

**TALK BY ROBERT JACKSON ON “BRITAIN AFTER BREXIT”  
TO THE WESTERN CAPE BRANCH OF THE SOUTH AFRICAN INSTITUTE OF INTERNATIONAL  
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**LINK TO RECORDING:** <https://saiia.org.za/event/britain-after-brexit/>

**TEXT**

### **“BRITAIN AFTER BREXIT”**

**Robert Jackson**

#### **Introductory**

Covid: an “Unknown Unknown”: When I spoke to the Western Cape Branch of SAIIA about the British scene twelve months ago, I prefaced my remarks with a comment on “futurology”, recalling Donald Rumfeld’s famous distinction between “known unknowns” and “unknown unknowns”. Accordingly, like every other commentator at the time, I completely failed to foresee the great “unknown unknown” which subsequently broke upon the world in the form of the Covid pandemic.

A year on, and Covid has now become much more of a “known unknown”, by which I mean among other things that while it has become all too familiar, the full measure of its impact on the world is currently impossible to assess. An oracle might enigmatically foretell that much will doubtless change, and also that much will also remain more or less the same. Coming to the specific case that we are considering today, that of “Britain after Brexit”, it seems that now more than ever it is difficult to discuss Britain’s future in isolation from wider world trends.

Perhaps the key point to watch concerns the extent to which the UK will be able to profit in its management of those trends from its disentanglement from the EU. That it might well be able to do so to good effect is perhaps indicated by the marked contrast between the respective performances of the UK and the EU in the procurement and rolling out of Covid vaccines – where Britain, after taking its own course, is now well on the way to becoming the first large country to vaccinate its whole population, while the EU is only beginning to get its act together amid much floundering and many recriminations.

Outline of my Argument: Let me begin with an overall outline of the topics I propose to cover in this talk. I will start with a few words about the various Brexit agreements between the UK and the EU which came into effect from January 1<sup>st</sup> this year. I will then attempt to peer through the dense fog which currently enshrouds economic prospects across the globe as all of us struggle out of the Covid pandemic. Then I will turn to the more narrowly British questions of the current state of politics in the UK, the future of the British Union in the face of the possible secession of Scotland and Northern Ireland, and of the challenges of social and economic reconstruction in Britain after Brexit and after Covid. In my concluding remarks I will return to the global level, with some reflections on the main trends and currents in world geo-politics which Britain will have to navigate over the years ahead.

#### **Brexit**

The UK/EU Free Trade Area: When I talked to you at the beginning of last year about Britain after Brexit, our “Withdrawal Agreement” had been concluded, but the immense task of negotiating the framework for the “Future Relationship” between the UK and the EU still lay ahead. At that time, I suggested that since the UK was determined to leave both the EU’s Customs Union and its Single Market, the choice would lie between negotiating either a comprehensive Free Trade Area agreement (FTA), or a series of mini-deals governing key sectors within an overall framework of WTO tariffs: and I suggested that the latter outcome was the more likely. This pessimism, however, has turned out to be unwarranted, and although all the experts said it could not be done, agreement on a large-scale UK/EU Free Trade Area was concluded just before the deadline at the end of December last year.

Border Checks: In a British perspective, the key points here are that the UK has regained its full sovereignty in respect of its domestic laws and its future international relationships; that it is no longer obliged to pay huge net sums each year into the EU budget; and that trade in goods between the UK and the EU will continue on a tariff-free basis. This does not mean, however, that the flow of goods will be unimpeded: all manner of checks may be applied at the borders to ensure that they are up to standard and comply with rules of origin. For its part, the UK will not fully apply its own checks on imports from the EU until the mid-year, but the EU or, rather, its member states have been checking imports from the UK since January 1<sup>st</sup>.

There have been numbers of reports of apparently vindictive bureaucracy being applied: the bemused Polish driver of a British lorry had his ham sandwich confiscated by an officious Dutch official who told him “welcome to Brexit”; the banning of the sale of shell-fish caught by British fishermen. Perhaps these are mere “teething troubles”, which is how the British government is currently characterising them. But perhaps they are a presage of something more like a repudiation on the EU side of the premise of future “friendship” and “partnership” to which it is committed by its treaties. Only time will tell, and perhaps also the impact on EU exports to the UK when it begins to apply its own checks on exports from the EU. Meanwhile, it seems already to be becoming evident that the EU-supervised controls on the internal border between the Northern Ireland and the rest of the UK may be unworkable, perhaps requiring a radical rethink, as provided for in the relevant “Protocol”.

