

# PRIVATE PORTFOLIO MANAGERS INSIGHTS INTO BREXIT

JANUARY 2020



## An exclusive discussion with The Honourable Alexander Downer, AC

PPM, recently had the opportunity to speak to The Honourable Alexander Downer, AC to discuss his views on Brexit and the impact that it could have in 2020.

By way of introduction, The Honourable Alexander Downer, AC, is a well known Australian politician, between 1996 and 2007, Alexander Downer was Australia's longest serving Foreign Minister. He subsequently became Special envoy to the United Nations General Secretary on Cyprus until 2014, when he was appointed Australia's High Commissioner in London. Today he is Executive Chairman to the International School of Government at Kings College London. In January he spoke to PPM exclusively.

**Q: Britain is due to leave the European Union (EU) on 31st January, how do you see Brexit unfolding from then?**

**A:** Yes the United Kingdom (UK) will leave the EU. But between 31st Jan and 31st of December they need to negotiate their trade and other arrangements. And as with all negotiations with the EU, they will become fairly fraught and angry and there will be all sorts of threats. But in the end they'll cobble together some sort of agreement and Brexit will be done.

**Q: You say they may be 'fraught and angry'. Why?**

**A:** The EU doesn't have anything like the negotiating position it had under Theresa May. Under her, even in the early stages, the Conservatives had a majority of 15. That meant that you didn't need many rebels to destroy the Government's majority. The EU's negotiating position with the UK was very powerful, so they could play off the various factions within the Conservative Party. But that's all gone now. With a majority of 80, Boris will just



be able to say 'No! We won't make an agreement which we can't live with'. So they'll make an agreement by the end of the year. Of course they will!

**Q: So you would agree that Boris Johnson is a tougher nut for them to deal with.**

**A:** Much tougher! Boris doesn't have all of the top qualities of leadership, but he has some of them. He has a huge intellect, a capacity to absorb and understand information. He has charisma with the public. You notice him! All around the world people know who Boris Johnson is.

And the third thing about him, which I hadn't realised: he's quite ruthless. When he became Prime Minister half of the cabinet resigned or were sacked. And his ruthlessness will be very important during his negotiations with the EU.

**Q: Post Brexit; Australia will have to sort out its trade agreements with both Britain and the EU. With the 2nd biggest economy in the EU just walking out, will we see the great European Union start to crumble?**

**A:** This is a huge problem for the EU. There's been almost no focus on this by the media. And do you know why? Because journalists think Brexit is a mistake. And so they have basically focused on what they perceive to be the costs to the UK. But they haven't really done any analysis on the costs to the EU.

The EU's economy without the UK will be smaller. And that will matter. It's also the second biggest country in terms of population. 50% of all Chinese investment in the EU is actually in the UK, and it's the same with India. The UK is the most globalised country in the EU. It's also the most trans-Atlantic. It is also the country with the most 'soft' power. Take the UK out, and the EU will be less globalised, more introverted with substantially less soft power.

If you take the world's top universities, other than American universities they are British. There are one or two in the EU, but the great Universities of Europe are in the UK. This is all part of the soft power that you're taking out of the EU.

**Q: You'd have thought EU leaders would have given some thought to this?**

**A:** The leadership of the EU will think that without the recalcitrant British, who never really fitted into the EU, 'we can now move forward with our ever closer union and greater integration.' Well I tell you what! That's not going to work. Macron may drive that line, but the punters out there won't buy it. And in central and eastern Europe, Hungary, Poland and so on, those countries won't have a bar of it. The EU is not going to disintegrate, but I think that it will be substantially diminished.

It's one of the reasons I think Angela Merkel has been a disastrous chancellor, not the hero the media make her out to be. Because one of the things she did was let Jean Claude Juncker become president of the European Commission, a man not remotely up to the task. He took an arrogant approach towards the UK. If the UK wanted to leave, they were not prepared to make many concessions to David Cameron before the referendum. As a result the referendum was lost. They lost the UK. That's a huge loss.

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