

Brexit, The 'Gift' That Keeps Taking!

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Almost two years after the country was asked to vote on the potential of Boris Johnson's 'oven ready' deal with the EU – effectively predecessor Theresa May's, with a few tweaks including the now infamous Northern Ireland Protocol – we're regularly seeing stories demonstrating the negative economic impact leaving the EU is having on the UK. Departure from the EU, promised to herald a brave new world of British competitiveness, would, as advocates argued, allow opportunity for business with faraway countries not possible whilst the UK was a member.

The sad reality is that much of the justification for leaving the EU was based on not what would be called 'hard' fact. Rather, according to advocates of leave, leaving one of the world's largest trading blocs, of which the UK derived considerable economic benefit, was based on a series of supposed slights and, it has to be stated, sense of English exceptionalism that, for a number of complex and historical reasons, meant rules applying to all other EU members were somehow unfair to this country or put it disadvantage.

Political dogma and a peculiar concoction of ideology, based on a belief some communities in, particularly, Northern England, had been 'left behind' conspired to produce the referendum result of June 2016. With benefit of hindsight, it's possible to see how the argument of increased freedom and notional perspective of sovereignty played well among those disaffected. Though utterly wrong-headed, the belief that an elite in Westminster had somehow abandoned them and their futures were somehow being determined by faceless bureaucrats in Brussels, was powerful.

All of this is well known.

Having won the December 2019, 'Get Brexit done' general election so emphatically – including depriving Labour of a number of seats in its so called 'red wall' – Johnson was sufficiently emboldened to develop a 'wafer-thin' Trade and Cooperation Agreement. This deal, as critics of Johnson stress, is the basis of problems currently being experienced within the British economy.

Ironically, Northern Ireland, because of its status as the only part of the UK with a land border with the EU, and in order to protect the Good Friday Agreement of 1998, remained within the single European market. This has provided direct evidence of what 'leave' means for the rest of the UK.

As the Guardian's Lisa O'Carroll reported a couple of weeks ago, whatever concerns the government may have about the way in which the Northern Ireland Protocol may be operating in practice, there's been a discernible "surge" in trade between Northern Ireland and Ireland since the UK left the EU (2021).

As O'Carroll makes clear, increases in trade in both directions over the Irish border has been significant. Imports into the Republic of Ireland from Northern Ireland has risen by 60% for the first nine months of this year and is valued at £2.37 billion. Trade in the opposite direction, though not quite as impressive, has still increased by an extremely healthy 48% and, for the same nine months, and was worth £2.175 billion.

In the world of Brexiters these figures will be considered as being inconsequential. Indeed, and though the importance of the citizens of Northern Ireland is currently being emphasised by the UK's Brexit minister, Lord Frost, as essential to his claim the Protocol must be rewritten, many would counter that any needs of such citizens were notable by their absence in the lead-up to the referendum.

Though no figures for trade between Northern Ireland and Great Britain have yet been produced, it's confidently predicted any data will be negative. Cynics suggest Lord Frost's threats to suspend parts of the Northern Ireland Protocol, by invoking what's known as Article 16, thereby risking a trade 'war' with the EU, albeit reduced in recent days, is borne of a recognition that the recent trade figures provide a strong indication of what has been lost by giving up EU membership.

On Tuesday O'Carroll reported that the Republic of Ireland has experienced a 50% increase in goods shipped directly from the EU in the last six months (2021a). As was widely predicted when the outcome of the UK referendum was known and, especially, the nature of the trade deal became apparent, willingness by shippers and hauliers to continue to use Great Britain as a 'land bridge' has diminished significantly.

Instead, goods are shipped directly from ports such as Le Havre, Cherbourg and Dunkirk in France and Zeebrugge in Belgium directly to the Republic of Ireland. Little wonder that 32 new ferry services have been introduced to cope. Anyone who's recently travelled from the port of Holyhead in Anglesey to Dublin Port will attest that the economic prospects of the former have decreased in direct proportion to improvement in those of the latter. Judging by the number of tower cranes, a crude measure of investment, Dublin is in no danger of decline.

Herein lies the ongoing problem.

Brexit, regardless of what its supporters asserted, was always going to be harmful. Advocates claimed it would provide immense opportunities. These have yet to be manifested. The reality was that loss of unfettered access to a market as large as the EU for all goods and services was always going to have profound economic consequences.