UK Regulatory Freedom: Another key point for Britain is that in future the UK will be able to pursue its own regulatory path, subject only to compliance with EU standards for goods imported into the EU, and also to the Treaty’s provisions for independent arbitration in cases where there is complaint that a demonstrably unfair competitive advantage is being achieved by way of regulatory divergence on either side. I will not labour the vaccine story as a very early and indeed spectacular instance of regulatory divergence which has paid off handsomely for the UK. Let me simply make the points that Britain has ordered many more successful vaccines than it needs for itself, and that our financial commitment to transnational vaccination via Covax is currently larger than that of any other power, including the whole of the EU. As a result, South Africans will also soon begin to share in the benefits of restored UK regulatory sovereignty.

Trade in Services: From a British point of view, perhaps the most important gap in the UK/EU FTA is that it has little or nothing to say about trade in services, including financial services. Will this prove to be disastrous for Britain? The British government seems to think not, or else it would have pressed for agreement in this area: meanwhile in December it reached an FTA covering services with Switzerland, the second biggest financial centre in the European area after London. It should be remembered that expert opinion at the time of the referendum held that a vote to Leave would be immediately catastrophic for the City of London: but a month ago the Governor of the Bank of England reported that, so far at least, not much more than 7000 jobs have been lost from the City. Meanwhile, Reuters reports that while some 300 British financial firms have opened new hubs in the EU, more than a thousand banks, asset managers, payments companies and insurers in the EU plan to open offices in post-Brexit Britain.

Negotiations for the future recognition of the so-called “Equivalence” of standards are due to conclude in March. Much will depend on how far the EU governments are prepared to cut off European noses to spite their faces: impeding the access of Europeans to the services provided by London will not be a cost-free option for Europe. EU discrimination against London also raises the question of its consistency with European legal obligations under its treaties and also under WTO rules. Meanwhile, there is obviously something of a tussle going on between the vast and deeply rooted economic eco-system of the British financial markets centred on London, and the variegated flock of its would-be replacements in places like Luxembourg, Dublin, and Amsterdam, not to mention Frankfurt or Paris. My lay impression of how this will turn out is that London and its services are likely to stay on top in Europe, given the scale of London’s present predominance in these markets and the pace of technological innovations in this area, together with the entrenched fragmentation and national protectionism of financial markets on the Continent, the rivalries between them, and the pervasive bureaucratic clunkiness of the EU institutions. At the same time London’s global role and reach continues to expand in areas of the world which go on growing much faster than Europe, as it has done for the past three decades. In short, just as English will continue to be the working language of the European continent after Brexit, so London will continue to be the only global financial centre located in the European region.

This consideration brings me to my next topic, which concerns the prospects for the world economy after Covid. This is perhaps the greatest of the now “known unknowns” by which we are all confronted.

### **The World Economy after Covid**

Two Scenarios: A dense fog enshrouds economic prospects across the globe as all of us are still struggling with the Covid pandemic. In academic and journalistic speculation about these matters there seem to be two main currents of thought, both reflecting opposed perspectives in economic thinking going back at least to the 1930s. Over-simplifying, there are on the one hand the “Keynesian” optimists, and on the other there are the “Monetarist” pessimists. On the stock markets and at the level of governmental and central bank policy making, Keynesian optimism currently prevails in the USA and China, and I think more guardedly also in the UK. On the other hand, in the EU opinion is more divided, with Germany being reluctant to depart from its entrenched “Schwarz-Null” policy of running a

balanced national budget, and the German Constitutional Court breathing down the neck of the European Central Bank.

The Optimistic Scenario: The optimistic view is that the world will successfully steer its way through the Covid era by resorting to massive government borrowing, effectively by way of central banks printing more money. The calculation is that this will sustain much of the supply side through the current period of Covid-induced hibernation, while a mass of unsatisfied demand is accumulated which will be released when the Covid lock downs are brought to an end – probably sooner in the UK than in the EU on account of our more nimble handling of the vaccine roll-out. The hope is of a very sharp “V-shaped” post-Covid surge in economic growth across the world, similar to the “roaring `twenties”, when the Western economies rebounded under similar conditions of recovery from destruction and pandemic, and similarly fuelled by the spread of new technologies. Thus, in the case of the UK it is estimated that some £125 billion of excess household savings were accumulated during the first three quarters of 2020, while in the UK and across the world government intervention have largely preserved the productive apparatus required to satisfy renewed demand. But note that an important condition in this scenario is the persistence of very low interest rates and of restraint in taxation: the hope and expectation is that over time the massive build-up of public debt will diminish as a proportion of the various national GDPs as a consequence of sustained economic growth.

