Brexit – the continuing process

2017 has been another busy year for our politicians. Here we have collected our blogs written over the course of the year showing how thinking on Brexit has developed as time goes on. We consider various scenarios as time moves on and ideas, and the negotiations, continue to flex.

Brexit – May We Live In Interesting Times

The Times they are a'changing….

In my blog of 30 November 2016, "Hard Brexit – Evolving Scenarios for Brexit
I identified three distinct key drivers of uncertainty:

- The way events play out in the UK – the debates between "hard" and "soft" Brexiteers, and the outcome of litigation over the role of Parliament in invoking Article 50, and the state of the UK economy and economic confidence
- Events in Europe – debates between those in favour of compromise and those unwilling to make concessions, influenced by political and economic developments within the EU
- External events – in the USA, Russia and elsewhere, and in the global economy and global trade

Subsequent events have highlighted the degree of uncertainty. Whilst the UK Government has clarified to some extent its aspirations for the post-Brexit UK, and the UK Parliament seems set to approve the invocation of Article 50, thus beginning the formal process of Brexit, developments elsewhere have muddied the waters.

Brexit, USA

The arrival of President Trump has marked a huge shift in the US Government's attitude to Europe. For many decades, the USA has encouraged and supported the development of the EU. President Obama warned that post-Brexit Britain would be "at the back of the queue" for a trade deal with the USA, and he pursued the TTIP trade agreement with the EU. By contrast President Trump has praised the UK referendum vote to leave the EU – calling it "so smart" – whilst criticising what he sees as the German domination of the EU, and musing on the likelihood of its breaking up in the near future.

President Trump's "America First" line on trade, and hostility to the EU contrasted with the emollient tone struck by UK Prime Minister Theresa May in her speeches at Lancaster House and Davos last month.

A View from the Med

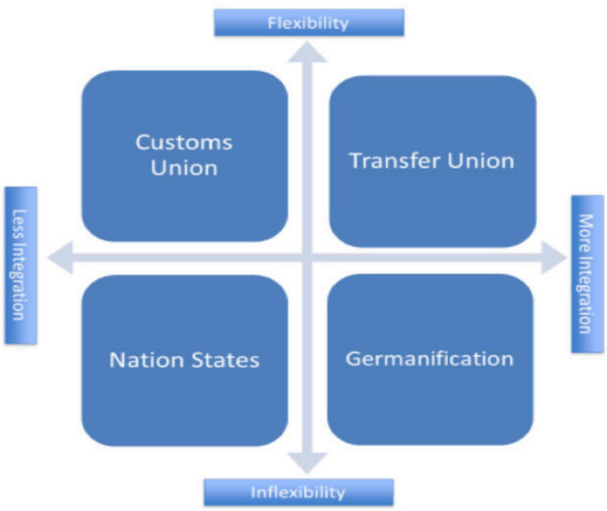
On 26 January, I attended a seminar arranged by Macrogeo Consulting and the Italian Embassy in London on “The Future of Europe post-Brexit and post-Trump”. The speakers were very much part of the Italian Establishment, including the Ambassador himself, and former Prime Minister and EU Commissioner, Mario Monti. The view expressed was surprising, and exemplified the extent to which Brexit is taking place in a rapidly-changing world.

The argument presented was that the EU is facing stresses and challenges that cast doubt on its continued existence – at least in its current form. The challenges include:

- Failed states, beset by war and terrorism at Europe’s eastern and southern borders
- Surging population growth in Africa – with an average age less than half the EU’s
- The vulnerability of poor and failed states to even modest climate change
- The prospect of mass migration triggered by all three of the above factors
- The rise of Russia and Turkey as disruptive influences on the EU’s eastern borders
- The advent of a protectionist and Eurosceptic US Administration
- The internal economic stresses within the EU, with the debtor countries mired in recession, whilst Germany runs a current account surplus with its neighbours

The view presented by Macrogeo was that by the next Electoral Cycle (ie 2021-22) the EU will be in its death throes. They saw the possibility of a new core, with Germany at its centre, accompanied by the countries of Northern Europe (including Scandinavia and the Baltic countries) and most of the former Warsaw Pact countries, and probably France. They foresaw the other EU countries (including Italy, Greece, Spain and Portugal) forming an outer circle, outside the single currency, but within the single market; and “European Common Space” beyond that, including the UK, Ukraine, Turkey and other non-EU member states.

