



***AUSTRALASIAN STUDY OF
PARLIAMENT GROUP
(Queensland Chapter)***

BREXIT—DEAL OR NO DEAL

TRANSCRIPT OF PROCEEDINGS

TUESDAY, 26 MARCH 2019

Brisbane

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Mr FRASER: Good evening, ladies and gentlemen. My name is David Fraser. I am the President of the Australasian Study of Parliament Group here in Queensland. We are delighted to have tonight members of the Australian Institute of International Affairs. Parliament and international affairs do not always go that closely together. They probably have a strange-looking Venn diagram where there is only a minute part that intersects. However, I suspect tonight that we have found the part that intersects—one of the worst words in the English language: Brexit. It is my view that the person who made up that word should have his head nailed to a coffee table—twice.

We are very delighted tonight to have three eminent guest speakers: from the University of Queensland, Dr Joff Lelliott; from Griffith University, Dr Sara McGaughey; and also from the University of Queensland, Dr Frank Mols. We have handed out some material on each of our speakers, so I will not go beyond a mere introduction. I will let you read that while they are discussing their topics with you.

We are also delighted to have with us tonight the Speaker of the Queensland Parliament, the Hon. Curtis Pitt. The Speaker has been a remarkable supporter of our organisation since he took that office at the beginning of last year. We are delighted to have him here tonight. I will get him to make some introductory comments in a minute.

At the conclusion of each speaker's contribution we will have a question time in which you can ask question of any of the three speakers. We will not restrict it in order. Without further ado, I would like to ask the Speaker to speak to us.

Mr SPEAKER: Thank you very much, David. I start by acknowledging that we meet on the land of Aboriginal people and pay my respects to elders past and present. We are very fortunate in this country to have two of the world's oldest continuing living cultures in Aboriginal and Torres Strait Islander peoples whose lands, winds and waters we all now share.

Thank you for the kind introduction, David. You need no introduction by anybody. It is great that I could be here tonight. I really appreciate the invitation and the ongoing relationship that we have with the Australasian Study of Parliament Group. To Amelia Shaw, the Queensland Branch President of the Australian Institute of International Affairs; to our presenters—Dr Joff Lelliott, Dr Frank Mols and Dr Sara McGaughey; to the members of the ASPG and the AIIA; and to parliamentary colleagues who are here, distinguished guests, ladies and gentlemen: I am really pleased to see the turnout tonight. I will get to a couple of reasons why that might be the case. Obviously it is a 'now' topic, not a yesteryear topic or one that we can do a lot of navel-gazing about. It is a topic which is here right now—maybe not directly impacting this jurisdiction as others might, but it is certainly a very important topic of discussion nonetheless.

Both the ASPG and the AIIA are organisations that make real and considered contributions to our democratic processes here in our state and in our nation. It is very important to have these kinds of dialogues. Having independent scrutiny of public institutions and making sure that our public policy is part of the discussion that people want to have is as much a part of that as it is being the mainstay of good governance and the protection of democracy. It is a really important role, and I really appreciate you taking the opportunity to come to Parliament House.

Although it is not uncommon these days to hear someone say, and almost wear as a badge of honour, that they can actively avoid anything to do with politics or public policy, there is a strong argument to be made that we have a democracy and we have a responsibility to participate in that democracy. Opting out is not a virtue. In fact, it may be considered a dereliction of duty. It is really pleasing, as I said, to see people here today and particularly from a range of different age groups as well.

Every now and then, as we said, there is an issue that comes along that reminds us why it is important to be involved, and Brexit is one of those issues. Before the referendum, there was a mass of protest marches both in favour of Brexit and rejecting Brexit. After the referendum, we saw millions of Britons march demanding a second referendum. In a country where at each election nearly a third of the population do not vote, a million people took to the streets to demand an extra election. I think there is a little bit of irony there in that sense when you think about it.

I was in the United Kingdom late last year, at Westminster, during what at the time was expected to be the penultimate vote on this issue in the House of Commons. The vote was delayed that week. As we have seen in recent weeks, it has been further delayed. I had the good fortune of spending some time with the Rt Hon. John Bercow, the Speaker of the House of Commons, when I was at Westminster. As you can appreciate, he has clearly made his mark on this issue when it comes to enlivening the same question rule, much to the surprise of the Prime Minister. Speakers—and it is good to see Fiona Simpson here, a former Speaker of the Queensland parliament—are sometimes meant to be seen and not heard, but he has definitely become an active combatant. That is the depth of feeling about this issue.

Many have speculated that if the original, arguably cleaner Brexit—that is, to leave the EU but maintain bilateral trading relationships—had been pursued this would be a divorce that would have been done by now. That has clearly not been the case. What will make for a very interesting topic of conversation tonight is that this is, as I said, a ‘now’ issue, not a yesteryear issue. Hopefully we will get a better understanding of what Brexit is for some who are not as well informed or well read on the issue as some others—when it will happen, how it will happen and what it is going to mean. Perhaps, more importantly, we can get to the bottom of a very, very important question, and that is if there is any truth to the suggestion that the support base of older citizens in Britain, ahead of many other demographics, is based on millions of female baby boomers who believe that Brexit would result in Rod Stewart selling his home at Costa del Sol and returning to Britain. I am sure that will not be one of the outcomes tonight, but it is a very interesting suggestion nonetheless.

It is great to see you all engaging here in the process. You have three wonderful people to hear from tonight. I really hope you enjoy the evening. I am sorry I cannot stay for the entire event. I have other events on tonight at Parliament House. Again, thank you for the ongoing work that we do with the ASPG and the AIIA. We really look forward to hearing some of the outcomes of tonight’s discussion. Thank you very much.

Mr FRASER: Thank you, Mr Speaker. As I said, we do appreciate your involvement in our organisation and the support you give us, both personally and through the parliament itself. I would now like to introduce the first speaker, who has the unenviable task of talking about the political and parliamentary context of the current to-do—Dr Joff Lelliott.

Dr LELLIOTT: Thank you very much for coming along this evening. I would like to start by acknowledging the traditional owners of the land and the elders past, present and emerging. I would also like to thank the Australasian Study of Parliament Group for the invitation to speak this evening, and the Speaker and the parliament for hosting the event. I will be covering in my section the background, the parties and parliament. Sara is going to cover the trade options in terms of single market, customs union, free trade agreements—trying to unravel these things. Then Frank will move on to a European perspective, amongst other things. I think Frank’s speech, more than all of ours, is more of a movable feast.

If anything changes in the Brexit story that is majorly important while I am speaking, can you let me know? Every morning for the last couple of weeks I have woken up to see if we have about-faced, heading in a different direction, if the whole world has been reorganised without my knowing it overnight. I want to start with a quote from Lord Palmerston, who once said, ‘There are only three people who ever really understood the Schleswig-Holstein question—one is dead, one has gone mad, and I myself have forgotten.’ I think that sums up nicely the enormous complexity of Brexit and perhaps why we have three panellists here. Really, if we wanted to cover the whole topic we might need a dozen or 15, because Brexit is so inordinately complicated. It involves so many different areas and so many different themes and topics. It is, of course, changing and evolving constantly. To make matters worse, it seems that there is not one single thing that everyone can agree is a firm, hard, tangible fact within Brexit. Things that you take for granted you suddenly find are actually topics of debate within Brexit. It is a really difficult, complicated area. I have restricted myself to one small part of it which, as a mortal, is the best that I can hope to do.