An Historical view of the UK Public Debt/GDP Ratio: In connexion with this optimistic scenario, it may be useful to refer to the history of the oldest modern economy in the world, that of Britain. Here are some figures for public debt/GDP ratios and rates of GDP growth in the UK over the period since 1700: you will find these included in my Synopsis notes. In 1700 British public debt was at roughly 20 per cent of GDP. In the various wars which laid the foundations of the British empire in the 18<sup>th</sup> and early 19<sup>th</sup> centuries, it rose to around 190 per cent in the 1820s. Then it fell to around 30 per cent of GDP on the eve of the first World War in 1913. But this decline in the level of public debt was not brought about by a fall in expenditure: the big improvement in the UK balance sheet in the 19<sup>th</sup> century came from the 450 per cent rise in the size of the British economy over the century, at an average annual GDP growth of 2 per cent. In the first half of the 20<sup>th</sup> century the British public debt/GDP ratio again surged, to an historic peak of 260 per cent of GDP by 1946. But over the next forty years this was again sharply reduced, to a post-war low of 25 per cent by the early 1990s, in spite of the fact that the actual amount of UK debt increased from around £24 billion in 1946 to around £180 billion by 1990. Once again, it was economic growth that did the trick, with average nominal GDP growth again running at plus or minus 2 per cent a year between 1946 and 2019 – but with a drop of just under 10 per cent last year, the worst single year figure since the Great Frost in 1709.

In this perspective the currently projected Covid-driven debt to GDP ratio of 110 per cent in the course of the current year looks quite unremarkable: in fact, it is close to the UK’s three hundred year average ratio of 100 per cent of GDP. Looking further ahead, it is likely that in a decade or so, UK public debt is likely to gradually increase again as an ageing population pushes up public spending relative to the projected tax base. But if indeed the anticipated “roaring `twenties” effect supervenes between now and then, economic growth should

have largely reduced the current bulge in the debt/GDP ratio before that next challenge is fully realised.

The Pessimistic Scenario: In contrast with this optimism, the pessimistic scenario concerning the impact of Covid-related borrowing on the world economy refers to the classical “Monetarist” account of inflation as arising when “too much money chases too few goods”. As we have seen, there is undoubtedly a lot of new money swirling around the world economy: but will there be too few goods for that money to purchase? Much here will depend on the extent to which the pre-Covid infrastructure of production and supply will have been preserved, and on the speed with which new technologies will improve and expand that supply. Here my impression is that in terms of the overall global picture the supply-side is pretty robust, at least in respect of the supply of goods. Moreover, it also looks as though the world economy may be poised to move into an era of intensive and extensive technological innovation, accelerated by Covid, and driven by developments in the deployment of Artificial Intelligence and the Life Sciences, and by the introduction of new “Green” technologies.

Over against this, it must be recognised that the vast printing of money that has occurred since early 2020, on top of what happened after the financial crash in 2008, carries with it a real risk of an inflationary explosion, and with this of potentially toxic combinations of high interest rates, higher taxes, cuts in public spending, and an increasing gap between the “haves” with inflated asset values and the “have-lesses” and “have-nots” with few or no capital assets. In this context I might add that the mature region of the world economy which is most vulnerable to a catastrophic fall-out from such developments must surely be the European Union, with its increasingly baroque monetary union built upon only the shallowest of foundations. On this point some of you may remember my talk two years ago on “The Future of the European Union”, highlighting the tensions within the EMU between permanently fixed internal exchange rates and inflexible national social entitlements.

The Likely Outcome: Differentiation: Which of these two divergent prognostications for the future of the global economy over the next period is the more likely to come about? I mentioned earlier that stock markets, especially in the USA, are betting heavily on the more optimistic scenario, and I think that this is the more likely to come to pass. Nevertheless, even under the most favourable conditions, the performance of the various national and regional economies across the world is likely to be somewhat differentiated. The Chinese, the Americans, and the “Tiger Economies” will probably race ahead, while Japan and the European Union are likely to fall increasingly behind. Meanwhile, so far as Britain is concerned, I think that much will depend on the success which may attend our efforts to accelerate our escape from the European slow stream into what I think will be the American-led fast stream.

I will return to these themes in the last section of my talk, addressing the global geo-politics of the near future. But before I get to this, I will address more particularly the outlook for Britain, as a polity, as a society, and as a distinct national economy ....