They posited four possible scenarios for the core, as set out below ranging from a Transfer Union (implying full fiscal and political integration), or a Customs Union, as now, to a loose confederation of sovereign nation states, or a German-dominated Union.



What was clear from this was that they did not see Brexit in terms of the UK departing from a durable and stable union. Rather, they saw Brexit playing out as part of a transformation in the EU, driven both by external pressures and internal imbalances that will at best lead to a realignment, and at worst to an anarchic break-up.

What does this mean for Brexit? We will have to see: but it is clear that at least some key European players are thinking about the strategic challenges and options for the EU itself. Their response to Brexit will – to some extent be influenced by their view of the EU's best response to its own challenges. For example a hostile America and Russia may make an amicable settlement with the UK more desirable. Whilst the pressures of inward migration from Europe's eastern and southern borders may drive the EU to press hard for open borders or may cause fragmentation within the EU as it seeks to negotiate a mutually acceptable deal.

The uncertainty will continue, as will the need to think flexibly about future scenarios. And events, especially in these interesting times, will continue to change the landscape even as the game plays out.

Written by David Lye, SAMI Fellow, published February 8, 2017

Cities Outlook 2017: Brexit and devolution

The **Centre for Cities**, a research and policy institute aiming to improve the economic success of UK cities, has just published its 10th annual analysis of economic data for the UK's 63 largest towns and cities. To mark the occasion they held a briefing session and discussion at London's City Hall.

Their **Cities Factbook** provides a wealth of data on the characteristics of places as different as Worthing, Belfast, Sunderland and London. An invaluable resource for researchers in the field. The accompanying Cities Outlook report includes 18 tables of comparative analysis of the towns and cities, covering areas such as employment rates (highest, Crawley), wages (London), inequality (most unequal, Oxford and Cambridge) and CO_2 emissions per capita (lowest, Chatham).

Perhaps more interestingly, the report also looks at the geography of exports in the run-up to Brexit. It reports on particular issues facing 'one-company towns' in the UK – the most extreme being Sunderland. The destination of exports is also analysed – 70% of Exeter's exports go to the EU, while 46% of Hull's go to the USA. The EU is the largest export market for almost every city, 46% of all cities' exports are sent there. There is a divide between services and goods exports -with many goods coming from the North, and services from the South.

The election of six new metro mayors in 2017 represents a new level of devolution that could address the apparent disconnect from government apparently felt by many. The new mayors' powers (although not all the same) should enable them to tackle the particular challenges and opportunities in their areas. The leads on to advocating a "place-based" industrial strategy.
The discussion session was opened by Stephanie Flanders, ex-BBC economics editor, Chief Market Strategist at JP Morgan and Chair of the RSA Inclusive Growth Commission. She also reviewed the relationship between productivity and place and the fact that regional variations meant a need for a granular strategy. She also opened up the issue of "place-based" budgets as a way of improving the efficiency of local spending.

Marvin Rees, Mayor of Bristol, extended the debate to cover the diversity of cities, highlighting the number of languages spoken in Bristol. He is also a member of the Global Parliament of Mayors, and is very active in bringing UK city leaders together to lobby for common causes – control over local budgets being high on the list. He highlighted the dilemma that arguing for a particular city's needs tends to be sub-scale, while bringing them together risks division in what can be seen as a zero-sum budgeting game.

