

Milken Institute London Summit 2016

Opening plenary panel: Europe in the Post-Brexit Age

Panelists: Louisa Bojesen (CNBC, Chair), Roland Rudd (Open Britain Founder), Sergei Guriev (Chief Economist, European Bank for Reconstruction and Development); Anton Muscatelli (VC Glasgow University), Marieluise Beck a German MP, and Niall Ferguson (Stanford University but a UK citizen).

A video is available at

<http://www.milkeninstitute.org/events/conferences/summit/london-2016/videos>

It is really worth watching!

I attended the event then watched the video at home. I have taken quotes from the video.

The chair-lady, a US citizen and openly anti-Brexit, had assembled a panel of 'Remainers', which promised a one-sided discussion. But soon after the start of discussions she got an apparently unwelcome surprise. Unknown to her, one of the Remainers - in fact her most famous panel member - had changed his mind. Read on!

Anton Muscatelli, VC of Glasgow University, the first panelist to speak, said 'The UK is in a very weak negotiating position because of the red lines set on freedom of movement of people.' He quoted a negative impact of 2.7%-9.5% loss in GDP by 2030 and said the fact the predicted falls in the economy and markets had not happened was 'because the trade linkages haven't started to unwind.' He then went on to say 'exactly those lower to middle class income groups that voted for Brexit are the ones who will be most damaged by a protectionist attitude.' Europe is in a difficult situation and I cannot see them conceding an easy deal for Britain, simply because the EU is now in defensive mode.' He said that given the complexity of Brexit the only real transitional arrangement that might be possible is one that involves the UK adopting the EFTA agreement. Though towards the end of the session he stated that the UK economy is mostly a service economy and that having access to the single market, which does not include services, is not a huge prize.

Ferguson spoke next. He surprised everyone by saying that he was going to admit he was wrong! He has shifted his views. He said he voted 'remain' because he 'didn't want the Cameron / Osborne government to fall.' But he didn't really believe in Remain! He said 'Brexit will be more of a problem for the EU than the UK'. If we ask 'how did the EU do over the past ten years'...'The EU has been a disaster over the past 10 years.' 'The euro was a huge disaster.' 'It damaged southern Europe badly and only really worked for Germany and a few northern countries. 'EU security policy, especially with respect to North Africa and the Middle East has been a disaster too'. 'On the question of radical Islam, the European leadership has got it fundamentally wrong'. 'I think one has to recognise that the European elites performance over the last decade entirely justifies the

revolt.'

Ferguson said that he and others had argued the Remain case around GDP impact without realising that was not the issue most voters cared about. (Cameron and Osborne made the same mistake). Most voters cared much more about 'the complete loss of control of the EU's external border and what that implies for our country's future.' He said Brexit woke him up, and he needed to pay much more attention to what the 'non-elite' are feeling. 'On the issue of EU performance I think they were right'. Cameron's big mistake was that when the EU made a pathetic offer to him, which meant nothing in terms of immigration, he should have said 'sorry that's not good enough, I am going to back Brexit.' Niall said he regretted he did not write that column.

Other panelists missed his key point. They all continued to speak about the economic impact and without acknowledging that all the doom-mongering has proved wrong so far.

The chief economist of the European Bank for Reconstruction and Development (a Russian) stated that UK GDP will be 5% smaller by 2021 because of leaving than it would inside the EU but provided no justification for that statement. The impact on East Europe will be smaller. The impact of losing the UK's budget contribution is less important than the tangible effect on structural reforms in EU countries. 'Many countries look at Brexit and think about reversing their structural reforms.' (This may be an emerging theme in Brussels: to blame the UK for the failure of southern Europe rather than face up to the reasons that Ferguson mentioned).

Then the German MP spoke. She has been an MP for 33 years. 'The problems started before Brexit but we only woke up with Brexit. We are into tectonic changes now for a long time.' 'We have Brexit, we have Italy, we have Trump and we don't know how it will turn out'. She listed all the far right movements in Europe. 'They are all anti-democratic.' Also, according to her, Trump is part of an 'anti-western movement'.

Roland Rudd of Open Britain was on the panel. He said 'the great lesson of the referendum is you have to be mad to hold one.' 'We allowed some of the politicians on the other side to commit some of the most heinous lies in British political history' (as if both sides didn't do so). 'Until recently, Lord North, who lost the US colonies, was regarded the worst ever British prime minister but he has just gone up a notch thanks to David Cameron.'

Anton from Glasgow spoke again saying we have to have full participation in the single market. He said that even if you believe in a hard Brexit, a transitional place outside the customs union is actually quite a good place for negotiating. EFTA court judgments are advisory so not like the European Court.

Sergei Guriev said that European politicians need to wake up and understand they need to help the majority of population benefit from globalisation by 'up-skilling' people in manual repetitive jobs.