## **British Polity**

The Balance between the Political Parties. With regard to the current British political scene, the most striking feature is what seems to be the increasing ascendancy of the Conservative party. If past history is any guide, it will probably take at least two lost general elections before any opposition can overturn the current Conservative majority of some eighty seats, bolstered by the forthcoming redistribution of constituency boundaries. Meanwhile, assuming a fair wind on the economic front, the Tories have quite a good chance of holding onto their gains from Labour in the so-called “Red Wall” seats in the North and the Midlands, while retaining their traditional dominance in the South as Brexit divisions fade away. Moreover, if and when secessionism in Scotland is defeated, the Tories in Scotland may also be able to recover some of the electoral ground they lost there in the Thatcher years.

In part this emerging Conservative hegemony is a reflection of fundamental weaknesses in the Labour and Liberal-Democrat parties on the Left, and the seeing-off of the threat from Faragism on the Right. For Labour, the Corbyn episode has inflicted severe damage, reflected not least in the very poor quality of the current Labour parliamentary party. Labour’s constitutional ties with the trade unions, now mostly operative only in the militant public sector, is a perennial and perhaps increasing embarrassment. And for both Labour and the Liberal Democrats the combination among their activists of Remainerism with “woke” identity politics is setting both parties at odds with the instincts of much of the electorate, especially in England. Meanwhile, whether you like him or loathe him, Boris Johnson is undoubtedly a Big Man, with a personal reach which exceeds that of the run of Conservative leaders since Margaret Thatcher. Although for Brexit-related reasons his Cabinet is pretty light-weight, there are numbers of solid and experienced figures waiting in the wings. And it is a notable fact about the Conservative Party that, having already furnished Britain’s first two women Prime Ministers, two of the top four great Offices of State are currently occupied by people of Asian heritage, one of whom, Rishi Sunak at the Treasury, at present looks quite likely to be the first practicing Hindu resident at 10 Downing Street.

The Future of the British Union: Meanwhile, having begun to extricate itself from the toils of the European Union, the next big political and constitutional challenge for Britain will be the future of the British Union and the possibility of the secession of Scotland and perhaps also of Northern Ireland.

Let me open up on this point by affirming that, although I am a strong supporter of the Union, and although I believe that it is much more likely than not to survive its present challenges, I also think that the practical, if not the symbolic, importance of this question is too easily exaggerated. Between them, Scotland and Northern Ireland represent around 11 per cent of the population of the UK. If they were to secede, their economies would continue, like that of the Irish Republic, to be closely tied into that of England. Both of them currently benefit from substantial financial transfers from English taxpayers, with direct budgetary transfers amounting to some £20 billion per year in the recent pre-Covid period. These transfers would inevitably be discontinued after secession, thus freeing up resources for use at home in England and Wales. While it is true that business in England would suffer after secession from the all too probable contraction of the economies of the seceding territories, England would also probably benefit from the inflow of businesses and

economically active individuals relocating from those parts. To be brutally frank, the only substantial material problem arising for the rest of the UK from Scottish secession would be the probable need for the removal elsewhere of the nuclear base from Holy Loch in Scotland.

Why Secession will not Happen: All this having been said, and now speaking as a convinced “Unionist”, I believe that if and when referendums on secession were to be held in either or both Scotland and Northern Ireland, that option would be rejected by the local electorates. The Brexit experience has sensitised public opinion to the difficulties and complexities involved in such processes. And it should not be difficult to find ways of bringing home to Scottish and Northern Irish voters the extent to which most of them will be personally damaged by withdrawal from the UK-wide economic, transfer and monetary union. The end of direct budgetary transfers from England must inevitably lead to much higher taxes and heavy reductions in public expenditure. And to this would be added the loss of indirect financial transfers from the winding up of the current UK-wide systems for state pensions and social security payments. Not to mention also the heavy consequences for many mortgage-holders of having to make repayments in sterling using a new local currency in Scotland which would certainly be heavily depreciated against the pound.

Meanwhile, the economic, and financial disruptions involved in secession from the UK would be bound to lead to serious social and political disruptions in Scotland and Northern Ireland. This consideration leads me to reflect for a moment on wider question of the prospects for social balance and harmony across the UK as a whole, going forward.