Martin Reeves Interim Chief Executive, West Midlands Combined Authority made similar points about the opportunity of a "place-based" industrial strategy and was looking forward to the opportunities offered by devolution.

In the Q&A that followed there was much discussion of local finance, either through regional banks, municipal bonds or local tax-raising powers (eg business rates). It was felt that SMEs in particular were getting a poor service from the finance sector. Marvin and Martin were (unsurprisingly) keen, as is Sadiq Khan, on local tax-raising powers, but Stephanie Flanders argued only for local spending powers on the grounds that some cities would not be able to raise as much as others.

The relationship with Brexit was also a major concern, requiring close communication between Government and the cities. Marvin said that, immediately after the vote, Bristol set up a working party to identify the local implications and submitted a detailed paper to Liam Fox – but they have yet to get a reply.

The issue of “post-code lottery” emerging from “place-based” spending plans didn’t come up – but must surely be of concern to many. The technological challenges of AI and robotics will also affect cities differently, and should be high on mayors’ list of issues to address.

Written by Huw Williams, SAMI Principal, published February 16 2017

What Price Brexit?

Following the UK General Election on 8 June 2017, David Lye, Director and Fellow of SAMI, considers the options for Brexit

Where are we Starting From?

When she called the General Election in April, Prime Minister Theresa May said that she saw it as the way to "provide for stability and certainty". Events have not worked out as she hoped. After the Election, she presides over a minority Government, reliant on the Democratic Unionist Party (DUP) of Northern Ireland. She does not have the Parliamentary majority to drive through a Brexit deal against the wishes of the other parties.

What Options are there?

Mrs May said of Brexit, in her party's manifesto, that the UK would leave the single market and control its own borders, concluding:

"The final agreement will be subject to a vote in both houses of parliament. As we leave the European Union, we will no longer be members of the single market or customs union but we will seek a deep and special partnership including a comprehensive free trade and customs agreement. There may be specific European programmes in which we might want to participate and if so, it will be reasonable that we make a contribution. We will determine a fair settlement of the UK's rights and obligations"

She repeated her warning that "no deal would be better than a bad deal".
Mrs May's failure to win a clear majority jeopardises this strategy. It is not clear whether the DUP will agree to support leaving the single market, let alone walking away from the table with no deal. They are concerned at the potentially damaging impact on trade and security in Northern Ireland if border controls are imposed once more between it and the Irish Republic. It is not even clear that Mrs May will have the full support of her party for such a strategy. Ruth Davidson, leader of the Scottish Conservatives has warned that Mrs May's plan for Brexit needs to be "reopened". Ms Davidson says she would like to see a focus on the economy and free trade, and does not see migration controls as a key focus.

So where do we go from here?

Scenario 1 – Press on Regardless

The Government decides to press on with its original negotiating strategy, in the belief that the majority of the UK electorate share the view that "Brexit means Brexit". Mrs May (or her Eurosceptic successor as leader, should she be forced to resign) decides that there is no option other than to "go for broke".

Under this scenario, it is not certain that the Government would get the support it needed to win a vote in Parliament. At which point, we would face the prospect either of putting the "deal" to a referendum, or another General Election. Were the

Government to hold a referendum and lose, the Government would probably fall in any case.

Scenario 2 – Soft Brexit

The Government decides that discretion is the better part of valour, and seek a deal that enables Britain to retain access to the single market, perhaps through membership of the European Economic Area (EEA) – the member states of the EU, plus Norway, Iceland and Liechtenstein. The UK would, no doubt, try to seek a preferential deal, but it is hard to see that it would get one, if the EU felt sure that the option of "no deal" was no longer attainable for the UK Government. The Norway option is the deal on the table.

This option is easier to negotiate with the EU members, and many commentators welcome it, but it enrages a substantial group of Conservative MPs and the majority of party members, who refuse to support it, leaving the Government dependent on votes from Opposition parties to secure Parliamentary agreement. It might even, like the Repeal of the Corn Laws in 1846, split the Conservative Party in two.

