



British Prime Minister Theresa May (left) talks with Dalia Grybauskaitė, President of Lithuania, on the sidelines of an informal EU summit on refugee issues in Valletta, Malta, on February 3

Britain and Brexit: Any Clearer?

The UK Government sets the stage for the nation's high-risk gamble to unfold
By Kerry Brown



The author is an op-ed contributor to *Beijing Review* and director of the Lau China Institute at King's College, London

After months of enigmatic silence, British Prime Minister Theresa May has announced how her government plans to manage Britain's exit from the European Union (EU) following the nation's referendum on June 23 last year.

Between taking the helm of the ruling Conservative Party in August and mid-January,

May responded to questions about this massive issue with the simple phrase "Brexit means Brexit." Then on January 17, she at last outlined what this actually means, and a white paper detailing the government's strategy followed on February 2.

After the shock outcome of the June vote, the consensus became that so many turned their backs on EU membership for two reasons. One was the perceived loss of control over who can enter the UK to live and work, as net inward immigration has put pressure on services and jobs for local people. The second was the perceived loss of sovereign power from the British parliament and the law courts to the supposedly less-accountable European Commission and European Court of Justice. The mantra of the

main groups agitating for the UK to leave the union was "take back control." In the minds of many, these considerations overruled the very clear risks that exiting the EU would have for the British economy and the UK's international standing.

A formidable task

May's government has to cope with competing pressures and demands. In two years they have to negotiate with the 27 remaining members of the EU, one of the most complex political agreements ever achieved on terms that are seen as mutually palatable. The UK may have plenty of diplomatic experience, but its civil servants and politicians face a task never before undertaken. Its partners, meanwhile, have a vested interest

in seeing the rest of the EU remains intact and thus want to avoid giving any impression that member states can be better off by exiting rather than staying in the union.

May's speech clarified two things. First, the UK will leave the EU's single market, because not doing so would require continued acceptance of the bloc's four internal freedoms—unrestricted trade and free movement of capital, goods and people. While the UK has no problem with the first three, it evidently has an issue with the fourth. Since 2005, the UK has seen 3.5 million people relocate from other parts of the EU into the UK. The Conservative government wishes to clearly limit future inward immigration and, in their own words, to reassert control over the UK's borders.

Fierce debate continues over just how possible this will be and even if it is achieved, whether it will really bring any benefits. However unpalatable it is for British politicians to say so, given the nation's falling birth rate and increasingly specialist labor demands, the need for net influxes of certain kinds of people is likely to increase rather than diminish in the years ahead. In the UK, public perceptions of inbound immigration are negative partially because they have been fed by a largely xenophobic press.

But a simple solution is being proposed to a very complex problem. With British universities and firms needing to recruit international talent, the work permit scheme alluded to by May would need to be more complex and efficient than any of such arrangement in the past. This is ambitious, to say the least, and whether it will actually prove effective looks very uncertain.

The second issue relates to restoration of sovereignty to the British parliament and courts. At the heart of this will be the

UK's departure from the European Court of Justice, which, while not an EU entity as such, is often blamed in sections of the British media for imposing diktats of bureaucrats in Brussels on the UK and, thereby, taking decision-making powers away from UK officials.

Once more, perceptions are one thing, while reality is another. The EU, with its 20,000 or so functionaries, has been blamed for a raft of political, legal and other decisions apparently detrimental to UK interests. But whether or not it is really the source of problems is another issue. Much of the British press is fond of portraying the EU in ways that engender loathing and discontent. The sins attributed to the union, however, are far outweighed by the benefits it brings in terms of common rules and standards which facilitate the UK's engagement with its closest neighbors and security partners as well as its largest market.

Sovereignty is a grand thing. But the desire to assert feelings of sovereignty in an era when so many problems, from climate change to global growth, increasingly need to be taken in concert with others causes one to wonder whether or not this represents a major contradiction. Within the EU, Britain has always maintained its sovereignty—testimony to this is the very fact that the UK was able to hold a referendum on its membership of the union. If exiting the EU leads to loss of market access and to a more marginalized UK with a declining economy, then defending feelings of sovereignty becomes less easy to understand.