Moving on to the background to all of this, to some degree my political life has been bookended by the European Union or the EEC. My first political memory is being in Epsom town centre just outside London with my mum during the 1975 referendum and there was a big poster ‘Keep Britain in Europe’. I remember asking her, ‘If we’re not part of Europe, does that mean we become part of America?’ That was my five-year-old self. My last vote in a UK election was the referendum in 2016.

Britain joined what was then the EEC in 1973 under the Heath conservative government. In 1975 Labour, which was deeply split on the issue, held a referendum. It was the first referendum that the UK had ever held. It held the referendum in order to overcome its deep internal divisions on the subject. At that

point in time the Conservatives were united on supporting membership of the EEC. Labour was deeply split. The Liberals were for. The Left, the hard left, the left of Labour, the SNP, Plaid Cymru and the emerging Greens movement were all opposed. The DUP were also against joining.

Over time there was a perception and probably a reality in British minds that what was then the EEC had changed. It had moved away from being essentially what was seen as a free trade project by British people in the 1970s to becoming a political, social union, a much more integrated entity—and that term federalism, United States of Europe, really started to emerge. That led to a massive shift in British opinion and in the British political parties in the way that they felt about things.

In 1992 the Maastricht Treaty really cemented for many people in the UK that the EU, as it became, was much more than an economic and trade project than it was a social and political project. This made a lot of people feel uncomfortable. Within a year or two of the Maastricht Treaty, you had UKIP established and the short-lived Referendum Party established, which wanted a referendum on leaving the European Union—and there were massive shifts within the political parties in terms of who supported what. Where once Labour was deeply divided and the Conservatives were united, they had about-faced. Labour was almost 100 per cent behind the European Union and the Conservatives were the deeply divided party. The Liberals had stayed put, and Plaid Cymru, the Scottish Nationals and the Greens had all shifted over to supporting the European Union. Those changes in the parties are a two-way thing—one it reflected the perceptions of what had gone on in Britain but it also reinforced for people that there had been this change because the parties had changed their positions.

Then leading up to 2016, with deepening divisions in the Conservative Party and the rising threat of UKIP, David Cameron promised to renegotiate Britain's relationship with the EU and then put it to a simple, straight 'in or out' referendum. It was done on the basis, really, that he felt it would be an easy victory—that ultimately people would vote to stay in—and that there was still the possibility that he would not get far, of course. He was in a coalition government at that point. There was no certainty that they would even win the next election. It was a way of uniting his party and, to quote him, to stop the Conservatives 'banging on about Europe'. That did not really work as a plan.

We then had the referendum. We know the outcome of the referendum—52 per cent for leaving, 48 per cent for remaining. David Cameron stepped down and Theresa May took over unopposed as leader. In 2017 she called an election where going into that election people expected that she would come out with a majority of perhaps 100 or 100-odd, but she lost the small majority that the Conservatives had and went into a minority government. As I will show, though, the chaos and the problems in the whole process are far more than the result of simply having a hung parliament and a minority government. There is a lot more that has gone on at a more profound level that has caused the problems.

Where are we now? Theresa May's deal has been rejected twice. It was rumoured to be going back for another vote yesterday. It did not happen. We have now had parliament seize control. Tomorrow there will be a series of indicative votes on what it is that parliament might support—so running through all the various possible options. The idea there is to get some sense of where people should be putting their energy in to get out of the current stalemate.

I will move on to now one of the obvious questions, which is Theresa May. Initially Theresa May really looked like she was going to be the person who could unite the party and the country—that she had been a soft remainer, a sceptical of the EU remainer; that she had kept a low profile in the referendum campaign; and that she was a safe pair of hands. She had been the longest serving home secretary in over a hundred years, so she was seen as a safe pair of hands. With hindsight, it appears that she was possibly the worst person to lead the negotiations because her personal style was just so unsuited to dealing with something so difficult and complex in this particular environment of a hung parliament.

It turns out that she was a poor negotiator, a poor communicator. She lacks imagination. She is inflexible. She is isolated. She is deliberately a loner. She is wooden and cold. They are all qualities that really push against her being able to resolve the problems. When she went into a minority government, she really needed to change strategy from that kind of 'pushing on straight ahead' approach towards a much more 'negotiated with parliament, negotiated with her party, negotiated with other parties' approach, which she is just not capable of doing.

The bad news is that Jeremy Corbyn is apparently even worse. Despite the current problems in the government, the Labour Party is still 10 points behind in the opinion polls. May's personal approval rating is minus 75, and Corbyn's is even lower. There has never been a point where the personal approval ratings

of the two major party leaders have been so bad simultaneously. When John Major was Prime Minister, he had a similar kind of approval rating, but of course the Labour leaders—John Smith and Tony Blair—were streets ahead. They had positive approval ratings. It has never been this bad before.

Of course, it is not entirely Theresa May's fault. I absolutely would not envy her the task. It is probably a completely impossible challenge, and she and the government and the Brexiteers have fallen into some fairly standard traps—the idea of British exceptionalism should trump everything, the overstatement of British importance, the idea constantly that Britain always negotiates with anyone else as an equal partner, the idea that Britain has this great sense of self-importance in these kinds of negotiations and discussions. Post-war Chancellor Konrad Adenauer once spoke of Britain as being like a once-rich man who does not know he has lost all his money. It is very much that kind of approach, I think.

Turning to the major parties, clearly both of the major parties have huge problems. They are arguably in disarray. There is a big difference, though. For the Conservatives, Brexit is the problem; the relationship with the EU is the problem. For Labour, the relationship with the EU and Brexit is a symptom. It is a symptom of other problems in the party, primarily around the leadership and the rest of the parliamentary party. Whipping has broken down within the major parties, so we have seen Labour frontbenchers vote against the party without any consequences. We have seen the loss of cabinet solidarity. We have seen Conservative MPs breaking the whip on a regular basis. The ERG, the European Research Group, of hardline Brexiteers have their own internal whipping operations, so really the parties no longer exert the kind of control over their MPs that you might have expected once upon a time.

On top of that, we have had the breakaway Independent Group, and now within Labour Tom Watson, the deputy leader, has set up the Future Britain Group, which looks very much like a party within a party. It is not just a grouping of people with similar world views; this is a grouping where people are going to have responsibility for particular policy areas. It begins to look like a shadow cabinet within the official opposition—a shadow-shadow cabinet. It is also going to have its meetings immediately before the parliamentary Labour Party meetings, so it looks like a way of creating a bloc, almost as if they want to grow this party to sort of push the current leadership to one side.

Before we turn to parliament itself, it is worth noting there are a lot of things that have happened in the UK that have combined to make parliament much more powerful and much more able to resist the will of government. First of all, we have the Wright reforms committee set up in the dying days of the Blair-Brown era. It put forward a whole series of reforms, some of which have been taken up, which were going to strengthen the hand of parliament—things like the Backbench Business Committee, having backbench days in parliament and so on. You have had the 2010 in particular Conservative Party intake of MPs which was much more independent minded of the party leadership—much more willing to speak its mind and also much more Eurosceptic than the previous generations of Conservative MPs. Finally, of course you cannot talk about this stuff without mentioning John Bercow. John Bercow has been an amazing champion of parliament and of parliament's rights, parliament's role, and really pushed to enhance the power of parliament—things like getting the committee chairs elected by MPs rather than being appointed.