The Government seeks to mitigate this risk by saying that it sees this as "unfinished business", and will – at some point in the future – seek to achieve a better deal for Britain, in the circumstances of the time.

This causes much head-shaking and eye-rolling in the EU – the UK once more seeking special treatment. The EU refuses to offer any guarantees. So the issue is parked. There is a Soft Brexit, but still with the potential to reignite at some point in the future.

Scenario 3 – Not going anywhere

The Government recognises that Hard Brexit is no longer achievable, and that Soft Brexit would cause civil war within the Conservative Party. It therefore seeks to suspend Article 50, and thus stall negotiations until it has had time to consult with Opposition parties on an approach that all can support.

During this pause, the Government falls on a confidence vote in Parliament. There is a General Election, which sees the Labour Opposition elected. The incoming Government has said throughout the campaign that it "respects the result of the referendum". But it also recognises that it has been propelled to power on the massive numbers of votes of the young, who overwhelmingly oppose Brexit, and have said so vociferously through online petitions, social media memes and via social media-based news forums.

The Government announces that it will consult the country on how to take things forward. After a round of public meetings, polling, and a written and online consultation, it announces that there is no longer a clear case for Brexit, and public support appears to have waned. Therefore it will not seek to reactivate the stalled negotiations.

Scenario 4 – Events, dear boy

The negotiations regarding Brexit are superseded by other events. Within the EU, proposals to accelerate integration lead to a rift between the “core” countries (the original members) and the accession countries. Or the ongoing debt crisis comes to a head, as Italy demands substantial easement of the terms of its debt.
To the EU, Brexit is now an unwelcome distraction; the dispute over integration and/or Eurozone debt are far more pressing and important. To Britain, the problems in the EU give renewed hope and encouragement to the hard brexiteers, who argue that the whole institution is facing an existential crisis, and so there is little to be gained by remaining within the EEA.

Alternatively, renewed hostilities between Russia and Western Europe, an upsurge in terrorism, and the arrival in 2020 (or before) of a pro-EU American President, persuade the UK Government that it needs to remain actively engaged with its European partners.

Conclusion

It is impossible to predict with any certainty the outcome of Brexit from where we are today. But the scenarios do support the view that the passage of time opens the way to a wider range of possibilities that simply “Hard” or “Soft” Brexit.

Written by David Lye, SAMI Fellow, published June 14, 2017

Business and Brexit – what now?

It seems that every time one stops to examine the process of Britain leaving the EU, the matter gets more imponderable. Every statement by ministers is minutely analysed; minute changes in phrasing are dismantled for hidden meanings; every hour seems to bring more analysis, which itself brings further confusion.

Business does not have time to wait. The departure from Europe will happen in March 2019; EU states will need six months for ratification (October 2018). Companies will soon be starting their 2018 budget process with no certainty whatsoever on the results of the negotiations. Business planning is about stability and opportunity; and there is no stability, and no proof of opportunity in the post-Brexit UK.

In the absence of security in the future, businesses are making their own plans: EasyJet is setting up in Vienna, Bank of America and others in Dublin; and Frankfurt is to become an expanded home for Morgan Stanley, Citigroup and Deutsche Bank. The list will keep growing.

Recent lessons from central Europe

In mid-June, I was in Vienna as co-speaker at a series of round table events on Brexit with government, corporate and regulatory bodies; trying both to explain the British decision and chart ways forwards.

A number of conclusions:

- The referendum result remains incomprehensible to Europeans, and to European business;
- Europe has moved on. Britain is no longer considered to be part of the "EU28", which is temporarily the EU27+1; the real concern is with Europe's future;
- The British negotiating positions as set out are almost entirely unacceptable to the EU. Not "unacceptable" in a British sense – changeable with reasoned argument – but "unacceptable" in a very Germanic sense – they are simply not acceptable, full stop. The UK has little to offer in return of concessions it is requesting.
- European business is sanguine about losing access to the UK market post-Brexit, since it is confident of developing other markets both internally and worldwide.
- The UK has lost its reputation for pragmatic, considered thought; it seems from outside to be a divided nation going through a form of national nervous breakdown, responding to the same distinctive Anglo-Saxon version of nationalist populism which gave rise to Donald Trump.

