreme Court. In particular he remarked on how the development of “Judicial Review”, together with the judicial application of internationally codified “Human Rights”, were leading to the increasing “judicialisation” of issues which should be more properly treated as “political” and electoral questions. I agree with Sumption’s analysis, and I hope that the new government and parliament will think seriously about it.

With regard to “Human Rights”, I observe that after Brexit we will have shuffled off one of the two vexatious recent international codifications, that of the EU’s “Charter of Fundamental Rights”, but that this still leaves in place our commitment to abide by the rulings of the even more remote Strasbourg Court and its “European Convention on Human Rights”. I believe that serious thought should now be given to reviving the Conservative election pledge of 2015, to replace this with our own “British Bill of Rights”, in respect of which judicial rulings should be advisory rather than declarative and determinative. Indeed, I think that a fundamental review is in order of Tony Blair’s rushed and ill-considered decision in 2005 to set up the new “Supreme Court” with pretensions to function as an ultimate constitutional instance in a state which does not in fact have a “Written Constitution” for such a “Supreme Court” to interpret.

A start might be made by adopting a recent proposal from an Oxford law professor, that this court should be more appropriately renamed as “the Upper Appeal Court”: or perhaps it might simply revert to its original six century old status as the “Appellate Committee of the House of the Lords”.

The British Union: Having got this off my chest, I turn to the perhaps more pressing question of the future of the British Union after the UK’s withdrawal from the European Union. The contrasts in the 2016 Referendum between the Leave majorities in England and Wales and the Remain majorities in Scotland and Northern Ireland must evidently raise some questions concerning the future of the British Union after Brexit. But note that at the recent election the SNP won only 45 per cent of the vote, which is actually less than the proportion who voted for independence in 2014.

I foresee three possible scenarios: (1) Westminster refuses its consent to the holding of referenda in both countries; or (2) Westminster allows such referenda and they fail in one or both instances; or (3) separate referenda in Northern Ireland and Scotland yield majorities for one or both of them to leave the UK. With regard to the first scenario, the legal position is that Westminster consent is required for the holding of a second “Indyref” in Scotland, and the SNP has so far ruled out attempting to mount a unilateral referendum. In respect of Northern Ireland, the single sentence on this matter in the Good Friday Agreement says nothing about the arrangements governing a referendum on leaving the UK, except that it envisages an All-Ireland process. In practice it is clear that in respect of both Scotland and Northern Ireland referenda can only take place with Westminster consent, which will probably not be given in this parliament or probably in the next one, unless, to put it bluntly, the British government is confident that they can be safely won for the Union.

Meanwhile, with regard to the way in which such referenda might unfold, I would make three points. First: the financial consequences for both countries of leaving the UK would be very serious, however “velvet” the terms of any divorce might be. The annual fiscal transfer from the rest of the UK to NI amounts to some £5000 per head, larger than the transfers to any other region, with Scotland the next biggest recipient. Moreover, UK annual public spending runs to more than £11,000 per capita in both countries. If they were to cut their ties to the UK both Scotland and Northern Ireland would thus find themselves confronted by the need to make massive budgetary cuts and massive tax increases.

Indeed, the Scottish financial position is already very vulnerable: with a tenth of the UK's population, it currently incurs more than half of the UK's total government borrowing, with an annual budget deficit running at 7 per cent of GDP, greater than that of Italy and Greece. Dublin is not in a position to replace London as a source of funding for NI; and it is probable that an independent Scotland within the EU would, like Ireland, find itself in the position of paying more into the EU budget than it receives from it. In short, neither Scotland nor NI are in the same financial position in relation to the UK as, for example, Catalonia is in relation to Spain. Catalonia is Spain's most prosperous region, making substantial net fiscal transfers to the rest of Spain: note that behind all the rhetoric this is one of the motives behind their drive to secession. In contrast, and speaking bluntly, NI and Scotland are poor relations within the UK, and the beneficiaries of enormous net fiscal transfers from the rest of the nation.

