

BREXIT: The Hotel California Syndrome

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The Eagles song, *Hotel California*, has the memorable line: “*you can check out any time you like. But you can never leave!*”, which is a striking metaphor for the BREXIT negotiations. The full verse is:

*“Last thing I remember, I was
Running for the door
I had to find the passage back to the place I was before
“Relax” said the night man,
“We are programmed to receive.
You can check out any time you like, but you can never leave!”*

As Britain reaches the crunch in its last six months before BREXIT formally takes place, the reality of the Hotel California syndrome is hitting home. There are of course those who believe that, again from the song, “*This could be heaven*” and others who take the view that “*This could be hell*”. But the reality is that it is going to be one long transition from the current mess to more and more compromises for many years to come. Strip away all the noise, and there is an inevitability – and a predictability – about the outcome.

The diehards are just that: they want us to die hard. They imagine that it would be some great cathartic moment of the British bulldog spirit to man the customs desks and immigration desks at the ports, and that the Dunkirk spirit would turn what some of them think is a fat and lazy economy (as the Trade Secretary once suggested of British business) into an altogether more heroic stoicism, as we try to stride out across the globe, striking trade deals in the way the British navy once ruled the waves.

The diehards are dangerous utopian fools. They show no understanding of Britain’s status in the world in 2020, and no understanding of how the world economy – and the British economy – works. It worries them not at all that it is the poorer who will suffer most in the turmoil that would follow a hard BREXIT.

They talk about “WTO rules” as if they understood what they actually mean, and that is before President Trump further undermines the WTO. They assume that the WTO is some hard and dependable rock of international law. They flatter themselves that the EU members need us more than we need them, and will come to heel, begging us for a trade deal.

The European market is some 500 million strong. It sets standards, and for the EU a successful BREXIT would be an existential threat, throwing bait to the far right in Italy, France, Germany, Hungary, Sweden, Finland and Denmark. It is ironic that those who see Dunkirk and Churchill (and write books to invoke Churchill’s spirit) as their anchors should have forgotten what happens to Britain when Europe goes its own way and Britain abdicates all responsibility for our collective European interests. Presumably they see Putin’s actions in Eastern Europe as just something happening in a far away land.

The very idea that Britain can cut itself adrift from both its most important markets but also its political hinterland, and that there will then be no profound consequences to Britain, is to show an historical ignorance that is both profound and scary. Not only do they show scant regard for the ordinary working people, their jobs and prosperity, but also our national security. Is this really the moment to give such great succour to Putin and his cronies? It is no wonder that the less savoury bits of the leave campaign find both Putin and Trump as attractive role models?

Fortunately, there is no Parliamentary majority for the diehards and their eighteenth-century vision of Britannia. We don’t rule the waves, and we won’t rule world trade.

On the other side, the remainers hold their own delusions about Britain. They see a multicultural Britain, happy to be open to all. Gordon Brown during the 2010 general election famously called an elderly woman a bigot for expressing scepticism about this world view. The remainers just don’t get immigration and its impacts. Of course business loves immigration and the freedom of movement:

for them what is not to like about lots of cheap and willing labour, and all the support services to the metropolitan elite that they bring? They don't have to face the consequences, which is to depress the wages of those people who see themselves as "indigenous", and it is not their neighbourhoods that have the associated assimilation issues. If you are poor and white and live in a northern town suffering deindustrialisation, what is there to like about mass immigration?

And it is mass immigration. It is still around 300,000 a year, though ironically it is mostly from non-EU sources now. Adding 10 million to the British population in a matter of decades requires lots and lots of houses, schools and NHS services. Again for business this is great news: think of all those contracts. Not so if you have houses dumped on your community without any supporting infrastructure and find your school rather crowded and the cultural balance changed.

The remainers enthuse about another referendum, which they may just get, and going back to the status quo *ex ante*, finding "*a passage back to the place I was before*". But they cannot undo the sheer scale of the division, and the deep resentment that was reflected in the referendum. If the 52% leavers are ignoring the 48%, invert the result and there will still be a massive schism in British politics. Something will still have to be done about immigration. Nasty nationalist politics would most likely reverberate through the coming years. Hostility to the EU will not magically go away.

So stuck between "*hell*" and with no chance of "*heaven*", what to do? The answer is that Britain will end up being as much determined by the EU in the future as it has been in the past, but this time without much influence. The economic fact of life is that trade is about standards, and standards are set by the world's big economies – the EU, the US and Japan. Every country adheres to one of these blocks for its rules, and then these big blocks do trade deals between themselves. Hence the Japanese-EU trade deal, and the search for a US-EU trade deal – and gradually a China-EU deal. It makes sense to align with those rules, which come from our major trading partner.

