Lunchtime discussion on Brexit with Sir Mike Rake

Garrick Club (Milne Room)

09 April 2019

The Club of Three held a lunchtime discussion on Brexit with Sir Mike Rake and some 30 senior figures from business and the policy field from France, Germany and the UK just days before the expiry of Britain's then 12 April deadline. This deadline was further postponed until 31 October following an EU summit that took place in Brussels shortly after the Club of Three meeting.

It was the fifth "fireside chat" organised by our Franco-German-British leadership initiative on this topic since the launch of the 2016 EU referendum campaign.

Sir Mike gave a business perspective on implications of the Brexit outcome – under different scenarios. Sir Mike, one of Britain's most senior business leaders, had been especially outspoken on Brexit during his time as Chairman of BT Group, a position he held until September 2017.

It was already clear that Britain had suffered significant economic damage as a result of the decision to leave the EU, and this ground would not be made up even in the event of a Brexit cancellation. About a trillion pounds of assets had moved to the EU and approximately 1% of UK tax revenues had vanished. In the manufacturing sector, investment was markedly down, as well as productivity – particularly in the automotive industry. And several large foreign companies had moved their European headquarters outside of the UK. This was undoubtedly one of the biggest acts of economic self-harm in British history.

As far as non-EU trading partners were concerned, reality was also beginning to set in. There was no chance that countries like Japan, China or South Korea were going to offer Britain better deals than what the EU had, contrary to what the most enthusiastic Brexiteers had claimed.

Not all businesses had initially been convinced of the necessity to remain in the EU. Some 15-20% felt that Brexit – although perhaps not the best course of action – would be manageable. This had been because they did not fully understand what was at stake. Nearly three years on, the overwhelming majority was now extremely concerned about the impact that Brexit was going to have on them and the UK economy. Most of them were happy to settle for Mrs May's deal which was far from ideal but at least provided sufficient certainty in order to move forward.

This downbeat assessment led some participants from France and the UK to point out that decisions of strategic importance should never be carried out unless they received backing from a large majority of the population. In the corporate world, such decisions would either require 75% of the votes or 50% of all shareholders - as opposed to 52% in the case of Brexit representing just 37% of the electorate. Article 50 needed to include a minimum threshold (e.g. 60% in favour).

In terms of what was going to happen next politically, a second referendum seemed to be the most realistic option given that Parliament had reached a standstill and that the two main parties were profoundly divided. But it would only be definitive if it was a choice between Mrs May's deal or Remain, as either could be implemented immediately. A general election would not solve anything.

The chances of a vote to remain in the EU next time around appeared to be 50-50. The demographics were now giving Remain a slight advantage as more young people were eligible to vote. But 90% of those who had voted for Brexit in 2016 would never change their minds. No Brexit also carried risks in terms of social cohesion. There was no ideal solution at this point in time.

One of the British participants stressed that a parliament majority for a customs union was still possible. Britain could yet leave on that basis.

Whatever the outcome might be over the coming weeks or months, Britain would soon need to come together as a nation to heal currently divides. One way forward might be to encourage the German principle of co-determination, with Government, business and unions working closely together to improve productivity and attract investment, and more broadly to reduce social inequalities.

ENDS

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