## **British Society**

Is Inequality the Big Issue? Across the Western world, chattering-class discussions of such matters tends to be framed largely in terms of a Leftist perspective which foregrounds issues connected with inequality, adducing the Marxist view most recently promoted by Thomas Picketty, that capitalism and free markets must inevitably lead to increasing economic inequalities between the “haves” and the “have-nots”. Marx’s original prediction of the immiseration of an expanding proletariat was, of course, already disproved in the late 19<sup>th</sup> century, and it has been comprehensively refuted since 1945, first in Western societies and then since c1990 by the hugely enriching transition from socialism to capitalism in the formerly Marxist states. But the thesis of increasing inequality and therefore social disharmony in countries like Britain still continues to be pushed by well-meaning egalitarians.

Inequality in Today’s Britain: Here let us pause for a “fact-check” in the case of Britain, the historical pioneer of modern capitalism. I distinguish between inequalities of income and inequalities of wealth. With regard to the former, a recent study by Eurostat, the statistical office of the EU, has worked out an average for income inequality across the EU, and has shown that while the UK level is slightly higher than that average, it is below that in many other European countries, and that in all of them income inequality is less than in the USA (and, it may be added, than in such ex-Marxist states as Russia and China). Meanwhile, recent studies published by the UK Office of National Statistics have shown that, while inequality in household incomes in the UK is somewhat higher than it was in the 1960s and



'70s, it has remained at roughly the same level since the early 1990s. Indeed, there was a small fall in income-inequality following the 2008 recession, when a sharp reduction in real earnings occurred while welfare benefit levels remained more stable.

With regard to inequalities in the distribution of wealth, studies indicate that while everywhere the disparities are considerably greater than they are in respect of incomes, the distribution of wealth across the UK is roughly average when compared with the other OECD countries, with not much change in either direction over the recent period. Basically, in respect of inequalities in the distribution of both income and wealth, the UK is in the middle of the pack among mature economies.

All of this debate begs the question of how much significance the wider public in Britain and elsewhere attaches to inequalities of income and wealth. If there is widespread dissatisfaction on this score, how does this square with the increasing eclipse of traditionally redistributionist Socialist parties across most of the Western world over the past decade? At least until Covid struck in 2020, there is, I think, plenty of evidence that, to the extent to which Western electorates weighed "Aspiration" against "Redistribution", they tended rather to vote for "Aspiration": a consideration which may, by the way, account among other things for the remarkably high level of support for Trump among less well-off voters in the recent US Presidential election.

The Questions of "Fairness": But putting to one side the rather hoary debate about inequality, it is nevertheless clear that in Britain as elsewhere there are genuine and more salient popular concerns about several other societal issues – concerns which have often passed unnoticed on the Left. Perhaps the most fundamental of these is a concern with "Fairness" in the ways in which the state operates. This concern can be expressed in various ways, the most salient of which in Britain is currently the widespread feeling in the regions which have been most exposed to "de-industrialisation", that they have been treated unfairly in terms of the management of the economy and its infrastructure, and of the provision of public services generally – and, also, they have been treated disrespectfully in terms of their aspirations and values. These resentments played a big part in the Brexit vote, and in the collapse of the Labour vote in their so-called "Red Wall" constituencies in the 2019 general election. For in various ways, the complacency of local Labour politicians, together with their commitment to "More Europe", had come to be seen by many in those regions as part of their problem and not part of the solution to that problem.

Immigration: This consideration leads naturally into a discussion of future British economic and industrial policy. But before I turn to this, I want to say a word about another genuine and salient British popular concern, with an increase in the foreign-born population of the UK by some four million people in the decade after the EU's opening to Eastern Europe in 2004. On the Left popular fears about this unprecedented level of immigration have widely been interpreted as expressions of British "racism" and "xenophobia", stoked up by "right-wing populism" and "bigotry" (Gordon Brown's word which helped him lose the 2010 general election). This admonitory stance has manifestly not commended itself to the British electorate: but, quite apart from this, I think that it is also factually mistaken.

Like most other highly developed market economies (with the notable exception of Japan), Britain has become a multi-racial and multi-ethnic society with extraordinary speed in the period since 1945. As elsewhere, this development has led to various stresses and strains. But I think that in terms of international comparisons, Britain has been one of the most successful in absorbing immigrants, especially from the Commonwealth, whose status gave them citizenship rights in Britain as soon as they arrived here. Second-generation Britons of South Asian and African heritage are now prominent in every walk of British life, including politics, and notably in the Conservative party. And when Hong Kong Chinese shortly begin to arrive, probably in quite large numbers, I have no doubt that they too will soon be making a major contribution to British society, and that they will be readily accepted on the strength of that contribution. Meanwhile, I think we can be sure of one thing; that like all successful immigrants they will not join in the counter-productive game of “identity politics” which is driving the British Left to distraction.

