

Brexit: nine lessons to learn

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It's a great honour to have been invited to give this lecture tonight.

We did not know when we fixed this lecture how critical a week this would be. So, inevitably, I wrote some of this text before knowing how the last 72 hours have unfolded. My remarks are therefore primarily about the lessons we really need to learn from the last 30 months – I might perhaps argue the last 30 years – if we are to emerge the other side of the Brexit process with both our democracy and our economy flourishing.

The stakes could not be higher now. We face the biggest political crisis for at least a couple of generations. The risks are now both a democratic crisis and an economic one.

We just cannot go on as we have been: evading and obfuscating choices – indeed frequently denying, against all evidence, that there are unavoidable choices. And the public will, understandably, not, for a very long time, forgive a political class which, on all sides of the divide, fails to level with it on the choices being made.

This feels a rather unseasonal theme, but as we are approaching Christmas, I thought I would therefore talk about nine lessons we need to draw from the last 2 ½ years, if the next 2 ½ – indeed the next decade – are not to be even more painful.

I wish I could say that I thought these nine lessons were in the process of being digested. Perhaps we do at least have some signs that a genuine debate about types of post Brexit destination, based on something other than complete wishful thinking, is belatedly breaking out.

But the debate in this country – on all sides – continues to suffer from all manner of delusions, fantasies and self-deceptions.

And the debate in the EU on the British question, insofar as there is one, suffers from complacency, fatigue and strategic myopia.

We are in a bad way. And a descent into a deeply troubled and essentially conflictual medium term relationship with the EU, and a deeply divided British politics for a generation, becomes completely inevitable unless we learn these lessons and apply that learning in the next few years.

So here are 9 lessons we need, I think, to learn from the last few years, and the conclusions we need to draw from them.

First Lesson: It has of course to be that “Brexit means Brexit”. I do not mean this facetiously. Well, not primarily, anyway....

I mean that leaving the EU is genuinely a major regime change, with massive political, legal, economic and social consequences.

Being just outside the EU outer perimeter fence – even if that is where we choose to be (which I rather doubt) – is not AT ALL similar to living just inside it. Which, as I have said before, is where David Cameron sought to entrench the U.K. – outside political, monetary, banking, fiscal Union, outside Schengen, and with a pick and choose approach to what used to be the third pillar of justice and home affairs. His was the last attempt to amplify and entrench British exceptionalism WITHIN the EU legal order.

It failed. A majority voted to leave altogether.

And when they did, they were not told that, at the end of the withdrawal phase of the negotiation, there would be another vote on whether they meant it, now that they saw the terms. We can't rewrite the history of what happened.

And, incidentally, second vote campaigners seem either remarkably coy about whether they want to remain on the terms Cameron negotiated or whether some great new offer will be forthcoming – notably on free movement of people – from EU elites supposedly desperate to give us something now they were not prepared to negotiate with Cameron.

So let me puncture that fantasy first: no such offer will be coming.

If we stayed, we could, contrary to what some allege, keep the existing membership terms.

But that's not with a promise of improving them. And I have still yet to meet the senior person in any capital who wants to give Member States the right to impose numerical controls on free movement rights.

For every other Member State, without exception, free movement is not at all the same business as external migration.

And THEIR crisis is about external migration. And for them, the British response to that crisis from both the last 2 Prime Ministers – has essentially been: we have an opt-out from that one. What you 27 do via common policies is up to you. We'll help out with aid in the affected regions.

It still amazes me that virtually the entire British political class still thinks that it's free movement obsessions are about to be shared in the 27. They aren't.

BUT.... once you leave the EU, you cannot, from just outside the fence, achieve all the benefits you got just inside it.

First, there will, under NO circumstances, be frictionless trade when outside the Single Market and Customs Union. Frictionless trade comes with free movement. And with the European Court of Justice. More later on that.

Second, voluntary alignment from outside – even where that makes sense or is just inevitable – does NOT deliver all the benefits of membership. Because, unlike members you are not subject to the adjudication and enforcement machinery to which all members are.

And that's what Brexiteers wanted, right? British laws and British Courts.

Fine. But then market access into what is now their market, governed by supranational laws and Courts of which you are no longer part – and not, as it used to be, yours – is worse and more limited than before.

That is unavoidable. It is not, vindictive, voluntary, a punishment beating, or any of the other nonsense we hear daily. It is just ineluctable reality.

And finally, the solidarity of the club members will ALWAYS be with each other, not with you. We have seen that over the backstop issue over the last 18 months. The 26 supported Dublin, not London. They still do. Nothing the Prime Minister now bids for will change that.

This may be the first Anglo-Irish negotiation in history where the greater leverage is not on London's side of the table. And the vituperation aimed at Dublin politicians tells one just how well that has gone down with politicians and apparatchiks who had not bothered to work out that this was no longer a bilateral business, and are now appalled to find they are cornered.

Well, just wait till the trade negotiations. The solidarity of the remaining Member States will be with the major fishing Member States, not with the U.K. The solidarity will be with Spain, not the U.K., when Madrid makes Gibraltar-related demands in the trade negotiation endgame. The solidarity will be with Cyprus when it says it wants to avoid precedents which might be applied to Turkey.

I could go on. And on... The Free Trade Agreement talks will be tougher than anything we have seen to date.

Even now, UK politicians, including former Conservative leaders and Foreign Secretaries really seem to think – they even write it – that if we just asserted ourselves more aggressively in negotiations, a typical multi-day, multi-night Summit would deliver them some fundamentally different EU offer.

But the EU is negotiating with us, not as a member, but as a prospective soon-to-be third country. Those glorious, sweaty, fudge-filled Brussels denouements are gone. The Prime Minister is not in a room negotiating with the 27. That's not how the exit game or the trade negotiation works, or was ever going to.