In the current context with parliament, the legal, technical, constitutional rules and niceties have kind of taken very much a second place to political realities. All sorts of things that have not been binding votes or legally enforceable have been pushed on to the government because of the political reality. In that context, it is worth talking about a few bits and pieces relating to parliament, and the first is referendums. Referendums are not traditionally part of the Westminster system. They were resisted forever in the UK until 1973. They were really seen as the kind of tool of dictators and all sorts of regimes that Britain did not want to have anything to do with. They sit very uncomfortably with the British system—because of this cherished idea of parliamentary sovereignty, the idea that nothing stands above parliament, parliament can do what it likes. If you then bring referendums into this, you are actually placing something else over and above. There is a real irony here that the Brexiteers, who so cherish parliamentary sovereignty that they want to leave the European Union, are simultaneously championing the right of the people to speak through a referendum and parliament to simply enact. Therefore, parliament is now in this position where it is being asked to enact something that it does not agree with, which has never really happened before.

You also get into the debate about representation versus delegates. What are our MPs there for? Are they there simply to reflect the will of their voters, or are they there to consider issues and come to their own informed position, which they will then justify to their voters if needed?

The third problem with referendums is that they often end up being a referendum on something other than the actual question on the ballot paper. The 1973 referendum was arguably about who governs Britain, and the answer was not militant trade unions and the hard left. The 2011 referendum on changing the voting

system really became a referendum on Nick Clegg—resoundingly defeated without any sensible debate about the voting system on offer. Arguably, the Brexit referendum was really a referendum on what people thought about the establishment, elites and experts.

Moving on to the Speaker, the British Speaker is much more independent than Australian Speakers. The British Speaker is genuinely properly independent and given that independence in a whole range of ways. Within the role they have a lot more flexibility, a lot more latitude to make decisions. That is, they are not so bound by rigid rules, they are not bound to follow Clerk's advice or Erskine May, and they are not strictly bound by precedent, so the system is a much more evolving one over time. The current Speaker, John Bercow, has had to actually deal with conflicting traditions, conflicting conventions—the convention that the Speaker does not block the program of the government on the one hand, with the convention that the Speaker does not allow the same motion to be put repeatedly. These two things actually clashed and he had to decide between the two of them.

Bercow himself as an individual has always been very independent, very feisty. He really enjoys a good argument, so this kind of environment sees him at his best and his worst, I guess. He actively enjoys those arguments. He has been a strong champion for parliament and parliament's rights. The European Research Group hate him at a personal level because he started off as one of them. He started off on the far right of the Conservative Party, and he has now slowly wandered over to the point where many people in the Conservative Party see him as really being a Labour person. Of course he got the job through manoeuvrings of the Labour Party against the will of most Conservatives. There is a really personal dimension to the dislike of him.

I think he has been treated unfairly because, sure, he has made rulings, he has made decisions that appear to help the anti Brexit campaigners, and certainly the anti hard Brexit campaign. On the other hand, he has done stuff which undoubtedly has helped or could be seen to help the Brexit cause. Back in 2016, he allowed an amendment to be put to the Queen's speech which arguably would have helped manoeuvre David Cameron into having the referendum in the first place. He has also reminded parliament that motions are not always binding. Finally, he has rejected amendments that have sought to repeal article 50.

We can then move on to the parties. Cross-party working has been absolutely fascinating, and this is what has really turbocharged things. It is not just that party discipline has broken down; it is also that MPs have found that they actually can work across party lines really easily and really productively towards their own ends. We see many Conservative and Labour MPs happily working with each other and having good results on their terms: to take four names from each side—Spelman, Morgan, Boles and Letwin from the Conservatives, and Dromey, Cooper, Kinnock and Powell for Labour—and also working with Lib Dems, occasional SNP people, Caroline Lucas from the Greens and so on. MPs have now got a feel and a flavour for the power that they can have through working with people in other parties. The Costa amendment was cosponsored by Jacob Rees-Mogg and Jeremy Corbyn. That is pretty impressive to get those two on board. This has been fundamental to making parliament more powerful and also making parliament more unpredictable. The only person who is not working across parties is Theresa May, who is blindly fixated on facing this way and getting the ERG and the DUP on board but not willing to work with Labour in any really constructive way to get something through.

You can then think about party government versus parliamentary government. On the one hand, this may look like total chaos, completely unworkable, but it might just represent a bit of a move away from party government, which allows the government to move away from the parliament and to be aloof from the parliament and much more towards a sort of parliamentary government system where the government is much more integrated into the parliament and having to work hard within the parliament to get things through. When responsible government was first mooted as an idea in the 1830s, it was very much in that latter context. The party system was not fully formed, so at that point when responsible government came about it was in the context of government having to work closely and hard within parliament to get things through.

My final section is electorate and country. The country clearly is deeply divided. There has not really been much shift in the opinion polls on Brexit, but there has been a deepening of people's positions. The only real shift has come from demographic churn—where younger people who are coming to voting age are much more likely to be 'remain', and some younger people who did not vote the first time are much more firmly of the view that if there was another referendum they would definitely vote this time. At the other end, there are people exiting the voting market, which is the polite term.

What you find—and this again really speaks volumes about what is going on with the parties—is that research has found that the people's views on Brexit are much stronger than their loyalty to a particular party. People are much more deeply for or against Brexit than they are for or against Labour or Conservative. Similarly, when they put a list of adjectives to people around Brexit—'What do you think of your opponents in the Brexit debate?'—people pick really vicious, nasty adjectives about their opponents, much more so than when you present people with the same lists of words about your political opponents in terms of Labour versus Conservative. The words are negative but they are much gentler about how you feel about your political opponents as opposed to your Brexit opponents.

Finally, I turn to after Brexit. The question that really comes to my mind out of all of this is: what happens to parliament after Brexit? If the poison of Brexit disappears and we get a majority government again, does parliament just return to its old ways? I think the answer is no. I am not sure that it will. Even with a majority government, I think there are a lot of things that have changed. Parliament now has more power, full stop. MPs have had a taste and a feel for working together across parties to hold the government to account and to assert their views. The electorate has changed. Finally, the whipping system needs to be rebuilt, and that is not necessarily easy. If parliament continues on like it is but with the Brexit poison removed, do we actually end up with better politics where people can really be enthused and engaged with politics or do we just end up with chaos? I do not know what the answer is. That is it from me.

Mr FRASER: Thank you very much, Joff. Our next speaker is Professor Sara McGaughey. You will all be aware of course that when Joff said 'chaos' they were the bad people in *Get Smart*, so I do not know what that means.

Prof. McGAUGHEY: Thank you very much for the invitation to join the panel tonight and for your kind introductions. As mentioned, I am a professor of international business. The dominant perspective amongst those of us who look at international trade is that Brexit is not a sensible move for the UK. It is going to raise the costs of trading with Europe. It is going to deter foreign direct investment into the UK. This is going to damage the UK as a small and open economy in both the short and the long term. In the meantime, while the politicians decide, there is all this uncertainty—and uncertainty is fundamentally bad for business.

What I would like to do over the next 10 to 15 minutes—and I am trying to time myself to keep on track and leave time for discussion at the end—is revisit the options that are available to the UK, with reference to some of the fundamentals about trade agreements—the distinguishing characteristic between different levels of integration. After thinking about the different levels of integration, I also wanted to share with you some of the recent research coming out of universities about the uncertainty and the impact that it is actually having. If we have time I will briefly touch upon what I think are some of the implications for Australia.

In considering Britain's options, I think it is useful to think about different levels of free trade agreements, starting with level zero, the World Trade Organization option, which is no integration. I will return to that shortly. At level 1 we have a free trade area, followed by a customs union (level 2) and of course the common market (level 3), which is where the EU is at now. As you know, the Brexit referendum was all about the potential withdrawal of Britain from the common market. Since Brexit, over the past two years I think we all like to hope that the intention has been to find a solution that is in the best interests of all parties.