If you make cars or sell financial services and you want to do business with Europe, then you will find yourself filing in tenders and bidding for contracts where the rules are set in Europe. The last clause of the contract will probably say: “for the purposes of this agreement, the ECJ is the relevant judicial body”. You might be technically in a non-EU country, but try telling your customers that the contract will be determined by courts in London. It is telling that none of the leading BREXITEERS has much real industrial experience. If you are a car company or a bank trying to do Euro trading, you cannot “*leave*”. “*Checking out*” just makes it a lot harder to do business.

The chances are that we will “*leave*”. The immigration “red line” is a deep political one, embedded in the referendum result – even though we do nothing about the bulk of the immigration we do and always have had control over. The diehard BREXITEERS are already sharpening up their betrayal story, and not formally leaving risks the full resurgence of UKIP and behind it nasty nationalism. This is a world in which both the Conservatives and Labour would get severely damaged, and as a result the basis of our democratic stability is at risk.

But “*leave*” means less than it seems: we will end up adhering to both the single market and the customs union, *de facto* if not *de jure*. We have to, to avoid an economic Dunkirk, including devaluation and possibly even capital controls. The trick that the government is trying to pull is to come up with something that looks like the single market and the customs union, but is called something else. That is what the Chequers plan is all about. It is not Canada +. Indeed it is not remotely like this.

How will it play out? All sorts of clever people are claiming that it will be carnage before Christmas, that the government will be defeated in the House of Commons, the PM will be replaced and Britain will crash out of the EU, with the “*heaven*” or “*hell*” that the two sides believe will result. Some of the hard line BREXITERS are trying to bring all this on, hoping for a clean break.

Much of this is excitable nonsense by vested interests and the excited right wing media, most of which want some form of BREXIT, some of it very hard BREXIT. They want what might be called “the Putin preferred option”.

Whilst nothing can of course be ruled out, the PM is actually crafting a very fine compromise. She is displaying a strategic realism that seems to have deserted some of her colleagues. She knows that Parliament will not accept a hard BREXIT. Recall that there was actually a strong remain majority in both the House of Commons and especially in the House of Lords, before many trimmed to the politics of their leaders. The PM can reasonably say to the BREXITEERS that if they persist, they will lose out to Parliament – in the name of whose sovereignty the whole BREXIT campaign was based. This parliament would, threatened with no deal, “take back control” and in a delicious irony not in the way the leavers intended.

On the other hand, the PM also knows that to agree to another referendum would be seen to override the “democratic voice of the people”. She sees herself as honouring the will of the people. In order to keep a divided party, and a divided country, on board, she set out her red lines. Of these the freedom of movement of people remains. Leaving the customs union and the single market were also lines drawn in the sand – hence the search for something that is a duck but is called something else – a swan perhaps? Or the Norwegian option under another name?

The PM has played it long. How else could she? How else could the Johnson problem be dealt with. She has let the facts emerge, let the debate run, and tried to let the voices of sanity surface. That is her game, and it is roughly working out. Next step is to get the EU heads of state to come up with some sort of “agreement to try to agree”: enough to call it a deal, but nevertheless leaving most of the important issues to be negotiated in the “transition”. Once in the transition, there will be further cliff edges, and having formally left the EU, there will not be the same urgency to sort out the detail. The transition will go on and on – forever. This isn’t a political failure, or even a devious clever strategy. It is recognising the

reality. Close neighbours with a lot of trade with each other are always in permanent negotiations over their relationships. Britain is no exception. There is no final BREXIT moment. There never can be. That is why the Eagles song is so appropriate: *"You can check out. But you can never leave"* – unless of course you really want the *"hell"* of a very hard crashing out.

This autumn and winter we will see one "crisis" after another. In the run up to each crucial stage the BREXITEERS will be out in force, with lots of calls for the PM's head. We have several of these already, and they follow a pattern. First, the turmoil and endless interviews with Jacob Rees Mogg and Boris Johnson, and lots of great patriotic speeches and newspaper columns from Johnson. Then the moment of decision. Maybe then a couple more resignations. Then the PM emerges with the "agreement". Then everyone falls into line and there is no leadership challenge – until the next "crisis".

The good news is that at every staging post, the parties are forced to face the facts and Britain's diminished role in the world. For the EU, Britain has to come out worse than being a member. Otherwise it is curtains for the EU as the far right takes votes in country after country and opts for their own BREXIT. Interestingly already the Northern League and 5 Star Movement in Italy have retreated from an exit strategy and a while back even the French National Front held back too. For the Europeans, Macron got it right when he called for a two-tier approach – a deeper Eurozone and all the rest in the next tier, including Britain. That is the reality already and Britain has always been in the second tier.

Britain will have little choice in the matter. Indeed, the BREXITEERS should perhaps reflect on the consequences of what they wish for. Instead of fighting inside Europe for a reformed EU, and heading off the far right, they might one day look across the channel and see a very anti-democratic, pro Putin majority in several states. At just the time it matters most to be in Europe, they want to turn their backs on it. The PM, in contrast, wants to limit the damage. After 5 years in the Home Office, she has perhaps a better understanding of what is at stake than the leading BREXITEERS.