

## **Arch-Brexiteer Lord Peter Lilley meets the London Section of the AEJ**

It was with equanimity that Lord Peter Lilley, a leading advocate for Brexit, contemplated the UK leaving the European Union on a "no deal" basis and then trading with its former EU partners on World Trade Organisation rules.

Lord Lilley, who served first as trade minister and, then, as social security secretary in the Conservative cabinets of the 1990s, was confident that Britain would overcome any problems should it leave the European Union on March 29th 2019 without agreement on a future trading relationship with the EU.

Addressing the question "How can Brexit work" at a lunchtime meeting with the AEJ's London Section on September 4th, Lord Lilley likened the UK's planned departure from the EU to the termination of a business partnership. "We may get good or bad terms for leaving. But in long run that doesn't matter. It's what we do with the powers we get back that is important," he said.

If he had a worry, it was that Britain might not get back its freedom of action if it accepted the "Chequers deal" hammered out by UK Prime minister Theresa May in discussions with her cabinet in the summer. Under Chequers, the UK would gain access to the EU's single market for goods provided it accepted the EU's rule book. "It would be an extraordinary situation for this country if, as a result of a referendum about control of our laws, we ended up with no say in our laws," he observed later in the course of a lively discussion.

In his introductory remarks, Lord Lilley consoled himself with the thought that the Chequers deal, which prompted the resignations of Brexit Secretary David Davis and Foreign Secretary Boris Johnson, was "effectively moribund". His prediction was given added credibility later by the EU 27 leaders' rejection of Chequers at their Salzburg summit on September 20th.

Lord Lilley said that it should not "take more than 10 minutes" to negotiate a free trade agreement between the UK and EU as both sides "start with zero tariffs and want to end with zero tariffs". But although a Free Trade Agreement would be simple to negotiate, it is less likely than many imagine. The EU is a political project, he noted. "Their supreme - and perfectly legitimate - concern is to discourage their voters from supporting Eurosceptic parties." This meant the "EU wants an outcome which is as unattractive as possible to the UK, even if it means foregoing a better outcome for itself." Such an approach is unprecedented in trade negotiations and "makes the dynamics extremely unpredictable".

The EU was proposing conditions -- subordination to EU law, free movement of labour, an ongoing budgetary contribution, membership of a customs union -- which the UK would find painful and which would undermine the objectives of Brexit. A majority in the referendum voted to take back control of the UK's laws, money, borders and trade. This made the likelihood of no agreement much higher than most people assume.

Lord Lilley was dismissive when it was suggested that a "no deal" scenario would play havoc with the "just in time" integrated supply chains that have grown up in trade between the UK and its EU neighbours since the launch of the EU's single market. First, he insisted that the

UK would not impose unnecessary restrictions on goods coming into the UK. If, in the other direction, blockages emerged at, say, Calais, then other continental ports such as Rotterdam and Zeebrugge were ready to take the trade.

He pointed out that the UK also imported components from outside the EU for use in integrated, just in time manufacturing. Interestingly, and speaking as a former trade minister, he argued that trade deals were less important than most people think and rarely produced all the benefits claimed at the time they were agreed. This was true of the EU's Single Market and the Uruguay Round of multilateral trade tariff reductions which he helped negotiate in the early 1990s.

Finally, Lord Lilley stressed that the EU was not threatening a policy of hostile non-cooperation. That, he said, would be illegal. And if the EU should decide to act illegally in this way, it would be underestimating the character of British people.

This brought Lord Lilley to consider what he saw as the true causes of Brexit. Although dominating the news this autumn, matters of trade policy were not the primary reason for the UK leaving the EU. "Exit polls at the referendum found over half of Leavers wanted to get back control of our laws. A third to control borders (i.e. immigration). The rest money or other things," he said. "The typical leave voter says: if we control these things there'll be mistakes but they'll be our mistakes, and if we get it right it will be in our own interest."

Brexit is important because people voted for it: "We are a democracy and we promised to respect their decision: In or Out. If we reneged, it would undermine consent in democratic institutions in a way that has never happened in Britain". He dismissed the idea that that voters were not aware of the risks of leaving the EU, saying "that was what the campaign was all about". And he was confident that Britain could prosper, just as other countries such as Japan, Singapore and Taiwan prosper.

Britain did not have to be in a big trading block to do well. It should focus on correcting its two greatest problems: a lack of investment and lack of skills on its own. Here leaving the EU could provide a salutary shock: "Once out, we won't be able to blame the EU for our problems". Lord Lilley even suggested that reform in UK "won't happen until we are out". Switzerland went through a shock when it decided against joining the European Economic Area (EEA) and reformed. Brexit could mean the same for the UK.

Lord Lilley was questioned several times about the problem of the Irish border. He insisted that Britain would not impose a hard border between Northern Ireland and the Irish Republic. "The UK position is that we guarantee to erect no barriers at the border under any circumstances: no deal, deal, or whatever." The previous Irish government had started consulting with the UK. Leo Varadkar, Dublin's present Taoiseach (prime minister), had "stopped all that" and the EU's position had hardened to create a "a lever to prevent us leaving" (the EU).

Towards the end of a robust question and answer session, Lord Lilley returned to a no deal scenario for the UK's exit from the EU and ended on a cautiously hopeful note as regards future relations between the UK and EU.

"I don't like the idea that because we fail to agree on a trade deal with the EU, we are enemies," he said. "I think it quite possible that if we fail to agree on a trade deal, that we trade on WTO terms, we should not be enemies. We should cooperate. They (the EU) are not proposing to indulge in hostile non-cooperation. I think after a period, after things have calmed, we would go ahead and negotiate a trade deal between them and us, without the constraints of the Article 50 timetable. That would be very desirable. But I'm not expecting hostility in the meantime."