The first option is to move from the common market down one level to a customs union. Now remember with a common market you have the free movement of goods with zero tariffs, people—so labour—and, in this case, also capital. If Britain only wants to leave the single market it could try to negotiate a customs union agreement similar to, for example, what Turkey has with the European Union, although there are elements of that that might not be particularly palatable.

National borders would then only be important for the movement of people. We would have zero tariffs for goods within the customs union and there would be a common set of rules and tariffs for countries outside the customs union. With the loss of the movement of people there is a real sticking point with the Irish backstop. Joff has already talked about sovereignty and the desire for independence and, dare I say, supremacy in some cases of the UK. They would not like to lose their sovereignty and have the EU deciding all their external trade rules without them having a say over their own matters. It is not an ideal option.

Option 2 is moving from level 3, the common market, down to an agreement on free trade area (level 1). The UK would then leave the customs union. You would still have zero tariffs among the members within the free trade area, but the UK would now be free to decide its own external relationships and enter into different agreements with different countries. You would not have the free movement of labour—again,

the Irish problem comes to the fore—and you would have to establish an extensive number of rules of origin. These are rules that determine where the value added is for the products that are being traded. National borders are important for both people and products. You need to understand or must know the country of origin for both.

Option 3, which it looks like we are getting close to, is a no deal—a hard Brexit. If the UK wants no trading agreement whatsoever with the EU, then it could trade under the World Trade Organization's rules that every member of the WTO must adhere to. The UK would have to adhere to reciprocity and most favoured nation (MFN) regulations, which is non-discrimination towards all the different countries out there that you do not have free trade agreements with. Britain would become like Australia. It would be treated like Australia by the EU. WTO tariffs—that is, most favoured nation status—would be in place. Some may remain zero, but many—for example, in transportation and machinery—could be as high as 15 per cent.

With option 3, going under the World Trade Organization rules, Britain stands alone and it can unilaterally decide, but it is also an option where the economic losses, I think, will be greatest. If you think about the car industry alone, with a hard Brexit there will be a 10 per cent tariff put in place. It is estimated that car imports to the UK will add an additional \$2.7 billion in costs for UK consumers.

It is not just the tariffs that we are talking about. We are also talking about all the friction that happens at the borders—all that red tape, all those regulations. For example, when you import meat into the EU from the UK—lamb from Wales would be a good example—if you do not have preferential treatment, so you are a third country, all animal products that enter the EU have to go through a veterinary border inspection post at which point 100 per cent of the documentation related to these animal based products is checked and up to 50 per cent of the actual product is checked.

Neither the EU nor the UK have the infrastructure in place or procedures and processes to deal with this so there will be mayhem. In the short term there might be some emergency solutions such as ushering shipments of pet food or whatever through the lines, but in the longer term there is going to be a lot of friction created. Believe it or not, what we are actually seeing now is the huge stockpiling of things such as pet food, because people want to feed their pets, and also car components and supplies—which adds to the costs of doing business. It looks like in that scenario the only winners are the warehouses and storage companies.

Moreover, firms are going to have very little incentive to make further investments in the UK, or new investments in the UK or locate there. They would prefer generally to relocate or locate in the first instance to a larger market—the EU, where we do not have these trade barriers. Industries that are highly dependent on highly integrated supply chains in the European Union will actually suffer significantly. We find that multinational enterprises often fine-slice their value chain, having a division of labour and putting different value-creating activities in different countries or regions around the world. With tariffs coming into place in the UK and all these intermediate goods flowing back and forth across borders in this integrated supply chain, they could be hit several times with tariffs. There is a real incentive for businesses not to locate in the UK if there is going to be a hard Brexit.

There will also be huge administration costs in terms of developing all the infrastructure and the procedures for dealing with the World Trade Organization itself and negotiating in that forum, something that the European Union has born the weight of thus far. It will now be negotiating as a stand-alone country. The treasury in the UK has estimated the losses of 'standing alone' could be as high as a 7.6 per cent drop in the UK's GDP. That is a huge drop.

The least costly option overall seems to be the custom union. The UK can avoid the tariffs, it can avoid the rules of origin, and it can avoid the customs regulations and the frictions at the border and so forth. That is actually the solution that Theresa May took to parliament back in November last year. But, of course, we have the Irish backstop concern and it locks Britain into a set of trading rules over which it has no authority and very little influence. Such an outcome I do not think is really a long-term solution.

I am very reluctant to say what the outcome will be and what option will be chosen. I personally still hold a lot of hope, but it is diminishing, that there will be another referendum. I do fear a hard Brexit. In the interim, though, the uncertainty that everybody is experiencing is really damaging.

While we are not going to know the precise effect—its full impact—of this uncertainty for many years, there is certainly some very interesting research that is now coming out of universities that gives a little bit of insight. For example, Meredith Crowley at Cambridge University has recently talked about a study that she has been doing with some colleagues that looks at pre-referendum trade and post-referendum trade, specifically exports of UK firms into the European market.

She and her colleagues are looking at entry and exit. In any economy you want a dynamic, vibrant, healthy economy, so you want new firms (or products) entering into the export markets and you want some exiting—maybe those that are not so successful or not so productive. What they found over time is that in those sectors such as transportation and machinery that are going to be hit with 10 to 15 per cent tariffs if they leave the common market there is a significant decline in new firms going into exporting and a rise in firms that are stopping exporting. That is about a five per cent drop in firms/products going into exporting and about six per cent actually withdrawing from exporting. The cumulative loss of the missing exports is about £3 billion over a year.

That might sound big—it sounds big to me—but it is actually only two per cent of the trade that is done between the UK and Europe. What is really worrying is the long-term consequences. As you get fewer firms entering into the market you get less competition, there is less pressure for innovation that would drive productivity improvements and competitiveness, and long term you will have losses into the future. It is these types of cumulative effects that we are worried about.

The really interesting thing is, I think, that the uncertainty actually started before the referendum. There has been some research that has come out Michigan University just recently that tracked uncertainty months before the actual referendum—that is, once the referendum was announced and to the point where the yes vote or the ‘exit’ vote actually came in. They looked at exports to both the UK and the EU. Again, the researchers found that in those sectors where there are currently zero tariffs and zero tariffs will remain there was not much impact. In those other sectors where there will be a change in the tariffs they actually found that both the UK firms and the European firms were affected negatively but the European firms were affected more so than the UK firms.

A possible reason for this is that the UK firms know that they are going to have to start using MFN tariffs and pay higher tariffs going to Europe, but they are also already adapted to the European market. They have tailored their products to the European market. They know what the MFN tariff will be, so they do not have hugely high levels of uncertainty. In contrast, the European firms coming from Europe into the UK have no idea what regulations the UK is going to put in place—what customs bureaucracy will occur and so forth—so they face much greater uncertainty. That is one explanation. The other explanation is simply that the UK exporters have a rosier picture about the future of Brexit, which would easily explain it.

What about foreign direct investment? There has been a huge impact in the financial services sector. We have seen a flight of companies, particularly US banks, from the UK into continental Europe. P&O, a 182-year-old UK company, has just announced that it will now be flying its ships under the Cypriot flag. Obviously there are tax reasons for that. It is not just about Brexit. But one of the other reasons is that they do not want to have to face a whole lot of extra inspections and delays that could occur at the British end, the UK end. We know that late last year Panasonic announced that it was moving to Amsterdam. Sony has recently followed suit in that announcement. Nissan is relocating some of its operations out of the UK back to Japan. What is interesting is that the EU has entered into a zero tariff agreement with Japan. Why on earth would Nissan want to stay in the UK with the sort of uncertainty that is going on? Many of these relocations have a business case, so I am not by any stretch of the imagination suggesting this is all due to Brexit. When businesses have a couple of credible options and they are faced with significant uncertainty in one of those options, it tips the balance and there are long-term consequences of the lack of investment. With all this uncertainty, why would you, as a business, even consider investing in the UK when you could invest in continental Europe with all its additional benefits? Airbus CEO Tom Enders has expressed his views quite recently. He said—

It is a disgrace that, more than two years after the result of the 2016 referendum, businesses are still unable to plan properly for the future.