### **British Economy**

In Britain, as elsewhere in the world (and notably including South Africa), the easiest way of addressing political and social problems is by way of economic growth and rising per capita incomes. Referring back to my earlier discussion of the two scenarios for the global economy going forward, it is clear that that in this respect much is riding on the working-out of the optimistic scenario. So now I ask myself how Britain is situated in this context.

The “Four Industrial Revolutions”: Here I think it may be useful to deploy the no-doubt oversimplified scheme of the “Four Industrial Revolutions”. The first of these was based on simple machines powered by coal and steam: this original industrial, or technical, revolution was pioneered in Britain in the late 18<sup>th</sup> century, leading to its economic ascendancy across the world in the subsequent period. The second, emerging in the late 19<sup>th</sup> century, was marked by the electrification of mechanised industries, largely based on Faraday’s invention of the electric motor in 1821. The rise of the German, American, Russian, and Japanese industrial economies was based on these industries. The third, beginning c1950 was based on electronics and the invention of computers. Here again Britain was the scientific pioneer, with Alan Turing’s war-time work at Bletchley Park, but with the Americans then taking the lead, followed by the East Asian Tigers. The so-called “Fourth Industrial Revolution”, which has been under way since c1990, is based on the earlier digital revolution, and is characterised by what Klaus Schwab of the Davos Forum has called “a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres ... artificial intelligence, robotics, the Internet of Things, electric vehicles, 3-D printing, nanotechnology, biotechnology, materials science, energy storage, and quantum computing”.

Be it noted that an important feature of this scheme of the historical development of modern industrial economies is that success in one phase seems often to work as a handicap in the next. Thus the “legacy” of its first and second generation successes may have hindered British performance in the third generation. And it is an interesting question, particularly perhaps for the Germans, whether the “legacy” of their second and third generation successes may get in the way of adaptation to the emerging “Fourth Generation” technologies. In this connexion a recent German study has shown how dramatically great is

the gap between Europe on the one hand and the USA and East Asia on the other, in the crucial area of digital-related patents.

Britain's Prospects in the "Fourth Industrial Revolution": In the new economic era of this "Fourth Generation" my feeling is that Britain is quite well placed to make a go of it. We may perhaps have learned from the mistakes of the post-war period, from both its earlier over-centralised and heavy-handed state interventions and also from its later over-ready surrender to "globalisation" - which allowed "de-industrialisation" to go rather further and deeper in Britain than in any other advanced economy. Science, and perhaps especially "basic science" is fundamental to the fourth generation transformation, and the UK maintains a strong although still relatively under-funded "Science Base". We have also for several decades been learning from the USA how better to support the transitions from new basic science to new productive technologies. Most recently this has been on display in the partnership between Oxford University and AstraZeneca to produce their Covid vaccine. Meanwhile, within the past year the UK has become the world leader in sequencing the Covid genome, and perhaps thence in developing refined vaccinations against Covid mutations.

Britain has a very much more than proportionate share of the world's best universities, although we are still playing catch-up in the improvement of our provision for technical and vocational training and education. We also have a growing although still quite modest presence in almost every sector of "fourth generation" technologies. We have several times more "niche" and "unicorn" tech businesses than there are elsewhere in Europe - the challenge now is to increase their numbers, and to enable and promote their growth in scale. Britain is deficient in solar power, but it has a natural geographical advantage in the harnessing of energy from wind, which is unexpectedly becoming one of the prime new sources for Green energy. We are globally connected through the use of English as the world's international working language. One of the world's chief financial and investment centres is located in London. The British legal and political eco-system is one of the most solid and stable in the world: here I think that Brexit is a classic case of the exception which proves the rule. And Britain is society which is more open than most to newcomers and to innovation generally. Our involvement with rapidly growing developing economies across the world is more extensive and deeper than any other Western country, save perhaps the USA. And over the past three decades that involvement has been growing faster than our engagement with the relatively less dynamic and more highly protected European economies.

In the wake of the Covid pandemic it seems to me to be inevitable that governments everywhere will become more interventionist, both in supporting the revival of established industries which have been hard-hit by the Covid lockdowns, and in facilitating the rise of new technologies and new industries, especially in support of the "greening" of their economies. In Britain, these developments should constitute a new setting for a determined national effort to promote the economic recrudescence of those regions which pioneered the first and second industrial revolutions, which suffered from their passing, but which retain the reserves of human capital required for fourth generation success. A recent important indicator here is Nissan's post-Brexit decision to expand its automotive plant at

Sunderland and build a new plant in the North of England producing batteries for electric cars.