Moreover, exit from the Common and Single Market of the UK could have very serious consequences for the economies of both NI and Scotland, both of which are much more deeply integrated within the UK market than they are or would be likely to be within the EU Common and Single Market. Currently some 60 per cent of the exports of both NI and Scotland go to the rest of Britain, compared with only 20 per cent to the EU. The economic damage here might – or again might not - be mitigated by the terms of any future FTA between the UK and the EU. But one thing is for sure: on joining the EU both Scotland and NI (having joined with the Republic) would be obliged to join the European Monetary Union, with potentially disastrous consequences for the price of their exports into the UK market.

Now, you may perhaps be thinking that this parade of dreary statistics and economic prognoses will not be very effective in the face of rising tide of nationalist emotion: and so it may be. But remember here that while the people of both Scotland and NI have a "Romantic" streak, both are notorious for financial hard-headedness. Given time for post-Brexit tempers to cool, and for the economic and financial facts of life to be made clearer, I think that in any referenda they would opt for the caution of the status quo. It is also as well to remember that in the 2104 referendum in Scotland the "Romantic" case for Scotland as a considerable part of one of the world's most considerable historical nation states was hardly articulated by the tone-deaf and tongue-tied Labour politicians who ran the campaign to stay in the Union. The result was that the Nationalists had all the best tunes.

But after Brexit much of this inhibition on the UK side in projecting British patriotism will be removed: the campaign to keep Scotland in its ancient union with England will be led by people with a much stronger sense of the emotional "ties that bind" than was articulated by the Remainers in Scotland in 2014 and, indeed, by their counterparts on the losing side in the 2016 UK referendum.

The Economy

Introductory: It would require another talk to do justice to the obviously vital question of Britain's economic prospects post-Brexit – but since there is no time for this, I will confine myself to a series of headline points.

The Resilience of the UK Economy: A first observation is that just as Brexit has demonstrated the resilience of the British political and constitutional system, so it has also demonstrated

the resilience of the British economy. A striking feature of the past three years of Brexit turmoil and uncertainty has been Britain's continuing relatively strong economic performance: over this period we have had record levels of employment (76.2 per cent of our population have jobs), increasing real wages, and continuing relatively high levels of foreign direct investment. Note that in the past five quarters the UK economy grew by 1.1 per cent while the German growth rate fell to 0.5 per cent. And contrast all this with the dire predictions of the "Remain" campaign: in fact this contrast is one of the reasons why pro-Brexit sentiment remained firm in the face of all the "expert" opinion.

The Relative Size of the UK Economy: In terms of GDP size on a standardised basis the UK currently has the sixth largest economy in the world. Its relative size has been declining, but in absolute terms Britain remains one of the most economically dynamic of the mature economies, as can be seen by comparing annual rates of growth. Growth Rates: The USA is the most dynamic of the mature economies, but since 1980 the UK has almost matched its score. Between 2009 and 2018 the UK's annual growth rate of 3.7 per cent was just ahead of that of Germany at 3.5 per cent, and well ahead of France on 2.2 per cent. Over this period the British economy has grown in size by 45 per cent, compared with only 9 per cent in Italy, caught in the toils of EMU.

Globality: An important factor in the UK's relative economic dynamism is that it is one of the most globally connected of the mature economies, with a higher proportion of its exports and imports than any other European country going to and coming from markets outside the EU. This is significant, because these markets are growing much faster than those of the EU. This is why the proportion of UK exports going to the rest of the world has risen from 45 per cent in 2006 to 56 per cent in 2016: this despite having tariff-free access to the EU and being exposed to WTO tariffs on exports elsewhere.