We need, urgently, on all sides of the spectrum, to start understanding how being a “third country” is different. And the most naïve of all on this remain the Brexiteers who fantasise about a style of negotiation which is only open to members of the club.

We are indeed, a soon-to-be third country and an opponent and rival, not just a partner, now. Again, that is what Brexit advocates argued for. It is time to accept the consequences.

Some of those will be beyond tiresome. And one of them will be that we shall be, like Switzerland, in a state of permanent negotiations with the EU about something highly intractable, on which they may have more metaphorical tanks than us.

Get used to it!

Second lesson: Other people have sovereignty too. And they too may choose to “take back control” of things you would rather they didn't.

The sovereigntist argument for Brexit, which was one powerful element of the referendum campaign – taking back control of laws, borders and money – is a perfectly legitimate case to make.

If you think the consequences of living in a bloc where the pooling of sovereignty has gone well beyond the technical regulatory domain into huge areas of public life are intolerable for democratic legitimacy and accountability, that is a more than honourable position.

But others who have chosen to pool their sovereignty in ways and to extents which make you feel uncomfortable with the whole direction of the project, have done so because they believe pooling ENHANCES their sovereignty – in the sense of adding to their “power of agency” in a world order in which modestly sized nation states have relatively little say, rather than diminishing it.

They did not want that pooling to stop at the purely technical trade and regulatory domain.

Brexit advocates may think this is fundamental historical error, and has led to overreach by the questionably accountable supranational institutions of their club. They may think that it leads to legislation, opaquely agreed by often unknown legislators, which unduly favours heavyweight incumbent lobbyists.

Fine. There is some justice in plenty of this critique.

Then leave the club. But you cannot, in the act of leaving it, expect the club fundamentally to redesign its founding principles to suit you and to share its sovereignty with you when it still suits you, and to dilute their agency in so doing.

It simply is not going to. And both HMG and Brexit advocates outside it seem constantly to find this frustrating, vexatious and some kind of indication of EU ill will.

We have seen this in both former Brexit Secretaries’ conceptions of how deep mutual recognition agreements should be offered to the U.K., alone of all “third countries” with which the EU deals, and in the initial propositions on both financial services, other services and data.

We saw it with the bizarre – and total non-starter – Schroedinger’s Customs Union FCA proposal of the PM whereby we got all the benefits of staying in a CU whilst leaving it to have a fully sovereign trade policy.

We see it in the constant have your cake and eat it demands which run through every document the European Research Group produce or endorse, and we even see it in the railing against the “subordination to inflexible pooled law of the EU” which Richard Dearlove and others view as intolerable on national security grounds in what the Prime Minister is prepared to sign up to in her proposed deal.

But if by sovereignty we must mean more than purely nominal decision-making power and we mean something about the genuine projection of the UK’s power in a world where autarky mercifully, is not an option, then, as we get into the deeper trade, economic and security negotiations ahead, we are going to need a far more serious national debate about trade-offs.

And the trade-offs are real and difficult. No-one should pretend that all the answers will be great.

To take just one technical example, though it rapidly develops a national security as well as an economic dimension, cross border data flows are completely central to free trade and prosperity –

not that you would know it from listening to our current trade debate, which remains bizarrely obsessed with tariffs which, outside agriculture, have become a very modest element in the real barriers to cross border trade.

The EU here is a global player – a global rule maker – able and willing effectively to impose its values, rules and standards extraterritorially.

Before the referendum, we had Brexit-supporting senior Ministers and advisers who should have known better, fantasising about the autonomy we would have to plough our own furrow once sovereignty had been resumed and we were no longer obliged to live under the jackboot of the General Data Protection Regulation (GDPR).

Sobriety only started to set in in this debate after the referendum, as the implications of a failure on the UK's part to achieve a so-called “adequacy determination” under GDPR from the EU started to sink in – because corporates across a huge range of sectors started to set them out for Ministers.

But it goes well beyond corporates. Ministers start now to understand that the value of the national security exemption in Article 4.2 of the Treaty on the European Union might have been much easier to defend and enforce when we were in the EU, than it will be from outside.

The same applies to so-called “equivalence decisions” in masses of financial sector legislation. Again, the consequences of failure to achieve such decisions will be the substantial erosion of market access into EU markets by U.K. companies.

What, really, are these “equivalence” and “adequacy” stories about? They are the EU projecting power – it does so quite as well as, probably more effectively than, Washington, in multiple critical regulatory areas – and using its pooling of internal sovereignty to impose its values and standards well beyond its borders.

“Going global”, unless it's purely an empty slogan, is precisely the ability to project both force and influence beyond one's borders.

Why does the current U.K. debate on sovereignty leave so many corporate players mystified and cold – and I am not, incidentally, for one minute saying such views outweigh others'?

Because in “taking back control” over our laws and leaving the adjudication and enforcement machinery of what used to be our “home” market, we are privileging notional autonomy over law-making over real power to set the rules by which in practice we shall be governed, since departure from norms set by others when we are not in the room will in practice greatly constrain our room for manoeuvre.

The massive costs of deviation will force large scale compliance with rules set when we are not part of setting them.

The EU will decide, on sovereignty and fiscal stability grounds, that it is intolerable for certain kinds of activity to take place completely outside its jurisdiction. We may hate it, and in many instances, it may be unnecessary and unwise.

What, from the outside, though, can we do about it?

We shall, in practice, struggle to achieve even observer status in the setting of policies which will have a major impact on our national life.

In the next few years, we have to have these debates, openly and seriously, or the public will soon conclude that much of the supposed control they won back was just a simulacrum of sovereignty for some empty suits in Westminster, with the real decisions about their lives still taken elsewhere.