Then the German politician stated that the 'Kremlin had their fingers in it', that the leavers are linked to the Kremlin. She went too far for the chairperson who challenged her by saying that Brexit had nothing to do with the Kremlin but the German MP would not accept this. 'There is a link between those anti-modern anti-western movements within the EU and the Kremlin.' 'They get money and they adopt ideas that Putin is offering. Which is authoritarian regimes instead of parliament'. The chair challenged her again saying 'many would think Brexit has been shaped within Britain and nothing to do with the Kremlin.' But wasted breath. Beck said 'What the Kremlin is offering is 'no change', stability for the old way. It does not work out well economically but it gives stability.' The world will be saying 'don't rely on the west, because they talk about values but don't hold to them themselves any more.'

Rudd backed her up saying 'the really frightening thing about Putin is not only his involvement in various elections as we have seen in the US Presidential elections, but that the far right leaders throughout the globe really admire Putin.' He said he does not agree with Niall that the lesson was people voted to leave because they voted to take back control, they wanted to be out because they were angry and felt they had no stake in the system. They had no reason to stay in and we have to deal with inequality.

Up to this point none of the panelists apart from Ferguson had mentioned the Middle East turmoil and the resulting flood of immigrants into Europe. The chair raised the issue saying that her middle eastern friends are saying it's ironic that it wasn't Greece or the financial crisis or banks too big to fail, that brought down the EU, it was the Arabs and the refugee crisis. But her inconvenient view got no response from most panelist who determinedly ignored the issue. So she turned to Niall Ferguson.

Ferguson challenged them for branding anyone who objects to the EU as being tools of the Kremlin.

'It seems to me to be fantastical'.

'The problems in the EU are real and 'you don't need Vladimir Putin to make them up.'

'People have very good reasons for saying that immigration ran completely out of control in recent years. It was largely the mistakes of the Blair government whose estimates of what would happen if free movement was allowed from eastern Europe were completely wrong by an order of magnitude.'

'You can't say it is a fantasy to be worried about immigration when 1 million people poured into Germany last year as a result of Angela Merkel's reckless decision on that issue. They weren't leaving the middle east and north Africa because of a natural disaster, but because of a geopolitical disaster in which the EU played no small part.'

People on doorsteps asked 'what about those 1 million people in Germany. If they are given German passports can they come here? And the answer was 'yes'.

'It was nothing to do with the Kremlin. The EU lost control of its external border. That was the issue.' And the EU still doesn't have credible answers. Quite angrily he accused the panelist of saying condescending things and 'people say 'go to hell' when they hear that patronising talk.'

The panelists again looked most uncomfortable then pointedly ignored his points, once

again, focusing on economic issues. The response from Anton Muscatelli was 'what about those jobs at risk in the financial sector.' Niall broke in saying 'look I made all those same arguments during the campaign and people's response was 'you're just not getting this. I don't care if it is going to cost Britain 1% or 5% of GDP five years from now...we are part of a dysfunctional European Union and we have legitimate reasons for wanting to be out'. 'The economic argument just misses the point.'

Rudd then accused him of 'drinking the cool-aid of the far right and thinking this is all about immigration.' But then illogically he said that we intervened in Libya and caused a failed state that led to immigration into Europe. 'Putin deliberately intervened in Syria to push people into Europe to create problems. (This ignores the real reason- just as in Crimea he wants to save his naval base in Syria, otherwise the Russian fleet has only the Arctic waters to passage out of the country into the west.)

The German politician said that the 30-40% of young people in Europe without jobs do not believe in Europe but she didn't explain how high levels of immigration into the continent would help address that. And she went on about the Kremlin yet again. 'They are powering all those insecurities.'

(The pattern here is to blame anyone else but never admit that the EU has made very serious mistakes).

Niall joked 'you will be saying the Kremlin came up with the idea of monetary union next.' 'The reason there is mass unemployment in southern Europe is that there was a completely misconceived project called monetary union which took no account of economic reality...it's got nothing to do with Vladimir Putin that there's a chronic problem of unemployment in southern Europe. He said to the German politician (who had got angry with him) 'you perfectly exemplify the arrogance of the EU political elite in taking the view that people are simply not listening or they've been swayed by Vladimir Putin. They have legitimate reasons to think the EU has been failing, not just on immigration, but also on monetary union, and on security policy and its policy towards radical Islam...look at what the consequences have already been in your country from throwing open the gates and embarking on a process of integration which has almost no chance of success...you're in denial trying to blame it all on Putin.'

Then the European bank man turned back to economics! They were all determined to ignore most of the issues Niall raised.

Later Ferguson said that it is wrong to assume the EU is static and that all we have to do is figure out what to ask for. It's not static. As 2017 progresses, Europeans will understand the reasons for the UK's dissatisfaction and Brexit will not look like an aberration but the shape of things to come for Europe.

The chair then came up with one of the most stunning statements of the session. 'Are we kind of saying that democracy the way we know it really doesn't work? Does Democracy only work in a society of intelligent people?' (Now who is being authoritarian and

anti-democratic!).