Strengths: As well as having a number of serious weaknesses, to which I will turn in a moment, the UK economy has a number of important relative strengths. These include (a) since last month's general election, a government with secure prospects of continuance probably for at least the next ten years. (b) The continuing global role of London in financial and other services, forming a critical mass which cannot be matched anywhere else in Europe. (c) The relative size and strength of the UK science and technology base: despite dire predictions of the impact of Brexit, investment in the UK tech sector is continuing to rise, from \$5.2bn in 2018 to more than \$11bn last year, well ahead of Germany on \$5.4bn and France on \$4.8bn. The UK currently has the largest number of "unicorns" in Europe, ie \$1bn venture-capital based tech companies: there are 29 of these. (d) Among the mature economies the UK is relatively advanced in the transition from the old first, second, and third generation industries to a diversified range of higher value-added industries and services based on new science, eg pharmaceuticals, computing, AI etc. (e) Over the past decade the UK supply of offshore wind energy has risen by a factor of five, and over the next decade the UK will have installed sufficient wind-power in the North Sea to supply more than 30 per cent of our energy requirements at relatively low cost and on a renewable and sustainable basis. Compare this with the situation only ten years ago, when the contribution of wind and solar power to our energy supplies was relatively negligible.

Weaknesses: Over against these strengths, the UK economy also has some significant weaknesses. Probably the most important of these is the relatively poor performance, outside our world-leading elite educational institutions, of much of our state-run primary and secondary schooling and of our arrangements for vocational and technical further education.

However, with the right policies and in the right political conditions, which have now perhaps at last arrived, it should be possible to make quite rapid improvements in these areas. An example of this is the effect of the Cameron government's insistence on a return to traditional methods for teaching reading: this was hotly contested by the so-called experts, but after only five years there were in 2016 some 147,000 more six year olds who were fluent readers. Another and larger instance of rapid improvement in educational performance has been the rise in the rate of participation in tertiary education in the UK, from less than 10 per cent of our young people in 1980, one of the lowest in the advanced economies, to more than 50 per cent in 2018, one of the highest. I hope and expect that one of the consequences of the shift of attention to the needs of the North and the Midlands that will follow the general election will be an intense focus on technical and vocational up-skilling in those areas.

Another weakness is the relatively poor state of transport infrastructure, especially in the North and the Midlands; and also of broad-band infrastructure. But here again the political stars are coming into a promising alignment. Meanwhile, in a middle and longer-term perspective, a major problem for Britain as well as most other advanced economies will be demographic: ie a relentless increase in the proportion of the elderly in our populations until a new equilibrium at a lower population size is reached by the end of the century. The indications are that the UK will be less seriously affected by this than many of our competitors. Our population of working age is forecast to continue growing quite robustly, while that of Japan has already fallen quite dramatically, and equally substantial falls are also expected especially in Italy and Germany: in fact on some forecasts Germany will have a smaller population than Britain in the second half of the century. All this means that continuing immigration into the UK will be necessary: but after Brexit this process will be subject to politically accountable national control.

Finally in this catalogue of the UK's relative economic weaknesses, let me refer to the immediate problems posed by our departure from the EU, notably in respect of the automotive, aviation, and pharmaceutical industries, which are currently organised on the basis of the hassle- and cost-free movement of parts across national borders within the EU. The automotive industry in particular remains important to the UK, although it accounts for only 0.8 per cent of GDP (in contrast with Germany, where it constitutes 4 percent of GDP).

While the advent of electric [and hydrogen] powered automotives is likely to change the automotive scene quite radically over the next decade or so, its immediate future is clearly a very serious problem both for the UK and for the EU. In this context, I think that the key point to note is that this is a problem for both sides: for the EU and especially for Germany, the UK is its second biggest market for automotives after the USA, and given the fragile state of this sector across Europe the EU will have a strong interest in reaching an amicable

accord with the UK. This thought brings me to the question of the forthcoming interstate trade negotiations between the UK and the EU, and indeed also between the UK and the USA and the USA and the EU.