That will not end well for some of the right honourable members for the 18th century.

Third lesson: Brexit is a process not an event. And the EU, while strategically myopic, is formidably good at process against negotiating opponents. We have to be equally so, or we will get hammered. Repeatedly.

One cannot seriously simultaneously advance the arguments that the EU has morphed away from the common market we joined, and got into virtually every nook and cranny of U.K. life, eroding sovereignty across whole tracts of the economy, internal and external security, AND that we can extricate ourselves from all that in a trice, recapture our sovereignty and rebuild the capability of the U.K. state to govern and regulate itself in vast areas where it had surrendered sovereignty over the previous 45 years.

The people saying 3 years ago that you could were simply not serious. And they have proven it. They also had not the slightest fag packet plan on what they were going to try and do and in which order.

Bold, confident assertions, during and in the many months after the referendum that we would have a fully fledged trade deal with the EU ready and in force by the day of exit, and, not only that, rafts of further free trade deals with other fast growing countries across the globe, were just risible when they were made, and have now proven empty bluster.

Likewise, all the breezy assertions that “no deal” would pose no great problems for aviation, for road haulage, for medicines, for food, for financial services, for data and for any number of other areas – for most of which, “WTO terms” are simply not a safety harness.

No number of repetitions of the grossly misleading term “WTO deal” makes it any more real or effective. Its proponents – or most of them – know this full well, incidentally.

This is not because of Establishment remainder sabotage.

It was because these were always fantasies, produced by people who at the point they said this stuff, would not have known a “trade Treaty” if they had found one in their soup.

What we needed to do very early on was to recognise the complexity and inevitable longevity of the exit process, work out our viable options, achieve real clarity about where we wanted to land, having worked honestly through the very tough choices we faced – and still do face – and reconcile ourselves to a serious period of transition.

And also to recognise that there could never, on the part of the remaining Member States, be the appetite to have TWO tortuous negotiations with the U.K. – one to deliver a few years of a transition/bridging deal, the other to agree the end state after exit. One such negotiation is enough for everyone. So transitional arrangements were always going to be “off the shelf”.

Put bluntly, none of this happened. Instead, before much of the serious work to look at where we wanted to land post exit had happened, we locked ourselves into a date certain for the invocation of Article 50.

That duly forfeited at a stroke any leverage over how that process would run. And it gave to the 27, who had, by the morning of June 24th, already set out their “no negotiation without (Article 50) notification” position, the first couple of goals of the match in the opening 5 minutes.

All the people who are now loudest in bemoaning the Prime Minister’s deal were, of course, the loudest in cheering from the rafters as she made this fateful error.

Many are now hastily rewriting history to claim they were always against it. They weren’t, though. I remember it rather well.

“Brussels” is nothing if not really expert at using the tensions in domestic national politics to force precisely the moves it most wants you to make, because they weaken your position.

People there were just quietly amused with the adulation the Prime Minister duly got for walking straight into the trap.

One really cannot blame the 27 for playing it as they did. Though one can and should blame them for having had too few serious top level discussions about how they see the relationship with the UK working after exit.

Before the Prime Minister had even turned up for her first ever leaders’ meeting, the combination of that decision to guarantee notification by a certain date and the red lines substance of her first Party Conference leaders’ speech had completely cemented the solidarity of the 27, which has held soundly ever since, on how to kick off and to design the sequencing of the process which has led to where we are today.

It’s about the one first order issue on which the EU27 have since held together in near perfect harmony. If that does not tell you something about this Government’s negotiating prowess, what will?

Anyone who understood the dynamic could read it all in the European Council Conclusions in June, October and December of 2016, and in the words of key EU leaders through the autumn of that year.

The Conference speech and the Lancaster House one which followed it were a gift from Heaven to those in the EU – who were many – concerned that the U.K. might be able to divide and rule and introduce internal tensions within the EU.

These speeches were largely for domestic consumption. But for the subsequent negotiation process, they were, as the saying goes “worse than a crime; they were a mistake”.

But in the total self-absorption of Party Conferences and Westminster, no one was paying much attention to how the EU was patiently constructing the process designed to maximise its leverage.

Even by April, when the first set of so-called Guidelines emerged from the leaders at 27, it was hard to get anyone here to read them. We were, as usual, preoccupied more with the noises from the

noisy but largely irrelevant in Westminster, while the real work was being done on the other side of the Channel.

But those very expertly crafted Guidelines led completely inexorably to the December 2017 agreement. And the substance of that, in turn, led equally inexorably to all the elements of the deal now on the table which has caused the furore. The battle on sequencing which the then Brexit Secretary declared to be the battle of the summer of 2017, was actually long since lost before he started fighting it.

Anyone who expresses their outrage about the outcome only now is either feigning the level of indignation, or was just not paying attention 12, 18 and 24 months ago, when it mattered.

And because the U.K. had given no serious thought to the question of transitional arrangements until it was too late – precisely because of the fantasies propagated that this would be one of the easiest “trade deals in human history” and all would be definitively tied up legally by exit day – by the time they actually did focus, London was urgently begging for what is now pejoratively termed the “vassal state” transition, precisely because it knew that it could not be ready for a post Brexit equilibrium state by March 2019.

All the EU had to do was to ensure that the transition hinged off a Withdrawal Treaty containing a permanent legal all-weather backstop, and it knew that the U.K. had no alternative but to sign such a Withdrawal Agreement.

No amount of bold, but empty, talk about “no deal” being better than a “bad deal”, however oft repeated at whatever level of Government, made the slightest difference to the 27’s assessment of the negotiating reality: the U.K. needed much more time, and failure to get it would be much worse for it than all alternatives.