Brexit modelling

At SAMI, we have posited a range of post-Brexit scenarios for the UK and Europe:

- Canada model: very relaxed and open relationship, many open border attributes
- Mexico model: generally friendly, immigration constraints, stricter regulatory requirements
- Cuba model: formal embargoes and mutual distrust

Joe Ravetz's blog posts on this site proposed a "28 Months After" range from, essentially, societal collapse to a flourishing EEA relationship in a harmony of nations.

Which of these scenarios, if any, look more likely in the light of our findings from Europe? The local variables are quite daunting enough, but one must also bear in mind the more macro ones – an unpredictable USA setting its face against international institutions, a Russia which is more openly adventurous after its invasion of Ukraine and its involvement in Syria, climate change and its effect on migration patterns, and a rise in cyberwarfare. These larger elements are outside the control of the negotiating parties, but their effect may echo into their respective priorities.

Coupled with a weak UK government surviving on a supply and confidence agreement with a minor party that itself has mutually conflicting aims from the Brexit process, it can seem as if the future is entirely unpredictable. But let us try.

Options for the future

The Labour party has explicitly said that "*Labour must evince a positive vision for the future of our country outside the EU. One that is consistent with the leave voters' objectives…*". Since that is now the position of the government and opposition parties, we can say that remaining in the EU is not going to be possible. We are then faced with a range: from no deal (the Prime Minister has consistently said that "*no deal would be better than a bad deal*") to a "soft Brexit" Norway option, with EEA membership and essentially an associate membership of the EU – our Canada model.

It seems to me that the Norway/Canada option is optimistic. It retains too many of the leavers' red lines. However, (a) the pattern of the negotiations to date has been that the EU has had the upper hand (David Davis' failure to produce "the row of the summer" over the process of the talks), and (b) the Repeal Bill implies the acceptance of EU law into UK law, so it must be marginally possible that this option carries through. With the time pressure, it may be the only soft Brexit solution that is achievable.

What seems more likely is that the EU remains constant on its requirements. These requirements are unacceptable to the British side. No real negotiation is possible, and it becomes clear that the British will either have to agree to what Europe wants, or not. Britain would need a different government, and a different opposition, to agree to departure on these terms.

Without that change of government, and without an extension of the negotiation period, one option seems more possible: what, using our previous models, we may call Cuba plus – a Britain outside Europe, running under WTO rules, with hard borders. Membership of NATO remains the most significant link to Europe, coupled with some security-sharing protocols. A long and complex free-trade negotiation process begins with Europe, at the same time as UK attempts the same process with other nations.

It is no surprise that business is already making its move.

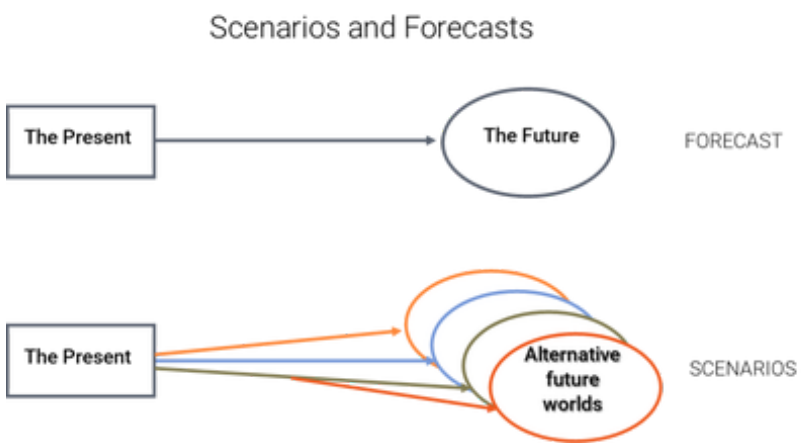
Written by Jonathan Blanchard Smith, SAMI Fellow, published August 9 2017