Future InterState Trade Agreements

Introductory: You will notice that I refer specifically to “Inter-State” trade agreements, as distinguished from the myriads of agreements to trade between non-state corporate and individual actors. My point here is that it is simply false to assume that the economic relations between different countries are entirely or even mainly a function of the various governments’ special trading agreements with other governments. As we have seen, the UK currently conducts more than half of its international trade under universal WTO rules, a proportion which has steadily increased over the past decade and a half, as economic growth outside the EU has raced ahead of EU growth. Abrupt changes in the rules governing any international exchanges are of course liable to cause disruptions, and should be avoided or minimised: but in respect of most of the goods and services traded by the UK, tariffs are not a major issue and differences in regulatory standards can generally be adapted to by our exporters. Meanwhile it is very important to grasp that the structures of the advanced economies today seem to be on the cusp of very significant science-driven technological transformations. These should offer ample opportunities for the UK to continue to play a leading and profitable role. And in doing so it is in the UK’s interest to minimize its exposure to the EU’s regulatory system, which is strikingly cumbersome and excessively exposed to the power of protectionist vested interests.

“Models”: The debate about future inter-state trading relations between the UK and the EU is fraught with talk of “models”. You will recall the “Norway Model”, of the UK remaining in the EU Customs Union and Single Market subject to the oversight of the European Court, and continuing to make a substantial financial contribution to the EU budget without participating in EU decision-making: it is odd to think that this idea was ever a runner, or that anybody could think, as some commentators still do, that Boris Johnson would be willing to settle for it. Then there is the “Canada Model”, of a comprehensive arms-length Free Trade Agreement in respect of trade in goods, no financial contributions, agreement to pursue “Equivalence” in respect of regulatory standards, and with provision for reference to independent judicial decision in disputed cases. You will also have heard of “Canada ++”, which involves in the case of the UK and the EU additional agreements on trade in services, and on security and defence cooperation. “Canada ++” seems to be the model indicated in the UK-EU Withdrawal Agreement, which provides for the swift negotiation of {quote} “an ambitious trading relationship in goods on the basis of a Free Trade Area Agreement with a view to facilitating the ease of legitimate trade”. Note that the Agreement also indicates that “it is the clear intent of both parties to develop in good faith agreements giving effect to this relationship ... such that they can come into force at the end of 2020”: the new Commission president would do well to remember this firm date, already agreed by both sides.

Meanwhile, let it also be noted that there is another possible “Model”, less talked about because less favoured by the EU, which is that of the myriad ad hoc deals which have been negotiated over the years between the EU and Switzerland. This is a country which is much

smaller than the UK, but which is also integral to the functioning of the European economy, and also has a strong attachment to sovereign and accountable self-government. For what it is worth, my surmise is that if there is a UK-EU agreement in the course of this year it will be one which is closer to the “Swiss Model” than to any other, paving the way for further ad hoc arrangements in subsequent years, and pending the much wider settlement of trading, defence, and political relations between the USA, the EU, and the UK which I think will emerge in due course.

The Negotiating Framework: An important complicating factor in all such negotiations concerns the process for the ratification of international agreements by the EU. It required something like four years for the EU to complete the ratification of the Canada-EU agreement by each of the 28 member state parliaments and also by a congeries of sub-national parliaments: you may recall that the Canada deal was almost scuppered by opposition from the parliament of Wallonia, the economically depressed French-speaking sub-region of Belgium. Recent European Court judgments have, however, allowed for some streamlining, by distinguishing between less ambitious arrangements where ratification need not involve the various national legislatures, and more ambitious ones where this will still be required. I think that this factor by itself indicates that the journey which lies ahead of the UK and the EU will be made in a series of small steps, rather than in one great leap.