What does all this mean for Australia? Not a lot, I suspect. We might increase our bargaining power a little bit with the UK. The UK will now be a single country with far less bargaining power on the world stage in terms of agreeing trade arrangements than the European Union, but Europe is still a much larger market and will remain more attractive because of that. We will lose the UK as a gateway to Europe. We talk about distance in international business. Culturally and administratively, in terms of laws and so forth, the UK is fairly close to Australia, so it is a useful gateway in that respect. We will lose that. But it is also geographically a very distant gateway and trade diminishes with distance. We are not natural trading partners with the UK. If you look at the trade statistics, 24 per cent of our trade—imports and exports—is with China, 9.4 per cent with Japan and only 3.5 per cent with the UK. Look at our FDI. It goes the United States, China, then the

United Kingdom and Hong Kong. If you add Hong Kong to China you are looking at a huge amount, so we are not natural partners with the UK. Overall, in the long run Brexit is bad for business, it is bad for the UK and my greatest concern is the downgrading of my (British) passport.

Mr FRASER: Thanks very much, Sara. I suppose we can say after that that self-interest is always the most powerful force, isn't it? Our third speaker for the night to give us the European perspective is Dr Frank Mols.

Dr MOLS: Thank you, everyone, for coming and thanks to AIIA, ASPGQ and the Queensland parliament for hosting the event and for having me as a speaker. What can I say after such great talks about British politics and trade? I am very privileged, because it frees me up to freewheel a little bit. Before I do that, I will talk you through a few of the basics—a few technical bibs and bobs—before I give you a perspective of what I think is the mood in continental Europe about Brexit.

Let's start with Article 50. On 29 March 2017 Theresa May triggered Article 50. Wow! Who would have thought that a country—the fifth biggest economy in the world—would rip itself to pieces over Article 50? I have Article 50 here. Does anyone know how many paragraphs it is? Five. Does anyone know how many words it is? It is 261 words. That is quite a thought, isn't it—that a country can be grappling with itself because of an article so short! Of course, it is not about the length or the number of words.

One thing to preface my talk with is that it is important not to engage in hyperbolic language about calamity or all sorts of doom scenarios, and neither is it probably helpful to engage in all sorts of rosy pictures of, 'We'll be fine as long as we believe in ourselves,' because that happens too. Our duty as academics is to get meat on the bone and to look at the evidence and come up with a balanced conclusion. The other thing to note is that, in my view anyway, it is Britain's full right to lift Article 50 and to decide legitimately to leave the European Union. I think that needs to be articulated as well sometimes—that is, this is not a kind of analysis that is based on a grudge or a political view—but I would argue that the whole referendum was tainted by unethical practices and interference. All sorts of social media were manipulated by analytics and so forth, and that is a shadow cast over the whole process. I would argue that that has come back to haunt the politics as well.

It is also worth remembering that Article 50 involves three different components. One is the withdrawal agreement. The second one is the future relationship between the EU and the UK. Lastly, there is the reconfiguration of the EU treaties. The last component was initially meant to be what the future relationship is going to be in terms of trade—the kinds of things that Sara described. What happened is that, inevitably, due to political and practical reasons, the backstop creeps up, because you could argue that the backstop would be something that you deal with when you talk about the future trade relationship, but of course practically that is impossible because whatever you are going to agree in terms of withdrawal involves answering questions about what the future relationship might be, and that should be obvious nowadays. The backstop becomes this problem that moves from the third chapter into the first chapter, as it were.

Interestingly too, Theresa May herself in the lead-up to the referendum already observed that the Northern Ireland border was going to be an issue, so this does not come as a surprise. People who were across the matter very clearly realised early on that this was not something that could be resolved very easily, but we are still churning through the same problem. The main problem is that we still do not know even today what Brexit we are heading into. All of the options are still on the table. We could see perhaps a revival of the campaign. Last weekend we had the march with almost a million people marching to revoke Article 50, so there is still in the public at large a strong sentiment, I would argue, for reconsidering the whole Brexit in its entirety, and then there are the hardliners who are very adamant that they want to pursue this, even if it means dropping down to WTO rules—that is, a hard Brexit—and then there are all of the options in-between. I think that has been the problem for the last 2½ years—that is, none of the options has been taken off the table. That goes back to the point that Joff made about the political process and the way that Theresa May has conducted perhaps these negotiations. Under normal circumstances you would expect that at least this choice set gets narrowed down over time, but we have seen none of that. All of the options are still on the table.

What are these options that we are still considering? There is Theresa May's original Chequers plan, which was some kind of facilitated customs union whereby there was a system—and Sara would understand it far better than I do and be able to explain it far better than I can—whereby you look at country of origin, rules of origin and destination and you have some sort of multitier system whereby the United

Kingdom would collect tariffs on behalf of the European Union and then towards the end of the financial year reimburse. It was a convoluted system that would have enabled the United Kingdom access to the single market through a customs union. What was the problem there? It was because it was a temporary solution that was not really temporary in some sense because mutual agreement would be required to abandon it. In other words, the hard Brexiteers were objecting on the grounds that it would require EU agreement—a joint decision to move into a different system—so technically the EU could hold them in its grip.

We then have other soft options, because for Brexiteers this was immediately seen as way too soft. This was not a proper Brexit because it would turn the United Kingdom into a rule taker. It would lose its voice at the political table in terms of decisions about rules and regulations. It would turn it into a rule taker. It would also certainly involve some payments into the EU budget, and of course this was all not good enough for hard Brexiteers.

There were at least two other soft options, if you like, comparable to Theresa May's option. One is called Norway plus, also sometimes referred to as Common Market 2.0, and it is looking at the model of the EFTA EEA countries such as Liechtenstein, Norway, Iceland and Switzerland, although Switzerland is not part of the EEA. That was seen as a potential model and, according to people in mainland Europe and EU officials, that would have been a system that could be implemented within the two years that have gone past. Had there been support for a Norway plus kind of agreement, most EU officials you speak to will say that that would have been feasible because there is a model, there is a template and you could move towards that, but of course history tells us that that did not happen.

The emphasis then would be on the free movement aspect that is part of the single market that Sara talked about, because that obviously was something that drove the referendum result—this idea that workers from across continental Europe could enter the United Kingdom without many checks and balances to enter the labour market in the United Kingdom.

There is also Labour's plan, which also involves the idea of staying in the customs union or in some kind of customs union and having close ties with the single market but not being a part of it. Do not ask me the details—it is quite technical—but it is another version of a soft Brexit. These are a cluster, if you like, of soft Brexit options, but then there are the hard Brexit options. You could also plot them on a continuum, but in order to do that you would need to really know the difference in the details.

Let us talk about hard Brexit options. One that was initially talked about was the Singapore option—that is, 'let's turn ourselves into some sort of tax haven'. I do not think many people are still considering that a viable option. One of the reasons is: who needs another tax haven? There are so many these days that you are not going to have a competitive advantage. Luxembourg and the Netherlands have become either tax havens or, if not, tax haven conduits, so I would argue that that is not really a winning formula.