Whether the long-term impact turns out to be a 4% reduction in GDP, as the OBR (Office for Business Responsibility), the government's fiscal 'watchdog' has claimed, or 6% as the independent think-tank The UK in a Changing Europe suggests, tells us that things are going to be pretty dreadful, just a matter of how much.

One incontrovertible fact is that any loss of trade will, barring the agreement of deals with countries outside of the EU that would have to be staggeringly impressive, will not be replaced anytime soon. Pessimists contend we are going to be permanently worse off. Therefore, the current political debate of how regions outside of the south-east can be made more equal by 'levelling up' will be made all the more difficult by an economy much smaller than compared to before it left the EU.

Brexiters would, however, claim the reduction in workers from the EU available to firms has increased bargaining power of UK citizens (Strauss, 2021). Though this may be true in particular sectors, especially seasonal workers, particularly in retail, food production and delivery (Sillars, 2021). Judith Evans in her Financial Times article, 'UK pig farmers take desperate measures in face of soaring costs', focuses on the impact of the reduction in skilled labour available on British farmers (2021).

Though some are benefitting from increased wages (Brennan, 2021), which will mean potential customers pay more, evidence suggests that average rates of increase are not especially high (Inman, 2021; Toynbee, 2021). Average increases in wage rates, 2-3%, would, given inflation is currently running at just over 4%, and predicted to rise higher in early 2022, mean many, probably a majority of workers, will be worse off.

The key question is how endemic inflation becomes. Over a long period, as we experienced in the 1970s, it undermines business confidence and destroys collective spending power for everyone

(Warner, 2021). As the government will know, becoming poorer was not part of its narrative and plan. Crucially, the amount of money levelling up requires, even to have the slightest chance of success, must be measured in many hundreds of billions of pounds. More likely trillions.

That we have a profligate PM who, given free rein would happily make eye-wateringly expensive commitments without consultation of his Chancellor is undoubtedly a concern. If traditional Conservatives are likely to become twitchy, it's because they increasingly recognise his approach, though undoubtedly popular among voters, is entirely contrary to the tight fiscal control so favoured by Margaret Thatcher is confronting inflation in the early 1980s.

As to what happens to Johnson, it's notable that he's been largely absent from the headlines this week. Perhaps, as was the case when he ran for leadership of the Conservative Party, he is being much more tightly managed? The key test will be among voters who may begin to perceive promises made have produced no discernible change in their prospects. The vast majority of citizens in every part of the UK simply wish to see a better life for them and future economic prospects available to their children.

Intriguingly, Labour leader, Sir Keir Starmer, using the 'cover' of a government displaying inability to cope with crisis and implement coherent policies, is reorganising his shadow cabinet to emphasise increased economic competence (Stewart, Collingridge and Partington, 2021); Times, 2021).

Importantly, though, an issue the Labour Party must eventually confront will be its stance in terms of the relationship this country enjoys with the EU. Assuming any election takes place in either 2023 or 2024, whichever party wins – and who would bet against some sort of coalition? – will need a logical position on how Brexit can, if at all possible, be made to work to the greater advantage of the UK.

It's argued that the EU will be open to a renegotiation of the Trade and Cooperation Agreement. Many within Labour believe this would offer the potential to seek improvements in a wide range of commodities. Moreover, though only whispered at present, some suggest that this might herald an eventual return by the UK to EU membership. However, even those who are most optimistic accept that this is extremely unlikely for at least a generation or so.

Therefore, in the meantime, we should expect a situation of continual bust ups with the EU and, sadly, France in particular. Though not good for all concerned, such disputes, especially if involving indigenous fishing industries, provide sustenance to domestic political needs.

Consequently, Brexit will rumble on like a nasty toothache which can never be satisfied until its malign influence is extracted. Worse, it will continue to undermine effective working relationships – not to mention the way to deal with those seeking asylum by crossing the English Channel – for years to come.

As longstanding economist, William Keegan, asked in his most recent column, "can anyone tell me if there is any precedent for this degree of national self-harm?" (2021).

Until there's collective will to end the economic madness Brexit is producing, we have little option but to accept that, entirely contrary to what advocates claimed, it will continue to 'take' from the UK rather than contribute to greater prosperity.

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Additionally, his chapter, 'AI Promised You a Miracle – Life Under 'Greased Piglet' Johnson', is included in *Populism and the Media*, published by Abrams Academic published in June.

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