Conflicting Objectives: The basic objective of the British government in these upcoming negotiations will be to secure the greatest possible freedom of manoeuvre in the conduct of UK policy as the country seeks to enhance its international economic competitiveness. Over against this, I think that the basic EU objective is to tie the UK as closely as it can into its regulatory systems: thus restricting its competitiveness, in effect and I think also by intention. On this central question it is hard to see how early agreement will be possible: indeed, I think it will only be settled in the context of the new settlement in Transatlantic relations which I think is coming over the horizon. On the other hand, I believe that it may be possible to find some common ground between the UK and the EU notably in respect of the ongoing operation of those key industries which I have already mentioned, whose production processes have been organised on the basis of hassle-free traffic across national borders within the pre-Brexit EU. These industries are very important for both sides, and it should accordingly be possible in the course of this year to conclude an agreement to enable those sectors to continue to flourish.

Another area where some kind of limited agreement might be reached concerns financial and other services. This is the UK’s strongest export suit, and in the aftermath of the referendum a determined effort was made by the various financial centres on the Continent and in Ireland to cash in on what they thought would be a catastrophe for the City of London. But these efforts have all flopped: I believe that so far no more than 7000 jobs have been lost to London.

Meanwhile, it may be hoped that a certain realism is emerging on the EU side concerning their continuing dependence on the resources of London, as also of Zurich, and the dangers for them of damaging their own access to those central international markets which taken together are twice as large as all the financial centres in the EU. In all these discussions a great deal will depend on whether the EU side seeks to overload any agreement with attempts to get the UK government to commit to kinds of regulatory alignment which would

in effect negate the primary purpose of Brexit, which was, precisely, to retrieve national sovereignty in such matters.

The Transatlantic Dimension: Concluding this discussion of the impending UK-EU trade negotiations, it is important to understand that these will probably be conducted in parallel with similar negotiations between the UK and the USA. By way of a Russia-sponsored leak which featured quite prominently in last month's general election we know that a great deal of preparatory spadework has already been done between London and Washington. And I think that because of this, and because of their underlying philosophical similarities between the two countries, it is eminently possible that the outlines of a possible UK-USA Free Trade Agreement may have been agreed before such agreement is reached between the UK and the EU. The EU might then have to face up to the alarming thought that it may not only lose its current privileged access to its second largest export market, but that much of this advantage, for example in respect of agricultural exports, may further be transferred to the country which it regards as its main international economic competitor. Meanwhile, the signs are that American impatience with Europe's structural trade surpluses, its protectionism, and its free-riding in matters of defence is beginning to run out: hence my reference earlier to an impending new settlement in Transatlantic relations.

Three Geo-Political Scenarios

Introductory: These reflections on the ways in which UK-EU-USA interstate trading arrangements may work out over the next year or so lead naturally to my penultimate topic today. This concerns the place of the UK in the shifting balances of the global geo-politics of the next decade or so. Here I will refer both to the economic and industrial aspects, and also to the military aspect, about which I have so far said nothing.

Three Scenarios: I think we can distinguish three distinct geo-political scenarios, which I will call respectively "Multilateralism", "Multipolarity", and "Bipolarity".

"Multilateralism": In the period since 1945 the military defence of the West has been based on the two American alliance-systems, with NATO in Europe, and with Japan, South Korea, and Australia and NZ in the Pacific. Meanwhile the world economy has developed within the institutional framework set up by the UK and the USA at the end of WW2. This system is based on agreement between sovereign states to conduct their inter-state political and economic relations within a structure of common rules operated by such global institutions as the UNO, the WTO, and the IMF. In the second half of the last century this dispensation delivered spectacularly on its wartime promises, leading by the end of the century to the collapse of the USSR and the "Soviet Bloc" and the entry into the multilateral system first of the countries of the former Soviet empire and then of the People's Republic of China.