Then we have Canada plus, which was the dream of the hard Brexiteers. Canada was idealised as having this comprehensive trade deal with the European Union covering 95 per cent of goods in-between. The appeal of that was that it would give you control on migration. It had nothing to do with free movement of people, so that became the big dream. Of course, the drawback of the Canada plus system is that it does not cover services, and the United Kingdom's economy thrives on services rather than goods. That was not really a feasible option, either. Plus, the Irish border issue would still be the Irish border issue. It does not solve that, either.

Finally, we have the dropping down on WTO rules that Sara talks about, which is seen as suicide by many people, including Pascal Lamy, the former director-general of the World Trade Organization, who has already said, 'What on earth are you thinking? If you open the gates and say, "Everything is for free here", you lose every bargaining power you ever had. You are not in a position where you can require things in return.' That is seen as a no-go.

Forget about all the details. What is the underlying theme that is going on here? In order to get access to the common market, there are three things at stake. You make a financial contribution, you engage in some form of regulatory alignment and the European Court of Justice has some say over disputes. They are the three components that are the price for access to the single market. Of course, countries like Switzerland have known this for a long time and so has Norway. These countries that have these idealised systems of access to the common market have accepted that as a reality. I think that is what Britain still is grappling with—this idea that there is a price for exiting the single market.

Then we have the backstop, which is this issue that kept coming back, as it were. It is not new; it was always known that it was going to be an issue. Of course, the harder the Brexit you prefer, the more the Irish backstop is going to be a problem; the more there is a need for checks on the border. It is probably a very good thing to remind ourselves that it is a sliding scale: the harder the Brexit, the more the border becomes an issue.

Let me briefly talk about three options for the backstop. One, which was immediately discarded as politically unsellable, was the idea that Northern Ireland could, temporarily at least, stay part of the single market and the customs union. Of course, that was unsellable because that would effectively create a border in the Irish Sea and split Northern Ireland from mainland Great Britain. Of course, that was unsellable for the DUP but also for the hard Brexiteers, who see this as a dislodging, or a break in the union. That option has gone.

Option B, which was part and parcel of Theresa May's deal, was for the UK to temporarily stay in some kind of customs union, some negotiated customs union. The hard Brexiteers dismissed that and said that that was unacceptable on four grounds. The first was payments. This is going back to the three things that I said earlier as well. It would involve some payments to gain access to the market. It would mean ECJ jurisdiction over certain disputes. The UK would become a rule taker and the EU would be required to agree on superseding the agreement.

Then there is option C, which was the preferred option by the hard Brexiteers, known as the Malthouse backstop. What is the Malthouse backstop? It is idealising the scenario that they have on the border between Sweden and Norway—this idea that technology nowadays can fix all of these problems. The dream is to use high-tech solutions on the border by which there is virtually no actual stoppage on the border. There is just frictionless trade. There are scanners that somehow miraculously scan the produce in the vans and somehow it is all registered. God knows how it works. That was the idea in the Malthouse plan and people are still holding on it. Recently I spoke to somebody who was adamant that it could be done.

If you go to the Norwegian-Swedish border, you see that it is far from frictionless trade. There are customs clearance houses, there are buildings where trucks can drive through, there are hold-ups and there are queues. In fact, there are whole warehouses full of trafficked goods that have been confiscated. It tells you something about frictionless trade. In my view, it is just a pipedream. I do not have the solution either, but it goes back to that same thing—that the backstop was always going to be a problem. A lot of the problem in not being able to come to a smaller set of choices is that, whatever you choose, it has ramifications for the backstop and has political fallout with some subsections of the electorate.

I will move on to the economic cost. Although Sara is far more of an expert in this domain than I am, let me give you some of the things that I have picked up from just watching regular TV coverage and reading articles about this. Again, it is important to avoid hyperbolic analyses and hyperbolic language, but here are some things that are really worrying. Sara already talked about foreign direct investment. We have seen that for a long time. We have seen changing patterns. How dramatic they are, I do not know. It is something to be followed. Dyson, Honda, Nissan and Bombardier have all decided to move some of their operations elsewhere out of the UK. The European Medicines Agency has moved to Amsterdam, as have other agencies.

British aviation companies risk dropping out of the EU Open Skies program, the reason being that, in order to be eligible for the EU Open Skies program, 50 per cent of shareholders have to be registered EU citizens. Irish companies, for example Aer Lingus, have this problem that large proportions of their shareholders were British. They have been buying back stocks and shares in order to get back to the 50 per cent. They are now safe. They can now breathe a sigh of relief because they requalify for Open Skies. The story is somewhat different for British Airways. What are they going to do to remain eligible? What does it mean if you are not in EU Open Skies? It means that you cannot transport passengers from say, Berlin, to Milan; you have to fly from Gatwick to Milan and fly back from Milan to Gatwick and then you can do something else. In order to fly between European airports, you have to be part of EU Open Skies.

Citizens also have started to become aware of some of the drawbacks. Think of phone roaming charges. Where I grew up in the Netherlands—and I visit regularly—it is right on the Belgium border but just in the Netherlands. The road that I drive on will pick up a signal from Belgium to say, 'Welcome to Belgium,' even though I am in the Netherlands. If I make a phone call and a phone call is registered through a Belgium antenna, I pay roaming charges—not anymore, thanks to the European Union. It does not matter

which telephone mast picks up my signal. British telephone users will soon potentially be hit by roaming charges again—or require an international driving licence for their holiday in the Algarve in Portugal or the Costa del Sol, wherever they fancy going.

Customs officers are also worried, because at present only three per cent of goods require some kind of red tape hold-up. If there is a no-deal Brexit in particular, which looks increasingly likely, I would argue that 100 per cent of goods will be due for checks, paperwork and so forth. People are crying out and saying, 'For goodness sake, help us here because we are not set up to do this.' These are the real concerns for the United Kingdom, for both business and citizens.

Europe is also facing some very dark clouds. According to the forecasts that I have read, it is not just the UK that will suffer but also Ireland, the Netherlands and Germany in particular and then, in further order, France, the Czech Republic and so forth. Particularly Ireland, the Netherlands and Germany have lots to worry about, and they are very aware that they have to worry. For example, the Dutch economy is set to lose \$2.3 billion over the next five years due to Brexit.

I come now to the next point of contingency planning. I was going to argue something that runs a little bit counter to what Sara was saying about British industries being in a good position vis-a-vis European business. Maybe I have misunderstood that point. We will have a chat about that later. My sense is that in the UK, because of this churning through different alternatives, with the whole spectrum still open and not a limiting of choices, or a number of options, a lot of energy is inevitably wasted on speculating what might happen and not being able to act. In looking at Europe, I think a lot of contingency planning has been happening with a view that there could be a no-deal Brexit and that it is best to prepare to the best of their ability, knowing what problems are heading their way. The Netherlands has done its costings, but it is not quite happy with the state of play. The latest reports in newspapers is that the government feels that it is not really prepared yet, or at least insufficiently prepared. Certainly, there is not a rosy picture there.