Britain returns to the “Anglosphere”? By leaving the EU, Britain has chosen to exclude itself from whatever political efforts the Continental Europeans may make to coordinate their various national economic and industrial interventions at the European level. In the longer term it remains to be seen how successful those efforts will be. Meanwhile outside the formal EU framework, at the informal level British and European enterprises will doubtless continue to cooperate and even integrate. Nevertheless, as it escapes the regulatory orbit of the EU, corporate UK will probably find itself increasingly drawn into the orbit of the USA and the rising Asian powers in an increasingly anglophone world. And I think that there is good reason to believe that this shift of focus will not only be more conducive to economic dynamism in the UK, but also more congenial to British interests and habits than “ever-closer union” with Continental Europe could ever have been.

This thought leads me to the concluding section of this talk, which will consider Britain’s future in the wider context of world geo-politics.

### **Britain in the Context of World Politics**

The Shifting World Economic Balance: In tackling this wider political theme, it seems best to begin with some remarks on its economic context. Over the fifty-odd years since the oil crisis of 1973, the relative economic weight of the European powers, including Britain, has declined relative not only to that of the USA but also to that of the rapidly growing economies, first of East Asia, then of West Asia, and now also of South Asia. The figures are stark and significant: a recent European Commission study of relative trends in rates of economic growth has China and India growing at 7 per cent a year, with developing countries as a group at 4 per cent, and the euro area at 1.8 per cent. And in its latest forecast the IMF projected 6 per cent growth in 2021 in “emerging markets”, compared with 3 per cent in developed markets, with the gap continuing to widen in subsequent years. Note, however, the phenomenon of the so-called “Middle Income Trap”, notably in Latin America and West Asia, and in South Africa – and perhaps eventually elsewhere in Continental Asia.

In Europe, after the period of post-war reconstruction and accelerated growth in the 1950s and `60s, and with a brief uptick after the post-Soviet opening up of Eastern Europe, the European mature economies seem to have settled into a pattern of relatively slow growth, which contrasts strikingly with the performance of the developing economies in most of Asia, if not so much in South America and Africa. Meanwhile, since 1990 the UK has had the fastest growing economy in Western Europe This is the wider economic context in which Britain is shifting its focus from Europe and back towards the Pacific and Indian ocean area, and such organisations as the Transpacific Partnership which Britain has just applied to join. Needless to say, increasing British activity in Africa is also to be expected.

The Shifting Geo-Political Balance: Three Periods since 1945: Surveying the global geopolitical scene over the seventy-odd years since 1945, I suggest that we may distinguish two main periods, together with a third which is now emerging. The first period, from 1945

until the late 1980s, may be characterised as an age of “Bipolarity” in which the two so-called “Super-Powers” were the USA and the USSR. Around one or the other of these two the other “great powers” and lesser powers were grouped in various military and political alliance-systems: the East Europeans were associated with the USSR together with China until the Sino-Soviet split after 1961, while the West Europeans and Japan were associated with the USA. The second period, from the late 1980s to the present, was ushered in by the collapse of the USSR. For some time in the 1990s it seemed that this might be an age of “Unipolarity”, with the USA as the only surviving “super-power”. But in retrospect it might be more accurately characterised as an era of emerging “Multipolarity”, with the rise alongside the now dominant USA and diminished Russia, of new power-centres on the one hand in China and on the other the European Union, based essentially on cooperation between France and Germany. In a third period, now under way, I suggest that we are returning to a new period of “Bipolarity” in which the constant factor is the USA, but in which China is replacing the USSR or Russia as the alternative “super-power”.

The USA: At the moment, there is a good deal of fashionable pessimism about the prospects for the USA, whose cultural and political divisions were so dramatically on display at the Capitol just a few weeks ago. Against this pessimism, I would urge first of all that the underlying stability and strength of American institutions has been vindicated by the Trump episode, and that meanwhile the great American capacity to translate new science into productive technologies remains world-beating. While the Biden-Yellen plans for a vast fiscal expansion are not risk-free, they are bold and will probably lead the Western world into its post-pandemic economic recovery. Meanwhile, for all its crudity, “Trumpism” has promoted what I think will be a lasting re-set of attitudes to both China and Russia on both sides of the American political divide.

Russia: With its panoply of nuclear weapons Russia is still a formidable military power, with sufficient weight to oblige the Europeans to continue to attach themselves through NATO to the USA as their ultimate protector. But as a centre both of growing economic and industrial power and now also of increasing military capacity, China is already a more formidable factor than the USSR at its peak in the 1960s. In the revived association between China and Russia, the latter is distinctly and increasingly the junior partner: a position which Russians may in the future come to resent.