This system is, however, currently in a deal of trouble. The rapidity of the shift of much traditional manufacture to the emerging economies has led to politically unacceptable strains in the developed democracies, notably in the USA. And two major economies, China and Germany, have succeeded in erecting economic systems which deliver structural trade surpluses on a scale which is also politically unacceptable, not least to the USA and especially to President Trump. At the same time there is increasing irritation in the US at

what the Americans rightly see as the “free rider” approach of the Europeans, and especially of Germany, to the military defence of the West. This issue is going to become increasingly prominent, as the Russians proceed with their current development of new short-range nuclear missile systems, which Europe by itself cannot counter, and which will therefore need to be met, if indeed it is going to be met, by a renewed American and British commitment to the defence of continental Europe. In respect of “Multilateralism” there are two views about Trump: on the one hand, that he is a wrecker out to destroy the system of multilateralism, both economic and defensive; and on the other, that the multilateral system has been abused, and that Trump is right to seek to correct those abuses – I incline to the unfashionable second view, to which I will return in a moment ...

“Multipolarity”: my second scenario is that of “Multipolarity”. The historical premise of “Multilateralism” has been the unity of “the West”. But within that unity there has always been an important dissentient voice: that of France, especially after the return to power of General de Gaulle in 1958.

A fundamental French thesis for decades has been that the world will be and should be organised on a “Multipolar” basis, with the main “Poles” being “Europe”, led of course by France, poised between the USA to the West, Russia to the East, and China in the Far East. This approach naturally has a following in Brussels, and it featured quite prominently in European polemics against Brexit, especially on the part of assorted Benelux world statesmen, arguing that the world is devolving into continental-scale power blocs, and woe betide the outsiders and the stragglers. But the question poses itself of the realism of this European aspiration. As an economic “Pole”, Europe is a declining factor: its share of world GDP has fallen from 30 per cent in 1970 to 16.28 per cent in 2018 and by the mid-century it will probably be no more than 10 per cent. Meanwhile, within the EU its Monetary Union is built on sand and faces an uncertain future. There is an increasing imbalance of power between France and Germany, which prefers to keep its money in its own wallet and its head down, not least in military matters. And when push comes to shove the East Europeans, like the British, are more inclined to look to Washington for defence than either to Paris or Berlin. At the same time, outside the EU the question arises of the future of the Russian “Pole”. With its nuclear weapons Russia is a military giant, but its economy is considerably smaller than that of Britain (Russian GDP is currently about the size of that of Italy). In economic terms Russia will probably find herself more and more caught up in the orbit of emerging China.

“Bipolarity”: this thought brings me to my third geo-political scenario, that of what I will call “Bipolarity”, acknowledging the unhappy implications of that term. What I have in mind here is a return to something like the East-West standoff of the Cold War period, but now with the main focus of rivalry being economic and technological rather than military, and with the two “Poles” being the USA and the West on the one side, and China together with an increasingly dependent Russia on the other. The trend in this direction is already visible in the American campaign to exclude Huawei from Western markets: and I have to say that I think that this “Bipolarisation” is likely to be the dominant global geo-political theme of the next couple of decades. But in the end, if we are lucky, this US-China stand-off will end up in the same way as the earlier USA-USSR standoff, as the giant dictatorships totter on their feet of clay.

Implications for Britain: What are the implications of these scenarios for Britain? With its historical traditions of “Free Trade”, going back to Adam Smith in the 18th century and the abolition of the Corn Laws in the mid-19th century, the UK has a good claim to be accounted the principal founder of 20th century “Multilateralism”. And, given the relative extent of our exposure to global markets, we may be said to have a greater interest in its successful future than any of the other great powers. Having said this, the other founder of post-war “Multilateralism” has been the USA, and both the UK and the USA may be said to have suffered in the same ways from the abuses of the multilateral system which are reflected in the gigantic Chinese and German structural trade surpluses. Accordingly, I suggest that after Brexit the UK should aim to resume its place at the side of the USA and the rest of the “Anglosphere” in promoting a renewal of Multilateralism within the West led by the USA, in the context of what is likely for some time to be an increasingly Bipolar global scene. To sloganise in the manner preferred by the Chinese: our watchwords should be “Repair Multilateralism!” and “Prepare for Bipolarity!”