In Germany the situation is slightly rosier, I would think. From what I pick up in Germany, there is a lot of the awareness that dark clouds are gathering and that it is going to cost a lot of money, but people have been planning quite vigorously. The signals that are coming out of certain circles in Germany are interesting, to say the least. For example, the chief of the Federation of German Industries, Dieter Kempf, only a couple of weeks ago observed that in his view it was not so bad anymore to go for a no-deal Brexit, because Germany had to just deal with all of this uncertainty and business preferred certainty over uncertainty, even if it meant certainty of a bad outcome. Likewise, Matthias Viessmann just days ago said, 'It will be costly, but we will manage.' Matthias Viessmann is the head of the Germany car manufacturing industry. These are people who, I would say, if they speak, you had better listen, because they inform what leeway politicians have. The signals I am picking up are that there is a sense of acceptance: 'We're going to cop it, but we like now the certainty of a no-deal Brexit.' I think that is something to note in the Westminster parliament. Just days ago, according to some press releases, Macron asked the Irish Prime Minister, Leo Varadkar, what will happen in a no-deal scenario to Ireland. His answer was, 'We will cope.' These are things now reported in European media.

It is also worth noting the city of London. Thanks to Simon, who is kindly sending me some information about that, according to a *Guardian* article of 22 February there are already agreements between the European Commission and the US government about the \$41 trillion in clearing houses in the derivatives market. That, too, is interesting to note, because it is under-reported, I would argue. I have seen very few reports about this. According to that article in the *Guardian*, the agreement is that the \$41 trillion in clearing houses will not be affected even if there is a no-deal Brexit. That also tells you something, I think, that makes it more likely that at some point the risks of no deal become viewed, at least, as overseeable. Finally, just yesterday, 25 March, the EU issued a press release saying, 'The EU has today completed its no-deal preparation.' In other words, that is a signal: 'We are ready for it.'

I think if we pick up these signals, we start to see a pattern. I am happy to have a conversation with you during the discussion time—perhaps you have counter evidence—but my sense is that there is a resignation now that there will be no deal and that that could very well play into the negotiation process. If Theresa May thinks, 'I'm going to run the clock down and then there will be pressure to agree to something,' I think that moment has passed. That is at least my conclusion.

I want to conclude with some broader reflections. I think it is important not to have too much tunnel vision. The economic and administrative costs of Brexit are increasingly clear. The UK will drop out of 40 EU treaties with 70 third countries. That is no mean feat, I would argue. Likewise, the UK will drop out of 750 international agreements, of which 295 have to do with trade. Give that some thought. How many years

is it going to cost to get back into a situation where you have that restored? We have some grasp of the magnitude, but I do not think we appreciate fully the social and political impacts of what Brexit means for us.

Maybe there are reasons for some optimism. Is it perhaps a symptom of something else? Is it perhaps a sign that the old system of government, the Westminster system of government, is up for renewal, that it has outlived its sell-by date? Maybe it is time for a different politics and this is perhaps a catalyst for rethinking parliamentary democracy, particularly systems that are reliant on two-party dominance, as we have in this country. Perhaps there is a sense that these systems do not always produce the right outcome and that there is room for some reconsidering. Sometimes these crises can revitalise parliamentary democracy—a bit like the rise of populist parties. We can see it as a worry—and I personally worry about it quite a bit—but at the same time you could argue that it is a revitalisation of the parliamentary system.

One thing for sure that has happened thanks to Brexit is that in the United Kingdom people have been on a very steep learning curve. I taught European politics and European integration at the University of Exeter and the University of Bristol and it was an uphill struggle, I can tell you—20-year-old youngsters, who were incredibly politicised, who hated the European Union with a passion. It was very hard to educate them about the detail. I often think back on those years thinking, ‘What would they think now?’ All they could talk about was regaining control of sovereignty, regaining control of sovereignty. Yes, it is a steep learning curve, I suspect, for many Britons, particularly ones who have been very Eurosceptic.

I think there is a lot of learning going on in mainland Europe as well. To give you an example, Euroscepticism was on the rise in most European countries, particularly Denmark and the Netherlands. What happened within a year of the Brexit debacle, I would argue, is that Euroscepticism has waned. Within months there was an increase of 10 per cent in support for the European Union in Denmark, opinion polls showed. Suddenly, the whole idea of Frexit, Nexit and Dexit became a lot less attractive. Why? People started to appreciate and understand what the European Union really did.

Sadly, there is also some reason for pessimism. Maybe I should have done it in reverse order so that we could leave on a positive note. I think Brexit is, in a sense, a symptom of a wider problem—that is, the erosion of trust in parliamentary democracy and in expert knowledge. I think Brexit is part of a bigger suite of problems that we are facing. I personally think it would be naive to think that Cambridge Analytica was a one-off thing that happened and that we will not have to worry about that anymore. We saw it just this weekend with the London march and the petition that was launched by a group of activists who were trying to gather signatures on a government petition to revoke Article 50. Within hours, there were suspicions that there were trolls trying to infect the petition with fake signatures so that they could subsequently discredit the petition as having been based on fake results. I still think we are in the midst of this kind of crisis of fake news and internet trolling. That is a big problem. That is one of the biggest problems, I would argue, for the current generation of politicians and political scientists.

My final point is that hedge funds play a big role in contemporary politics behind the scenes, sadly. Hedge funds are betting on political events. They bet on the referendum result, for example. These hedge funds have no political colour. They do not care whether it is a no deal, a leave or a remain outcome; all they are interested in is making a big killing, to put it bluntly. There are now stories emerging about how hedge funds were looking at survey polls they had access to in order to make bets to shorten the pound sterling on the basis of last-minute predictions of how the result would roll, how the dice would roll. Again, this is something that is still with us. This is not a thing of the past. I have been thinking about that story a lot in the last few days. I have been thinking that I would not be surprised if these hedge funds are again looking at what is happening at the moment: ‘When is a decision going to come?’; ‘How are we going to place our bets?’; ‘How is the pound sterling reacting to this?’; ‘How can we benefit from shortening it?’ These things happen—we know that—yet it is under-reported.

I will leave it on that note and I look forward to your questions. I hope you enjoyed our talks. Thank you very much.

Mr FRASER: Thanks very much, Frank. We are a little behind time. However, we will put aside, say, 10 minutes for questions, depending on how things appear to be going.

Mr MUIR: Is the Brexit problem a problem of process in that the various models for a Brexit were not given as options in the referendum?

Dr LELLIOTT: The Constitution Unit at UCL did a report in the last couple of years about how referendums are run in the UK. Whilst there have been only three across the whole of the UK, there have been a series of referendums in Northern Ireland, Scotland, Wales and then locally for regional mayors. I

cannot remember if there was one for the London mayor. There have been all of these subnational ones as well. The Constitution Unit was asked to do a report on how referendums should be run. They have this quote from about 10 or 15 years ago that, basically, the best referendums are the ones where the options on the paper have been fully explored and are clearly understood. Clearly, 'Do you want to stay or go?' is not a clear articulation of what is going to happen. I tried to find it before I came out, but I did not have time to get it. That quote came from David Davis, a leading Brexiteer. Ten or 15 years ago he was saying, 'You really have to know what the options are.'

There was no sensible debate in the lead-up to the referendum. For the remain side, it was clearly understood what that meant, because that was the existing position. The leave side could mean anything to anybody, and that is what we are seeing now—that 'leave' meant all sorts of different things to different people. What I find fascinating, though, is how the hardline Brexiteers apparently believe that everyone was very clear that the UK would be leaving on exactly the hardline Brexiteers' model—that that is what people wanted.

I think also there is that fundamental question about the nature of referendums. I do not think referendums are a good way of resolving incredibly complicated and highly technical issues. I do not think you can get the level of debate that is required. If you are going to use them, I think referendums are better for narrow, smaller issues that have been well articulated and debated ahead of the referendum day.