China: As the rise of China and its potential as a rival super-power is coming to be recognised across the West, attitudes formed in the receding period of “Multipolarity” are still prevalent, especially in Europe and notably in Germany - which formed closer links with both Russia and China in the period after 1990 than any other Western country than the USA. But internal developments in China under Xi Jinping, and the resultant bipartisan hardening of attitudes in the USA towards China, and indeed towards Putin’s Russia, is leading to a return by the Americans to the policies of “Containment” which were successfully applied against the USSR in the 1950s through the 1980s.

Because China is so much more formidable than the USSR this will be difficult. “Containment” will perhaps be more effective in blocking China’s acquisition of dominance in new technologies than in reducing its weight in the exploitation of the older ones. But the

successful American campaign against Huawei shows what can be done to constrain China's exploitation of the "Fourth Industrial Revolution".

Europe: Among other things, this turn of events is a challenge to the Europeans, and especially to Germany, whose trade with China has been sedulously and successfully cultivated for the last two decades, and whose "North-Stream" pipeline deal with Russia is continuing to be sanctioned by the USA under President Biden. The EU-China "Comprehensive Agreement on Investment" in December 2020 may turn out to be the last gasp of the era of "Multipolarity". For a new global constellation of democracies increasingly alarmed by the rise of China is beginning to emerge across the world under now refreshed American leadership, and the Continental Europeans will find themselves under increasing pressure to align themselves with this new balance of forces.

Britain: How does Britain fit into this shifting scene? Brexit must mean the loss of direct British influence in the counsels of the European Union, for what that was worth. On the other hand, the various agreements on the future relationships between the UK and the EU provide for continuing military and security cooperation with the EU, and Britain's bilateral military partnerships, for example with France, are continuing alongside and within the overarching framework of NATO.

Meanwhile, for more than a century Britain's single most important partner in economic and industrial cooperation, and since the fall of France in 1940 also in military and security matters has been the USA. This close partnership will undoubtedly continue after Brexit. And there is good reason to think that it will become even closer as Britain reverses its historic error of withdrawal into Europe and from "East of Suez". In the context of America's new policy towards China, the UK has important "legacy" commitments to the Chinese people of Hong Kong, which align her naturally on the American side of this great argument, alongside India, Japan, South Korea, the states of South-East Asia, and also with Australia, New Zealand, and Canada. In this context it is significant that Boris Johnson, as the current chairman of the G7 group of world powers, will be holding its meeting in Cornwall in June in a widened format which will include India, Australia, and South Korea: a so-called "D10", where the "D" stands for "Democracy".

## **Conclusion**

Over the four years since the Brexit referendum in 2016, Britain's prospects have been shrouded in the fog of a war of words between "Leavers" and "Remainers" – a war of words in which for perhaps significant reasons many people outside Britain have also felt themselves engaged. It is hardly surprising that in these debates both inside Britain and across the world the voices of the critics of Brexit have been the loudest among the chattering classes: for in many ways Brexit was impelled by a spirit of repudiation of the political predominance of those classes – a revolt, as David Goodhart has put it, of the "Somewhere" people against of the preponderance of the "Any-wheres" and "No-wheres".

But, in spite of these perturbations, Brexit is now an accomplished fact. And as the fog of the Brexit wars begin to clear, it should become possible for both sides of the argument to begin to take a more measured and considered view of Britain's prospects after its

withdrawal from the formal structures of the European Union. It is in this spirit that I have attempted to frame this talk to you today.

**In 1962 the then leader of the British Labour Party, Hugh Gaitskell, remarked that Britain's participation in a federal Europe would mean "the end of Britain as an independent European state, the end of a thousand years of history". Perhaps this was an exaggeration - but whether or not Gaitskell was right, it is clear that the distinctive course of British history has now again been resumed.**

**END**

#### **ABOUT ROBERT JACKSON**

Robert Jackson was born in South Africa (1946). After Oxford he went into British politics, in which he served as a Member of the first directly elected European Parliament (1979-84) and as an MP (1983-2005), including a time as Minister for Higher Education and Science. He is a former editor of "The Round Table" and of the Chatham House journal, "International Affairs". Robert Jackson addressed the branch last year on "The meaning of Brexit". He and his wife (also a former MEP, 1984-2010) are regular visitors to the Cape, where they have a home.