Conclusion: Living with Brexit

Finally, and by way of conclusion if not closure, I want to say a few words about how British “Remainers”, and any supporters they may have in this room, might learn to live with Brexit.

A striking feature of the Brexit debate has been the passionate opposition to Britain’s departure from the EU of so many British academics, intellectuals, and commentators on public affairs. I think that it is not unfair to say that this opposition has been conspicuously negative rather than positive: it has been directed more against our departure from “Europe”, in inverted commas, rather than in favour of “Europe” as such. In fact most “Remainers”, in my experience, have little knowledge of the workings of the EU and of the details of its institutions and policies.

So what has been going on?

“Anywheres” vs “Somewheres”?: One powerful analysis, proposed by David Goodhart, has sought to contrast on the one hand, the “Somewhere” people of Britain, ie those with local and national roots and local and national pride, and on the other, the “Anywhere” people, ie those who are proud of transcending those roots: what Theresa May perhaps unfortunately referred to as “Citizens of Nowhere”. This phrase goes too far, although I think that there is indeed some force in this contrast.

Confusion between “Identity” and “Citizenship”?: But rather than developing this painful theme, I would like, perhaps more constructively, to point to another factor which I think is also important: ie a confusion in the minds of many Remainers, between “Identity” and “Citizenship”. Over the past decade or so “Identity Politics” have become a central theme in democracies across the world. These putative “Identities” are many and varied: they include on the one hand the personal identities of sexuality and gender and, on the other, the social or cultural identities of religion, ethnicity, and political ideology. I suggest that in the context of Brexit the emotions of “Remainers” have been stirred up by the thought that a “European Identity” of which they had previously hardly been conscious was now being snatched away

from them by fellow-citizens in Britain who had no care for or even understanding of that identity.

I can understand why such thinking should have provoked strong feelings. But I want to make two points which may help the Remain-minded to live with Brexit. The first is that “Identity” need not be either a political or a zero-sum phenomenon. It is perfectly possible to identify with the Europe of shall we say Dante, Pascal, Goethe, and Mozart, or merely of the Mediterranean “dolce vita”, without this sense of cultural identity generating any kind of affiliation to any particular political and economic or social or constitutional project. Moreover, such a sense of cultural identity need not be exclusive of other kinds of identity, including one’s identity as a national and local citizen.

My second, and perhaps more fundamental point, is that “Identity” is not the same as “Citizenship”: a consideration which has perhaps been blurred by the EU’s project of manufacturing a “European Citizenship” which is in fact entirely derived from the various national citizenships of the EU’s member states. To be blunt, an “Identity” confers only “Rights” (eg my “right” to “my identity”) with no reference to corresponding “Responsibilities” and “Duties”: but a “Citizenship” involves each and all of these things, including notably solidarity with one’s fellow-citizens, a common allegiance to the state of which one is a citizen, and a willingness to cooperate with majority decisions democratically arrived at.

“Liberalism” as a Political Doctrine: I guess that most of us in this room would probably describe themselves as “Liberals”. Certainly, I think of myself as a “Liberal Conservative”. What seems to have been forgotten by many “Remainer” Liberals (and this is what caused the Liberal Democrats to lose so badly in the general election, and their leader to lose her seat), is that “Liberalism” is above all and primarily not an economic doctrine or a set of social attitudes, but a political doctrine. It is a doctrine of democratic and accountable governance: ie the doctrine of “Trust the People”.

As my last word, let me recall a conversation I had at a garden party in Oxford with a distinguished Norwegian law professor on a blazing June afternoon in 1972, when both Norway and Britain were negotiating accession to the European Communities. The Norwegians were holding a referendum at which they in fact decided not to join. I asked the professor how he would vote, and when he told me that he was against joining he volunteered the reason, with an attractive Norwegian accent: “it is because in Europe the rulers are too far from the ruled”. The first step for Remain-ers in learning to live with Brexit might be to acknowledge the force of that pretty fundamental observation.