Only the labour movement can stop Johnson's no-deal Brexit

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14 August 2020

Sorry folks, but we need to talk again about Brexit. To recap: last October Johnson signed a Withdrawal Agreement and Political Declaration with the EU. After the Tory victory in the December election, Johnson got this agreement through parliament. Despite claiming that this had 'got Brexit done', the agreement leaves all the most important decisions about Britain's trade relationship with the EU to be negotiated in the transition period up to 31 December 2020; to allow ratification by parliaments, the agreement has to be completed by the end of October, less than three months from now. The Political Declaration made some substantial statements about the future trading relationship: that it should be free of customs checks and tariffs, and that there should be a 'level playing field' such that Britain cannot undercut the EU by having weaker regulations on labour, ecology and the quality of products, nor different rules on state aid to industry. In other words, Britain should effectively stay in the Customs Union. This is similar to Corbyn's 'soft Brexit' position from after the referendum until September 2019.

The Political Declaration was a statement of intent and not legally binding. It turns out that it was another of Johnson's flat lies. Since January, the government has stated publicly that it has no intention of adhering to the EU's rules on labour, ecology, product quality or state aid 'since Britain is a sovereign state'. Six months of negotiations with the EU have therefore got precisely nowhere. The government has said that it is quite prepared for there to be no deal by the end of the year, and is spending billions on 'preparing' for that eventuality.

A minimal or no deal on trade with the EU would be a disaster for the working class (in the Marxist sense: 90% of the population in Britain), for two reasons. First, the Tories would be free to further lower regulation of employment and the environment. Second, in the next few years it would cause a massive loss of jobs, on top of those lost in the coming pandemic-related recession. It would hit all types of manufacturing by cutting supply chains and losing customers in the EU, and also losing non-EU customers through exit from the EU's trade agreements. For example, volume production of vehicles would disappear in the medium term (Jolly, 2019). This process has already been happening because of the threat of a no deal. It would hit research and development by severing British ties to many EU-wide collaborations and institutions, and would mean exit from the EU's large-scale high-tech collaborations such as Airbus, fusion energy and the Galileo satellite programme. Farming exports will be badly hit. Jobs in high-level retail and investment banking would be hit if no-deal removes their 'passport' rights to operate in the EU. Jobs in business services and in data management would also be lost. Exports of goods and services are particularly important for Britain because of its chronic negative balance of trade.

This hit to the British economy has made many people on the left suppose that capital itself would prevent a hard Brexit or no-deal. I too believed this up until recently. Since the referendum, the CBI, Makers UK and other employer organisations have pleaded publicly with the government to negotiate a soft Brexit. But expecting capital to come to the rescue misunderstands the capitalist forces behind Johnson's strategy. In essence, production and jobs within Britain are a different thing from capital producing in Britain, from 'British capital', and from capital invested in the City of London. So while a no deal would be a disaster for the working class, it is an advantage for some sections of capital, irrelevant for other sections, and no more than an inconvenience for others. How come?

In common with the Far Right throughout the world, the Tories' aim is to deepen neoliberalism and increase capitalist power in the face of the continued stagnation of the world economy. The Tory Right, closely linked to finance, property capital and imperial corporations, has always been hostile to the EC/EU, disliking the social-democratic elements of the EU policies. Having captured the Tory Party, its Brexit aim is to further worsen wages, conditions and job security; to further weaken environmental controls on property development, extractive industries and people's health; and to prevent the increased business taxation and regulation of finance towards which the EU is moving. These aims are supported by much of business operating or headquartered in Britain.

We can distinguish sections of capital with different interests in Brexit. First up are what I will call the 'imperial corporations', whose origin lies in Britain's imperial history. These are British-headquartered corporations (a more accurate term than 'British corporations' since they have many foreign shareholders) in mining, oil and gas, property development, large-scale building and civil construction, and tropical food production. Their production is entirely outside Britain and the EU, and they are therefore unaffected by Britain's relation to the Customs Union. A hard Brexit guards them against future corporation tax harmonisation by the EU, so they are favourable to it.

Major sectors produce services for local domestic consumption: the utilities, trains and buses, retail, leisure, the companies which carry out contracted-out public services, and smaller building firms. They do not export, and so are not threatened by leaving the Customs Union. Hard Brexit benefits them by enabling them to further worsen wages and conditions, by weakening environmental controls (the utilities, the builders), and removing the threat of harmonised corporation tax. They will take a hit from a reduction in GDP, but this is indirect and unpredictable. We can suppose that they are either neutral or supportive of hard Brexit. A special group here are the major newspaper and media corporations: the four leading corporations have strongly supported Brexit because they wish to avoid the EU's anti-monopoly policies, which affect their TV and film interests as well as newspapers.