As I have said before, I am all for knowing your “best alternative to a negotiated deal” – your BATNA – in all negotiations. You have to know whether you can walk out, and be very sure you understand what could happen if you do, and what you can do to mitigate all downsides.

But if you are emitting all sorts of signals which indicate that you know you cannot, don’t bluff. It just makes you look weak, not strong, and it fools no one.

Those who were suckered into doing, or cheering, the wrong thing in the negotiation at the wrong time for the wrong reason, and duped themselves and others into thinking it would all be extraordinarily simple, cannot acknowledge that of course.

So the narrative has been of “Betrayal” by a remainder elite who sabotaged the “no deal” plans. It is the emerging British equivalent of the Dolchstosslegende – the stab in the back myth – which, post Versailles, the German military – Hindenburg and others – propagated to blame the Weimar civilian elite for having betrayed a supposedly undefeated army.

But the efficacy of “no deal” preparations depends massively, as we are now – very belatedly again – hearing, on what others do, not just on UK actions.

And if you set yourself a ludicrous, unachievable deadline for a complete regime change, don’t be shocked that others use the pressure of the clock and the cliff edge to dictate the shape of Brexit.

It is, in the end, the total absence of a serious realistic plan for the process of Brexit as well as a serious coherent conception of a post Brexit destination, which has delivered this denouement to stage 1 of what will be, whether Brexit proponents like it or not, a much longer process.

For the next stage, we need much less self-absorption, a vastly clearer, less self-deceiving understanding of the incentives on the other side of the table, and a less passive approach to the construction of the process. We need serious substance not plausible bullshit.

We already see in the Withdrawal Agreement the clear signs that, having succeeded with its negotiating plans in this phase, the EU will repeat the clock and cliff edge pressures in the run up the next U.K. election, knowing it can and will exact concessions as the deadline looms. But walking away to a “no deal” outcome, managed or not, does not escape that pressure.

One can of course blame the EU for overdoing their success in ordering the whole negotiations, though this has rather the flavour of blaming Mo Salah for banging in a hat-trick and not stopping at 2.

Has EU tactical negotiating acumen turned into a strategically myopic blunder, because they have overegged it and won the first leg too emphatically? Or can our brave lads recover in the second leg if only they are finally led by a boss who just has enough “belief”?

I think the football metaphors are best stopped there. Except to say that I thought the days when we had persuaded ourselves that we would win a tournament if we could just exhibit more “passion” than the opponents had gone.

It really helps, in a negotiation, actually to know what you are doing and be stone cold sober about the real interests of the other players.

Fourth lesson: it is not possible or democratic to argue that only one Brexit destination is true, legitimate and represents the revealed “Will of the People” and that all other potential destinations outside the EU are “Brexit in Name Only”.

The public voted – in huge numbers – and the majority voted to “leave” and not to “remain”. That much is clear. But people were not asked to give their reasons for voting “leave” or “remain”, and they were multifarious on both sides.

For decades, some of the staunchest standard bearers of the case for leaving the post Maastricht Treaty EU have made the case for staying in the so-called Single Market, remaining a signatory to the EEA Agreement but leaving the institutions of political and juridical integration of the Union.

I have spent years reading eurosceptic tomes – plenty of them very well argued, whether you agree with them or not – arguing that Maastricht, amplified by subsequent Treaties, represented the wrong turn in European integration, and that what we needed to do was to return to the essential mercantile ideas behind the internal market project and jettison U.K. adherence to the rest.

For many people I have talked to, especially outside the metropolitan elite circles who obsess about post Brexit models, that sense of “we only ever joined a Common Market, but it’s turned into something very different and no-one in authority down in London ever asked us whether that is what we wanted” is actually probably the closest to capturing their reasons for voting “leave”.

One can’t now suddenly start denouncing such people as Quisling closet remainers who do not subscribe to the “only true path” Brexit. Let alone insist on public self-criticism from several senior

politicians on the Right who themselves, within the last few years, have publicly espoused these views, and praised the Norwegian and Swiss models, the health of their democracies and their prosperity.

In an earlier lecture, I described Brexitism as a revolutionary phenomenon, which radicalised as time went on and was now devouring its own children. This current phase feels ever more like Maoists seeking to crush Rightist deviationists than it does British Conservatism.

To be clear, this is not an argument for an EEA model as opposed to the current proposed deal. I have no time here to rehearse the arguments either for or against this version of Brexit. I have plenty of reservations about the merits for the U.K. of an EEA destination, dating from my Treasury days. It's no doubt more appealing if you run agriculture and fisheries policy.

Though I have just as many reservations with the proposal on the table. I also deplore the way in which the substance of all the models is constantly distorted by those who do not understand them – opponents and proponents – and then have given them a few days' thought – in a panic.

My real objection is to the style of argument espoused both by the pro “no deal” Right and by Downing Street which says that no other model but their own is a potentially legitimate interpretation of the Will of the People – which evidently only they can properly discern.

Both fervent leavers and fervent remainers as well as No 10 seem to me now to seek to delegitimise a priori every version of the world they don't support.

As for the Prime Minister's proposed model, the entire EU knows that where we have now reached derives from her putting the ending of free movement of people well above all other objectives, and privileging as near frictionless trade in goods as she can get over the interests of UK services sectors.

They are unsurprised by the former but surprised – sometimes gleefully by the latter, as it seems to point precisely to a deal skewed in their favour.

We have essentially sacrificed all ambition on services sectors in return for ending free movement, sold the latter as a boon (when amongst other things, it clearly diminishes the value of a UK passport), and presented the former as a regaining of sovereignty, when it guarantees a major loss of market access in much our largest export market.

Well, by all means argue for it. I fully accept that control of borders – albeit with much confusion about the bit we already have control over, but year after year fail, under this Government, to achieve any control of – was a central referendum issue.