“Britain in 2030: Scenarios for post-Brexit Britain”

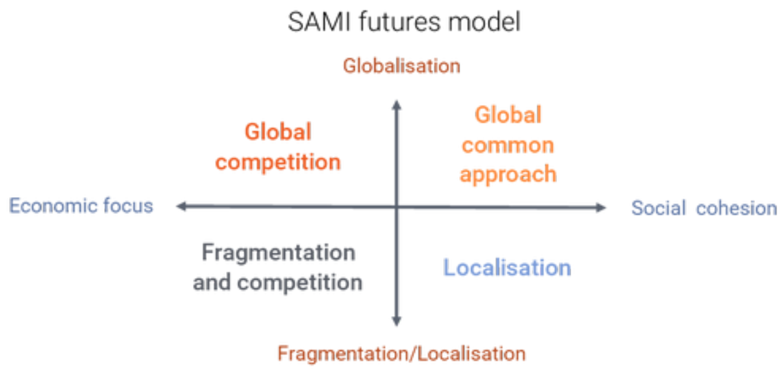
For party conference season, SAMI has produced “Britain in 2030: Four Scenarios for post-Brexit Britain”. Conscious that much of the conversation around the UK leaving the European Union is inevitably influenced by the various political positions of both sides, we wanted to allow policymakers to have an apolitical space in which to consider the possible futures for the country.

The UK does not operate in isolation, of course, so we were concerned with outlining some versions of what the world itself looked like, to provide context for the UK’s future. We will be covering this piece of work in this blog and the three following. This blog covers the methodology we used; the next one the two options best described as ‘globalisation, then ‘localisation’, and finally we will draw out some conclusions from the whole exercise.

A scenario is not a forecast: it is a tool for thinking, an assembly of evidence and imagination, projected forwards to enable anticipatory thinking and planning. Scenarios tend to avoid wide variations from the path as visible from the now, so we regret that we do not anticipate, for instance, radical variations from a reasonably wide cone of possibilities.



After some consideration we chose two axes to build up a model for our scenarios. Whilst of course there are many factors in the decision to leave the EU, we chose what seemed to us to be two clear contradictions: the drive to globalisation (open borders and international organisations) compared to the desire for localisation (closed borders and bilateral trade deals); and the increasing debate between the free market, economically focussed approach on the one side compared to the social cohesion approach on the other – essentially, neo-liberalism versus the Podemos approach. This gives us four distinct quadrants, allowing us to develop scenarios for each.



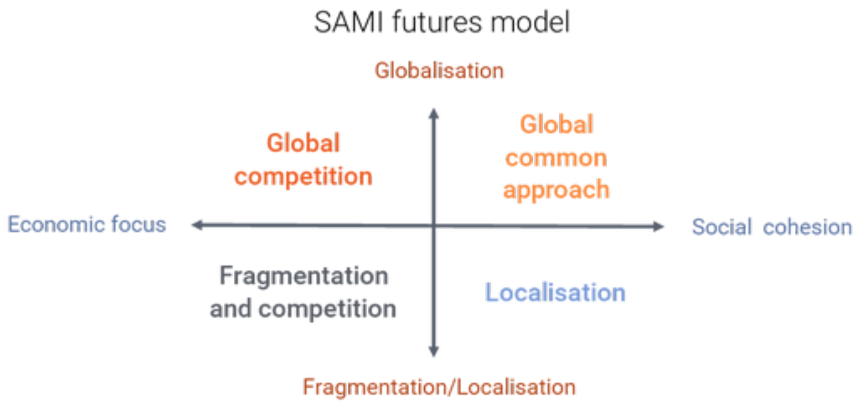
As we work through them, it will be clear that there are some recurring elements – and some which do not appear at all. Most obviously, this is a scenario set for 2030, and we have therefore not included climate change to any significant degree – the consensus is that this horizon is too short for major effects. We have, though, assumed a crisis of one sort or another in the near-medium term, though we have not specified it: it may be Brexit in itself; it may equally be another financial crisis or a geopolitical event. We have also assumed that the continuing development in biotechnology will continue, though we have located this development in Asia, partly to avoid it contaminating the model for UK and Europe.