Many British-headquartered manufacturing corporations produce entirely outside Britain, in the EU or, especially, in the US and East Asia. These include most white-goods producers (Dyson is a well-known example) and electronics manufacturers. They support Brexit for the same reasons as the imperial corporations. Manufacturing capital producing in Britain will be hit by exit from the Customs Union. (A partial exception is the armaments industry, the crown jewels of British manufacturing, 80% of whose customers are in the Middle East and nearly none in the EU; however, its supply chain from the EU would be disrupted.) But manufacturing in Britain is now completely dominated by transnational corporations, British- and, especially, foreign-headquartered. Most of these already have many production sites within the EU. They can therefore fairly easily transfer their British production to existing or new sites within the EU. This involves some writing off of some fixed capital and loss of experienced skilled labour, but this does not threaten their existence. This flexibility explains why these corporations have not opposed Brexit more strongly.

Some parts of high-level finance (the City of London, Edinburgh) have a strong interest in Brexit. The hedge funds and private equity firms trade in global asset markets with no particular connections to the EU; Brexit enables them to avoid future EU regulation and taxation of their operations, for instance a Tobin tax. It is not a coincidence that a half of Tory Party funding in recent years has come from hedge funds. In the 1950s the City of London set up the archipelago of tax havens in its crown dependencies, which house perhaps a quarter of world capital assets, much of it criminal or kleptocrat. The City itself is the major deposit box for Russian, Saudi and Gulf capital. The EU is moving towards regulation of criminality and greater taxation of these assets. All these capitals therefore have a strong interest in Brexit. Their political leverage over the British state is large: Saudi and Gulf capital has been enmeshed with the British state for a hundred years, and Russian capital has acquired strong connections in the Tory Party in recent years.

The retail and investment banks' operations in Britain would be badly hit by a no deal. To operate in the EU the banks are legally required to have 'passporting rights' which attest their probity and capital reserves. The banks have, however, been negotiating these rights directly with the EU, and this may be successful. One reason is that London is the largest provider of investment banking in the EU, so EU capital has an interest in keeping it so. At any rate, all the retail and investment banks with operations in Britain are transnationals with existing offices in EU cities, and so, like manufacturers, they can transfer their British operations to the continent, a process which is already in train. The same is true of top level business services, such as the big four accountancy and management corporations, outsourcing firms, and advertising and marketing corporations. These possibilities presumably account for the muted opposition to Brexit from the City.

Rather surprisingly, the sector which stands to lose most from a hard Brexit is farming. Its markets in Europe will be disrupted, it will lose the lavish subsidies of the Common Agricultural Policy, and may not be able to recruit the Eastern European workers on which it is dependent during the summer. Farming, however, is only a tiny fraction of the capital operating in Britain, and correspondingly uninfluential.

We see, then, that a hard Brexit is an advantage for some sections of capital operating in Britain (the imperial corporations, overseas capital invested in the City and British tax havens, speculative finance, manufacturers producing abroad, newspapers and media), has pros and cons for other sections (locally-supplied services), and is an inconvenience but not fatal for others (manufacturers producing in Britain, retail and investment banking). So capital as a whole will not prevent a no deal.

It therefore falls to the labour movement to stop a no deal. This will not be easy. The Labour Party under Corbyn was not able to organise an education campaign for a soft Brexit. Johnson, in common with Far Right governments throughout the world, has used the pandemic to pursue extreme, potentially unpopular policies, using the difficulty of organising public protests and the concentration of people's attention on the virus. There has been almost nothing in the media about the negotiations with the EU, and no debate in parliament. The formal position of the Labour front bench is to hold Johnson to the Political Declaration which he signed in October, thus in effect remaining in the Customs Union. This seems to me a principled demand, and one that could convince Leavers given that Johnson himself signed up to it. But Starmer has said nothing about this in public, has not informed party members of this line, let alone educated them about the issues involved. This silence needs to change. We need an imaginative and broad campaign of the trade unions and the Labour Party to convince the public of two arguments. First, to maintain regulatory alignment with the EU on labour conditions and the environment. Second, to prevent the destruction of jobs in manufacturing, farming and sections of finance and business services. This campaign needs to start now.

Jolly, J. (2019) If the Brexit debate is over, then the problems for the car industry are only just beginning, *Observer,* 15 December

For a longer version of this argument, see
http://www.jamiegough.info/sites/default/files/downloads/Fuck%20business%20HG%2011-19.pdf

This piece was published on the Socialist Resistance website 14 August 20