But don't argue it's the only feasible Brexit. Or that it's an economically rational one.

Of course the EU side will now back the Prime Minister in saying it is. They have done a great deal for themselves and they want it to stick. Who can blame them?

Fifth lesson: If WTO terms or existing EU preferential deals are not good enough for the UK in major third country markets, they can't be good enough for trade with our largest market.

You cannot simultaneously argue that it is perfectly fine to leave a deep free trade agreement with easily our largest export and import market for the next generation, and trade on WTO terms because that is how we and others trade with everyone else...

....AND argue that it is imperative we get out of the EU in order that we can strike preferential trade deals with large parts of the rest of the world, because the existing terms on which we trade with the rest of the world are intolerable.

If moving beyond WTO terms with major markets represents a major step FORWARD in liberalising trade, then deliberately moving back to WTO terms from an existing deep preferential agreement – which is what the Single Market is – represents a major step BACKWARD to less free trade. You really can't have it both ways.

Well, when I say “you cannot” argue this, clearly many can and do. But it is well beyond incoherent.

It is fine and legitimate to argue that – especially in the current obvious absence of an ability to drive forward major multilateral trade liberalisation at a time when the US has manifestly ceased to be interested in it, and may indeed be setting about deliberalising trade, undermining the World Trade Organisation and regretting having allowed China into it – the UK should aim at a global lattice work of bilateral and plurilateral free trade deals.

It is equally legitimate to argue, as I mentioned earlier, that you only want free trade deals which stop well short of the intrusion on national sovereignty which Single Market harmonisation and mutual recognition via supranational legislation, adjudication and enforcement entails.

As long as one also recognises that all trade deals inevitable erode and trammel one's sovereignty to some degree – often to a significant degree.

Binding international commitments to opening each other's markets – on goods, services, government procurement, whatever – seriously limit one's capacity to regulate sectors of the economy as one might ideally see fit.

Genuinely free global trade actually seriously trammels national sovereignty. Hold the front page.

Indeed, the greatest reason to be a passionate free trader – which I am – is surely precisely that: it curtails the ability of myopic politicians to erect barriers to commerce in the name of sovereignty and national preference against non-national producers.

This is why our current debate on sovereignty and “taking back control” is often frankly so bizarre. It is just comical listening to Right wing populist politicians claiming they are avid free traders and simultaneously saying that one of the purposes of taking back control is to be able to rig domestic markets / competitions in favour of British suppliers / producers.

Protectionism is always someone else's sin, of course.

And the Tory Party has been through these – decades-long – spasms before. Joseph Chamberlain's Tariff Reform and Imperial Preference campaign, as loudly pious, nationalist and messianic as many today, led all the way through to his son Neville's protectionist legislation of the early 1930s which helped worsen a post financial crisis economy. Sound familiar?

A post Brexit Britain which is committed to openness and free trade will need first of all to run hard to stand still, as 2/3 of UK exports are currently either to the EU or to countries with whom the EU has a preferential trade deal, which we shall have first to try and roll over.

Market access into the EU WILL worsen, whatever post exit deal we eventually strike. And the quantum by which our trade flows with the EU will diminish – and that impacts immediately – will outweigh the economic impact of greater market opening which we have to aim to achieve over time in other markets, where the impact will not be immediate but incremental.

As the country debates its future trade policy in the next stage of negotiations both with the EU and with other sizeable markets it needs honesty from politicians that trade agreements take a long time.

That even if every one we aspire to were completed, this will have a really very modest impact on overall UK economic performance.

And that every version of Brexit involves a worsening of the UK's trade position and a loss of market access to its largest market. As we strive to limit the extent of that worsening, public debate will have to be serious about what the real trade-offs are. Because the EU will be quite brutal in teaching us them.

Meanwhile, before we have even left, we have seen, in the last 2 ½ years, the most anaemic boost to UK net trade triggered by ANY major sterling devaluation since World War 2. For politicians not completely blinded by their own rhetoric, the warning signs for the UK economy as we worsen our trade terms with the Continent are there to see. Again, public debate needs to be based on the realities, not on fantasy. Or the reality will soon catch up with us.

Sixth lesson: the huge problem for the UK with either reversion to WTO terms or with a standard free trade deal with the EU is in services.

This is, perhaps, less a lesson of the last 2 ½ years than the curious case of the dog that has largely failed to bark so far. But it will bark in the next few years. And again, the public needs to be aware of the big trade-offs that are coming next...or resentment when the next set of climbdowns begins will be off the scale.

So far, both during the referendum and since, the trade debate has been dominated by trade in goods, tariffs issues and some discussion of the impact on manufacturing supply chains of departing the Single Market and Customs Union.

I don't want to be excessively unkind here, but politicians find goods trade and tariffs more graspable than services trade and the huge complexities of non tariff barriers in services sectors. They rarely grasp the extent to which goods and services are bundled together and indissociable. They even more rarely grasp how incredibly tough it is to deliver freer cross border trade in services which, by definition, gets you deep into domestic sovereignty questions in a way which makes removing tariff barriers look

And they even yet more rarely grasp that, however imperfect they think EU attempts at internal cross border services liberalisation, anyone who has negotiated with the US, China, India, Japan or sundry others can tell them why far-reaching market-opening services deals are few and far between.

As the Prime Minister gradually backed away from her original red lines, as she realised she would imperil large tracts of UK manufacturing if she persisted with it, the position softened on quasi Customs Union propositions. Hence the constant howls of betrayal from those who thought October 2016 and Lancaster House mapped the only true path to Brexit.

Her only way to seek to sell this politically – so far with very little sign of success – was to talk boldly about greater autonomy and divergence in services regulation.