Our next blog will examine the two quadrants above the horizontal axis – Global competition; and the Global common approach. We welcome your thoughts and comments.

Written by Jonathan Blanchard Smith, SAMI Fellow, published October 5, 2017

"Britain in 2030: Four Scenarios for post-Brexit Britain": the global scenarios

This is the second of a series of four blogs springing out of the work we did to produce our scenario set on Britain in 2030. Our first blog dealt with some aspects of the model; this one will address the two 'global' scenarios, to be followed by one addressing the 'local' scenarios. We'll follow it up with a set of conclusions.



It is not the role of foresight to be political; it is our role to envision options and possibilities which provide frames for thinking about the future world. Political in any case is subject to any number of interpretations, and operates in the widest number of public spaces. Whilst, therefore, the UK's decision to leave is a political one, and the response to it will be framed in a political context, the impacts of that decision will be in real-world effects which can be imagined and assessed. It is important to note that we do not make political judgements in scenario planning: we look at the impacts of the political judgements which others make.

Since the global models share the assumption that the current pattern of national engagement remains essentially focused on world trade, and the continuation of a global political outlook by the major powers and international bodies, the key distinction is between a synergistic and competitive approach to that global outlook.

The 'global common approach' quadrant is a development of the post-financial crisis, pre-Brexit world. It is convenient to think of it as international cooperation with a dash of the Olympic spirit: peoples working in harmony for a common aim and with common ideals. That implies a strengthening of international bodies – the UN, the EU – and of links across those bodies. Global governance improves, and governments work with each other in a spirit of mutual support. We would anticipate a growth in economic and social development; shocks to the world financial system would be smoothed out, and liberal values of equality and access to employment would continue to increase. The corollary is that free movement of people and capital would also be improved.

In this model, the UK would play an important part, since its constants of the English language, a trusted rules-based system, and an open, external focus would enable it to trade widely and smoothly. Negotiations with the EU would have resulted in a replicable model of frictionless trade, coupled with a movement of people almost identical to that prevailing before Brexit.

Pressure points would include aging populations in the west, encouraging immigration; the continuing rise in cyber crime as the world becomes more connected; and an increased focus on governance which may look like overheavy control on free enterprise.

The ‘global competitive’ approach is very different: against the Olympics, we have the international football competitions – teams of people competing against each other to gain and maintain dominant positions with little co-operation between the teams except in agreeing the basic rules of the game.

The international cooperative structure is therefore predominantly governed by an interlocking and frequently changing series of bilateral agreements, where nations attempt to gain the best possible deal for themselves, not for the community in large. Stresses and strains inevitably build up along the fault lines of those agreements. Migration is now based on national advantage – those people who have skills are in demand; those who do not have the skills needed by one nation or other are excluded.