Prof. REYNOLDS: I have just a couple of points. I am not sure whether Wales voted to remain or go. I know that Scotland and Ulster voted to stay. This is very much an English vote. My impression is that it is a north-south divide as well as a class divide. I would like to ask the panel if they would like to speculate on what extent the geopolitical situation is unable to be resolved now, even if we had a second referendum. I notice that the palace has said nothing. How could they? The Queen is advised by the Prime Minister, who does not know how to advise her. Obviously, since Kerr nobody is going to invoke the royal prerogative. Presumably, TQ will have a view, but I do not know if we will even know what it is.

Dr LELLIOTT: I would tend to agree with the subtext of your first question. I do not think another referendum is going to resolve any of this. It will further entrench people's views. Given the kind of breakdown by demographics that you have alluded to, if the result of a second referendum were to remain, it would likely deepen that suspicion of elites and experts and so on among a lot of people who would vote to leave. Having said all of that, I am not sure that another referendum is not the answer, given that it may well be the best answer out of a pretty poor or impossible list of choices that need to be made.

Mr CAMPBELL: As a former official of the parliament of Queensland, as a chairman of committees and deputy speaker, my question is: what do we learn from this Brexit situation? Was this a failure of executive government not respecting the parliament? In other words, if they had a proper referendum, as we do in Australia, where the cases are done properly, it would go to the parliament and, as the High Court in England said, 'This is a decision of parliament.' The executive government, the Prime Minister, did not take it to the parliament. She said, 'I am going to run it as executive government.' Is that a failure of executive government? What can we learn in Queensland and Australia so that we do not end up in the same mess?

Dr LELLIOTT: I think you are right: I think this is a failure of executive government. Again, it goes back to what I said. This is a symptom of something broader: a sense of a lack of leadership across-the-board—not just executive government but party politics as such as well. I think there is such a sense of worry about losing the voter that everyone is constantly behind the electorate and following what the electorate wants. I think we really crave some leadership at all levels—people saying, 'This is the right thing to do and I am happy to stand up here to do it, to lead it, even if it costs me my job.'

We have this reverse fanfare of leaders following the crowd. I think, given talks about populism, for example, I have often observed that pandering to populism always bites back. It is always a short-term gain in order for you to subsequently lose the plot. I will not equate Brexit with populism, but there is some connection between the rhetoric used by the hard Brexiteers that is populist and anti Establishment and anti expertise and perhaps even anti executive government. It always comes back to haunt you. I have seen that at different fora, different elections and different platforms. I think we are in a crisis of leadership, I would say.

One example is Tony Blair. Love him or loathe him for the things that he has done, one thing he was renowned for was going against his own party. He was suspected of even having a degree of pleasure in taking on his own party. Again, love him or loathe him for the things that he has done or not done, I think

he is an example of a leader who was not afraid to take on the consensus in his own party. I think we need more leaders who are willing to step up for what they believe in rather than look at polls and be afraid of being seen as part of the elite.

Mr GREENHALGH: Why have they wasted so much time talking to the EU? They are leaving. They should have started talking straightaway to the Commonwealth countries to do deals with regard to, say, food supply and so on. With regard to the problems of the automobile industry, they should have been talking to Japan, South Korea and the US and asking those countries, 'What can you do to get our auto industry going full bore?' When they had sorted the details out with the rest of the world, then they should have gone back to the EU and said, 'We're leaving and this is our situation.' I just cannot understand why they have ignored the rest of the world and focused on the EU. It is, in my view, stupid.

Prof. McGAUGHEY: Today I spoke to my father, who is English, and he would share your views. I do not, though. I think these types of negotiations are very costly, and I think you alluded to that. It is very difficult to get movement within the World Trade Organization and negotiate changes through there. Bilateral negotiations take time and, being outside of the EU, the UK has lost a huge amount of bargaining power. It is a relatively small open economy.

These other countries have trade-offs. Japan is one of our major trading partners. We are closer geographically to them than they are to the UK. I cannot see particularly what advantages the UK could offer Japan, particularly when Japan has just entered into a zero-tariff agreement for automobiles exported to Europe. Similarly, South Korea geographically is very close to us. I cannot remember the exact level, but it is around our fourth or fifth trading partner. What does the UK really have to offer them if they exit the EU?

I do not think those old colonial ties—certainly they do have a big impact on trade. Having common language and common or shared heritage in legal systems and so forth is a huge explanation for why we trade as much with the UK as we do, but I do not think that is enduring. You do see over time the decline of UK trade, the decline of FDI from the UK into Australia and increased relationships with our closer neighbours. That would be my response. The European Union is the UK's closest neighbour. Geography matters when it comes to trade and reducing levels of trade.

Dr MOLS: I was on a Brexit panel three weeks ago with the people from the Australian British Chamber of Commerce. The CEO, David McCredie, reassured the audience that there were negotiations underway with the UK at present but could not disclose any details. Part of the problem was that they do not know quite how the story will unfold, so a lot of loose ends cannot be fixed unless they know what Brexit will end up with. Again, we are going around in circles here. The gist of what I heard there was reassurances: 'We're working on it. We're working on treaties. We cannot disclose any details yet. Some of it is still confidential because we cannot really put the dot at the end of the line.' That might be of interest to you.

Dr LELLIOTT: Firstly, my understanding is that the UK actually cannot enter formally into free trade negotiations while it is a member of the EU, so it would have to wait until after Brexit for formal discussions. That is not to say that there are not things going on, but it cannot do anything formal—it certainly cannot sign anything—until after it has left the EU.

They have also been looking at continuity agreements. The Brexiteers were very sure they could sign continuity agreements with all sorts of countries—so that the trade arrangements the EU has would then just flip over automatically to extend to the UK after it left the EU—and it has found those very difficult. It signed them with a handful of countries, some of which are trading partners that have negligible value. They signed one with Switzerland, but then after that you are down to places like Israel, the Palestinian National Authority and a couple of small African countries, I think—nothing of any great note.

Finally, for the UK, getting these trade deals is of critical importance—they are high-priority, first-order things—but for all of these other countries it is actually just not that important to them. Sure, it might be nice to have a trade deal with the UK, but it is actually not a No. 1 priority for everybody else in the way that it is for the UK. Because the UK is losing all its trade relationships, it has to work as hard as it can to replace them. For all of the other countries, there is no great change for them.

Mr FRASER: I would like to thank our three speakers tonight: Joff, Sara and Frank. They have distilled an extremely complicated and perplexing issue into a mere monosyllabic discussion. It is now as clear as mud, so I will return to swimming in mud.

Prof. McGAUGHEY: David, if anybody would like a handout on the free trade agreements—the different options and what their implications are—a co-author and I have written something and I will leave it here at the front.

Mr FRASER: Certainly. Because half of us are International Affairs people, I am wondering whether Amelia has any words of wisdom.

Ms SHAW: I will keep this brief. Thank you very much for collaborating with us this evening. For those of you who do not know what AIIA, the Australian Institute of International Affairs, is, we are an independent, not-for-profit organisation promoting interest in and understanding of international affairs both here in Queensland and more widely in Australia. As the Hon. Curtis Pitt mentioned, we need forums and spaces in which we can discuss and debate but, more importantly, organisations that do not formulate their own views and allow discussions like this this evening.

We do have a number of events coming up at AIIA. Some may be of interest to you: on 9 April 'Political economies of reforms in authoritarian transition economies—a comparative study of Kazakhstan and Uzbekistan'; and on 23 April 'China governs borderless threats: Chinese counter-narcotics and anti-piracy efforts in Southeast Asia'. Thank you very much for giving up your Tuesday evening, engaging in the debate and continuing to participate in informed discussions.

Mr FRASER: There is one more thing for me to do, and that is to present our speakers with a small gift of appreciation. Thank you.