The reality, as I say, is that UK services' industries needs have been sacrificed to the primary goal of ending free movement.

And post exit, and post the end of any transitional arrangement, it is UK services exporters who will face the starkest worsening of trade terms because of the substantial difference between how far services trade is liberalised under even the highly imperfect European services single market, and the very best that is achievable under any other form of free trade or regional agreement on the planet.

Yet it is in services sectors where the U.K. currently has a sizeable trade surplus with the EU, whereas in manufactured goods we have a huge deficit.

For all the imperfections of the Single Market, services trade between Member States is, in many sectors, freer than it is between the federal states of the US, or the states in Canada. The US Government is unable, even if it were willing, to deliver on commitments in many areas in international negotiations, just as it cannot bind its states on government procurement, on which many federal states are as protectionist as it gets.

Not that one ever hears a squeak on this from those who rail at EU protectionism.

But the extent and type of cross border free trade that exists in the Single Market, ceases when you leave. A very large proportion of cross border services trade conducted outside the Single Market only happens because firms have offices physically established in the countries to which they are exporting.

So we know already that cross border supply will diminish pretty radically post exit, and that ease of establishment of legal entities and ambitious deals on the temporary free movement of workers and on the mutual recognition of qualifications will be central to trying to sustain trade flows in much colder conditions, to limit the impact on the U.K. economy.

But a substantial hit on the balance of trade and on the public finances of substantial relocations out of the UK's jurisdiction is guaranteed, because we have rendered the best mode of supplying services across borders far harder.

The implications are obvious. And again the public is not being told of them. Because the fiction has to be maintained – at least until a first deal is done – that there will be no sort of preferential free movement terms for EU citizens.

We stagger on, constantly postponing the long promised White Paper on immigration post Brexit.

And after it eventually does get published, we know that, in reality, once the FTA negotiations truly get under way, and reality bites on the UK side, the policy, like so many others in the last 30 months, will simply disintegrate in the face of negotiating imperatives.

The EU already knows that the UK will, under whoever's Premiership, be prepared to pay a heavy price to maintain better access to business, legal, consultancy, and financial services markets than other third countries have, to date, achieved via standard FTAs. Why? Because that's an economic imperative for a country which has world class services capability, but needs market access.

That EU leverage will be deployed in the years ahead and it will be used to enforce deals on issues like fisheries, on which again referendum campaign commitments will be abandoned in the teeth of reality.

Those saying this now will of course get the ritual denunciations for defeatism, lack of belief, treachery and whatever.

But just give it 2 more years. The Brexiteers, the strength of whose case to the public always resided, as I say, in saying to the public that their leaders had mis-sold them on what the EU was becoming, have now done their own mis-selling. And they are in the middle of the painful process of discovering that, as trade terms worsen on exit, which they denied would happen, they will, under economic duress, have to let down the very communities to whom they promised the post Brexit dividend.

That penny is dropping. Just very slowly.

Seventh lesson: Beware all supposed deals bearing “pluses”.

The “pluses” merely signify that all deficiencies in the named deal will miraculously disappear when we Brits come to negotiate our own version of it.

As the scale of the humiliation they think the Prime Minister’s proposed deal delivers started, far too late, to dawn on politicians who had thought Brexit was a cakewalk – with the emphasis on cake we have seen a proliferation of mostly half-baked cake alternatives. They all carry at least one plus. Canada has acquired

Besides “Canada +++” or SuperCanada, as it was termed by the former Foreign Secretary, we have Norway +, which used to be “NorwaythenCanada” then became “Norwayfornow” and then became “Norway + forever”. And now even “No deal +”, which also makes appearances as managed no deal” and “no deal mini deals”.

What is depressing about the nomenclature is the sheer dishonesty. The pluses are inserted to enable one to say that one is well aware of why existing FTA x or y or Economic Area deal a or b does not really work as a Brexit destination, but that with the additions you are proposing, the template is complete.

We even have the wonderfully preposterous sight of ex Brexit Secretaries alleging that the very Canada + deal they want has already been offered by Presidents Tusk and Juncker and that all that needs doing is to write this as the destination into the Political Declaration.

But let me tell you, as someone dealing with both at the outset of this process: what the EU Institutions mean by Canada + is not remotely what ex Brexit and Foreign Secretaries and the Institute of Economic Affairs scribes mean by it. The title page is the same; the contents pages are different.

Not for nothing did an unkind Brussels source label Boris Johnson’s plan A+ (another + of course), Chequers 3.0.

It is, as he might have put it, “an inverted pyramid of piffle”. And aside from containing a wish list an understandable wish list – of things that are not actually present in Canada’s EU deal, it does not solve the backstop

“No deal+” is brought to us courtesy of all the people who told a great free trade deal would be struck before we even left because the mercantile interests of key manufacturing players in Member States would prevail against the pettifogging legalistic ivory tower instincts of the Brussels ayatollahs.

Forgive me for pointing out that, as some of us forecast well over 2 years ago, it did not turn out like that. And that the Brussels theologians exhibited rather more flexibility than the key Member States when it came to the crunch.

And that not a peep was heard from the titans of corporate Europe. Except to back very robustly the position in capitals that the continued integrity of the Single Market project was vastly more important to them than the terms of a framework agreement with the U.K. A position which won't change during the trade negotiations ahead either.

The “no deal + “ fantasy is that if we just had the guts to walk away, refuse to sign the Withdrawal Agreement with the backstop in it, and withhold a good half of the money the Prime Minister promised this time last year, capitals, suddenly realising we were serious, would come running for a series of mini deals which assured full trading continuity in all key sectors on basically unchanged Single Market and Customs Union terms.

I don't know what tablets these people are taking, but I must confess I wish I were on them. It will be said of them as it was said of the Bourbons, I think: “they have learned nothing and they have forgotten nothing”.