The bottom line is that on June 23, 2016, UK citizens were never offered the choice of separating from the EU with the conse-

quence of being worse off. Most of those campaigning to leave claimed the precise opposite. Although who will prove right in this regard has yet to be determined, a vast majority of economists agree that Britain's decision to exit the EU has exposed the nation to extraordinary risk, with plenty of space for it to end up rich in sovereignty and poor in just about everything else.

In her statement, May was adamant that the UK would seek a bespoke, hybrid arrangement unlike those of states like Norway and Switzerland who are linked, but do not belong, to the EU. This will require innovative thinking and creativity by her political allies and by UK officials. More worryingly, it will also call for flexibility on the part of Britain's EU partners. At the moment, though, they are sounding impressively unified in making clear that whatever deal is achieved, the UK should not emerge apparently rewarded for turning its back in such an unambiguously explicit and direct way on its close allies and partners.

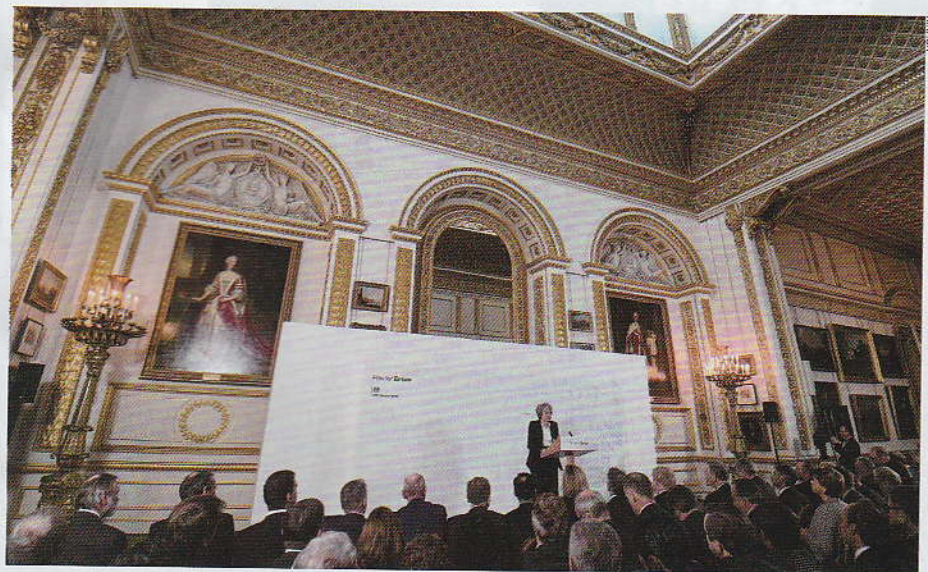
The China angle

For China, interpreting Britain's strategy is straightforward enough. The UK may appear to be a much more open investment environment for companies from China, albeit one delinked from European markets and therefore far less attractive as a possible gateway to the continent. Furthermore, the international influence of London's financial services sector stands to be significantly curtailed by the loss of its so-called passport rights, and this has the potential to put a dent in the city's ambition to take a leading role in the internationalization of China's currency.

For Chinese citizens looking to study or work in the UK, meanwhile, the situation will change. A Britain removed from Europe might offer more opportunities, or it could be less attractive; being less international and more parochial.

One thing is clear though: having become more isolated diplomatically, the UK will figure in Chinese political thinking as a much smaller and less important player.

Unfortunately, this particular attitude and what it will lead to were not even taken into consideration by many British voters on June 23. Whether they will be content to live with the consequences, we shall just have to wait and see, regardless of the British Government's attempt to clarify the road ahead, something not improved by the very generic contents of the February 2 white paper which only repeated, at greater length, the general lines of what May had said earlier. ■



Theresa May delivers a speech on the country's exit from the European Union in London on January 17

Copiedited by Chris Surtees
Comments to liuyunyun@bjreview.com