The reality is that if the deal on the table falls apart because we have said “no”, there will not be some smooth rapid suite of mini side deals – from aviation to fisheries, from road haulage to data, from derivatives to customs and veterinary checks, from medicines to financial services, as the EU affably sits down with this Prime Minister or another one.

The 27 will legislate and institute unilaterally temporary arrangements which assure continuity where they need it, and cause us asymmetric difficulties where they can. And a UK Government, which knows the efficacy of most of its contingency planning depends, to a greater or lesser degree on others' actions out of its control, will then have to react – no doubt with a mixture of inevitable compliance and bellicose retaliation.

We already see the next generation of fantasies out there, and it's now just a matter of time before a Tory leadership contender offers them publicly as the Houdini act.

A suite of very rapid legal mini deals, accompanied by the existing Withdrawal Agreement deal on citizen' rights, the complete dropping of the backstop, and only paying the remainder of the 39billion cheque when the mini deals have turned into the miraculous Canada (with lots of pluses) deal.

All of which must happen in months. But of course...

To which the EU answer will be a calm but clear “Dream on. You still want a transition? All existing terms and conditions apply. And when it comes to any FTA – deep or shallower – “nothing is agreed till everything is agreed” – and that still includes the fish”.

They may put it slightly more politely. But not much, in the circumstances.

And to anyone who tells me – and we'll hear plenty of it in the coming weeks, I assure you – “but the EU stands to lose access to London's capital markets and their companies will suffer unless they do our quick and dirty “no deal” deal”, I think I would just say “even the last 30 months have evidently still not taught you how the EU functions: try again in another 30...”

If we lurch, despite Parliament wishing to avoid it, towards a “no deal”, with delusions it can be “managed” into a quick and dirty FTA, that will not end happily or quickly.

I am in no position to second guess those who have to try and model the macro effects of such a scenario. No developed country has left a trade bloc before, let alone in disorderly fashion, and let alone one which has become a lot more than a trade bloc.

But I do fully understand the legal realities. And because so-called “WTO rules” deliver precisely no continuity in multiple key sectors of the economy, we could expect disruption on a scale and of a length that no-one has experienced in the developed world in the last couple of generations.

The complacency that such things cannot and would not ever really happen in modern economies is staggering. Mercifully, it is not shared in either Whitehall or the Berlaymont. But these are outcomes which proper political leadership is about both understanding, contingency planning against – and avoiding.

Markets continue to react, or have until this week, as if something must turn up and that “no deal” is a virtually unimaginable scenario for politicians professing to be serious, to contemplate. That risk has therefore been seriously underpriced for a year or more, because we are dealing with a political generation which has no serious experience of bad times and is frankly cavalier about precipitating events they could not then control, but feel they might exploit.

Nothing is more redolent of the pre First World War era, when very few believed that a very long period of European peace and equilibrium could be shattered in months.

Eighth lesson: you cannot, and should not want to, conduct such a huge negotiation as untransparently as the U.K. has. And in the end, it does you no good to try.

At virtually every stage in this negotiation, the EU side has deployed transparency, whether on its position papers, its graphic presentations of its take on viable options and parameters, its “no deal” notices to the private sector to dictate the terms of the debate and shape the outcome.

A secretive, opaque Government, hampered of course in fairness by being permanently divided against itself and therefore largely unable to articulate any agreed, coherent position, has floundered in its wake.

It is a rather unusual experience for the EU – always portrayed as a bunch of wildly out of touch technocrats producing turgid jargon-ridden Eurocrat prose up against “genuine” politicians who speak “human” – to win propaganda battles. Let alone win them this easily.

But, in fairness, bruising experiences over recent decades as it has had to cope with demands for vastly greater transparency in its conduct of trade policy (which has moved from being the theatre of technocrat nerds to being the hottest topic on the planet – precisely, as I say, because trade negotiations cut to the heart of sovereignty and identity questions as soon as they encroach on “domestic” regulation) have forced Brussels to up its game.

Failure to do so would mean losing all public support for driving trade liberalisation and signing trade deals – which, whether U.K. politicians wish to believe it or not, is what the EU does more of than any other trade bloc on the planet at the moment.

There is absolutely no chance of doing deals with Japan, Canada, the US or Mercosur – or indeed, the UK when that moment comes – unless you can explain comprehensibly to your publics what is in it for them.

The battle for free trade policies – always difficult in the US – has, after all, gone rather convincingly backwards in both major US parties in the last 20 years. I am tempted to say it's only much of the Tory Eurosceptic Americanophile Establishment which appears not quite to have noticed that.

To be clear, this is not an argument that by applying lipstick to the pig of the Chequers proposal, or the proposed deal now on the table, the course of history would have been changed. You can't redeem a bad deal by advertising on Facebook.

But the negotiation process, politically, in and beyond Parliament, had to be different from the outset. And it will have to be different at the next stage. You can't possibly run one of the largest and most complex trade negotiations on the planet, and leave most supposed insiders, let alone a much wider public, in the dark about the extremely difficult choices we shall face.

At extremely sensitive stages negotiators of course have to disappear into a "tunnel", to have any safe space in which to explore potential landing zones. That is inevitable.

But this Government has repeatedly failed to explain to a wider audience what the real constraints and trade-offs are in arriving at the sort of landing zone the Prime Minister views as some combination of desirable and unavoidable.

Ninth lesson: real honesty with the public is the best – the only – policy if we are to get to the other side of Brexit with a healthy democracy, a reasonably unified country and a healthy economy.

The debate of the last 30 months has suffered from opacity, delusion-mongering and mendacity on all sides.

The Prime Minister's call for opponents of her deal to "be honest" and not simply wish away intractable problems like the backstop, which was always, and will remain, a central question in any resolution of the issue, is reasonable enough.

I have talked briefly already of the quite extraordinary "cakeism" in the various options in the table.

And at the extremes we have the "no dealers" quite happy to jump off the cliff, lying openly about the extent to which WTO rules provide a safety net if we did, and producing fantasy "managed no deal" options which will not fly for the reasons I have set out.

And the "people's voters". I confess I deplore the term itself: they want a second referendum with remain on the ballot – for which one can make a case, given the dismal place we have now ended up, and given possible Parliamentary paralysis, but must surely understand the huge further alienation that would engender amongst those who will think that, yet again, their views are being ignored until they conform.

And even yesterday morning I listened to a Shadow Cabinet Member promising, with a straight face, that, even after a General Election, there would be time for Labour to negotiate a completely different deal – INCLUDING a full trade deal, which would replicate all the advantages of the Single Market and Customs Union. And all before March 30th. I assume they haven't yet stopped laughing in Brussels.

Too much of our political debate just insults people's intelligence and just suggests that every facet of Brexit you don't like is purely a feature of only the Prime Minister's version of it, rather than intrinsic to leaving.

I dislike plenty of the Prime Minister's deal. It's obviously a bad deal. But given her own views and preferences, her bitterly divided Party and the negotiating realities with the other side of the table, I can at least understand that she is on pretty much the only landing zone she could ever reach.

Those aspiring to a radically different one owe us honest accounts, not pipedreams, of how they propose to get there, and the timescale over which they will.

But the dishonesty of the debate has, I am afraid, been fuelled by Government for the last 2½ years.

It took ages before grudging recognition was given to the reality that no trade deal – even an embryonic one – would be struck before exit, and that no trade deals with other players would be in place either.

Even now, though, the Prime Minister still talks publicly about the Political Declaration as if it defined the future relationship with some degree of precision, and defined it largely in line with her own Chequers proposal, when it simply does neither.

It is vague to the point of vacuity in many places, strewn with adjectives and studiously ambiguous in a way that enables it to be sold as offering something to all, without committing anyone fully to anything.

Any number of different final destinations are accommodable within this text, which was precisely the thinking in drafting it, to maximise the chances of it being voted through, when all the EU side was really determined to nail now was within the Withdrawal Treaty: rights, money and the backstop.

For the same reason – the desperate inability to acknowledge that it was going to take very many years to get to the other side of the Brexit process – we have had the bizarre euphemism of the “implementation period” after March 2019, when there is precisely nothing to “implement”, and precisely everything still to negotiate.

I dislike the “vassal state” terminology, but anyone can see the democratic problem with being subject to laws made in rooms where no Brit was present and living under a Court's jurisdiction where there is no British judge.

And if we are to avoid the backstop coming into force, we are now going to end up prolonging the transition, because the FTA won't be done by the end of 2020, and the EU well knows the

U.K. won't be keen on cliff jumping in the run up to an election.

We have had the several bizarre contortions over trying to invent a Customs proposal which enabled us to escape the Common External Tariff but still derive all the advantages of a quasi Customs Union. Even the all U.K. backstop proposal has ended up being called a temporary Arrangement, when we all actually know it to be a temporary Union, as nothing else could fly under WTO rules. But the U word is too toxic for polite company evidently.

On the backstop itself, it was obvious, reading the December 2017 Agreement document from outside Government that this must lead inexorably to where we have now reached.

There was no other endgame from that point. Which was why, a year ago, I started telling corporates they were really seriously underestimating the chances of a “no deal” outcome.

But we got sophistry, evasions, euphemisms and sometimes straight denials at home, whilst in the EU, the PM and senior Ministers several times appeared to be backsliding on clear commitments as soon as they saw draft legal texts giving effect to agreements they had struck.

That deepened the distrust and if anything hardened the EU’s resolve to nail the issue down legally. And, from the apoplectic reaction to the Attorney General’s advice, which elegantly stated the totally obvious, you can now rather see why.

There is no point in my speculating here precisely on what might now get manufactured and its legal status. The EU is always very adroit at such exercises in solemnly reframing things which have already been agreed in ways that make the medicine slip down.

But however they re-emphasise their intention, which I believe, that the backstop should not be permanent, it is the very existence of it in conjunction with the cliff edge which will dictate the shape of the trade negotiations.

We may well now be beyond the point at which any clarification Declaration or Decision can sell.

And if we are, it’s largely because the whole conduct of the negotiation has further burned through trust in the political class.

That, in my view, should force a fundamental rethink of how the next phase is conducted; whether this deal staggers, with some clarification, across the line in several weeks time and we go into the next phase with the cards stacked, or whether we have a new Prime Minister who attempts to reset direction, but will find, as I say, that whatever reset they attempt, rather a lot of the negotiating dynamics and parameters remain completely unchanged.

Either way, my final lesson is that we shall need a radically different method and style if the country is to heal and unify behind some proposed destination.

And that requires leadership which is far more honest in setting out the fundamental choices still ahead, the difficult trade offs between sovereignty and national control and keeping market access for our goods and services in our biggest market, and which sets out to build at least some viable consensus.

I would like to end with a quote which seems to me to be particularly appropriate on this day, at this time. This famous speech is made by a King who has gained power, still holds it, but whose enemies are now openly attacking him. He can no longer find the meaning in the success he has won, or even in life itself. In a compelling image he speaks of life, and in particular of the part he

has played in life as: “a walking shadow, a poor player that struts and frets his time upon the stage. It is a tale, told by an idiot, full of sound and fury, signifying nothing.”

The time to lose ourselves in stories has ended. Our politicians can no longer get away with strutting and fretting or with sound and fury. It's time to wake up from the dream and face the facts.