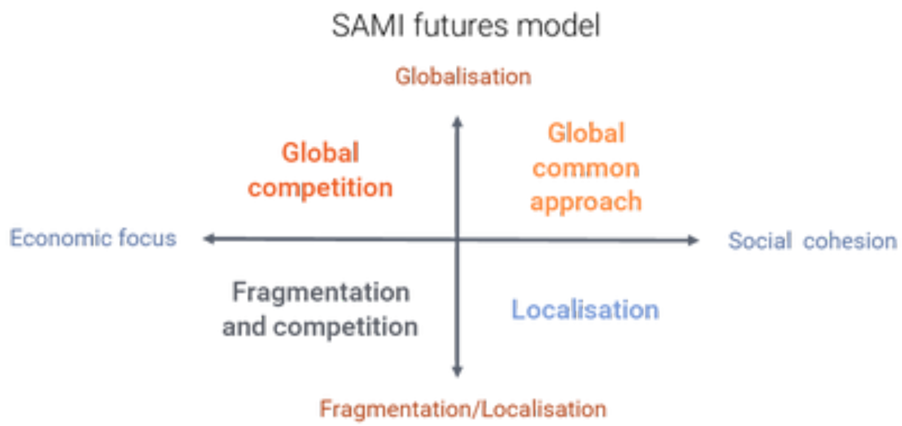
Existing federal structures, especially Europe – and in this model we imagine that Scandinavia develops in its own way – become fortresses, both economically and in reality. Such matters as cyber security become more important as standards (and hence the ability to defend against attack) are regionalized. The desire for competitive advantage reintroduces subsidies for industry and technology development, and tariff barriers become significant. Developing countries would be locked out of the profitable markets behind these walls, though this may lead them into more effective regional alliances to develop the scale they need to be able to compete on the world stage.

For the UK, being outside the EU forces it to engage, rapidly, with bilateral deals to maintain access to markets – and, importantly, access into the UK of the imports it needs to maintain the local standard of living. This world looks more ‘capitalist’, but for Britain, it should contain opportunities – though they will have to be fought for.
Our next blog looks at what happens in a world where localization, not globalization, is dominant; one in which our scenarios look very different.

Written by Jonathan Blanchard Smith, SAMI Fellow, published October 11, 2017

“Britain in 2030: four post-Brexit scenarios”: the localisation scenarios

This is the third of a series of four blogs springing out of our scenario set on Britain in 2030. Our first blog dealt with some aspects of the model; we then addressed the two ‘global’ scenarios, and this one deals with the ‘local’ ones.



In our last blog we said, “It is not the role of foresight to be political; it is our role to envision options and possibilities which provide frames for thinking about the future world.” We know that our scenarios will be interpreted politically – indeed, the previous blogs have been – but it is important to note, again, that we do not make political judgements in scenario planning: we look at the impacts of the political judgements which others make. Scenarios, particularly ones based as this set is, on balanced axes, have the advantage that they reflect all sides of a position in broad. Whilst there will inevitably be other factors in play, including Taleb’s ‘black swans’, axis based modelling at least allows for an examination of a position in the round.

The globalisation scenarios in the previous blog looked at developments of the world as it currently is: aspects of a globalised world where globalisation itself can take two divergent paths. The localisation models assume that that path is, essentially, rejected because of our projected near term “global crisis”, and the world order develops along more fractured lines.

Our “localisation” scenario prefers social cohesion over competition in a patchwork world. Globally engaged players become more inward looking – and especially we see the US giving up its role as global policeman – and migration barriers increase. Trade and other international agreements are built around a patchwork of one-to-one bilateral agreements. In particular, this affects those issues where wide international agreement is necessary to keep a policy effective: climate change would be the greatest impact here as international climate agreements become more difficult to sustain.

Social cohesion improves: communities of interest and civil society generally gets a big boost, as people look to use technology to develop alternatives to big corporations, take ownership of their own data and develop alternative currencies. Society becomes more diffuse in the absence of strong central governments and companies but it also becomes more bonded across interest groups. Entrepreneurs can gain economic and political power, though there is a tendency to prevent it from being centralised in too few hands – something replicated in governments, as some states fragment into their smaller constituent parts.

The UK's decision to leave the EU is less relevant than it at first appeared – the country becomes one amongst many, suffering as the EU's cohesion diminishes but benefitting in its ability to be part of the prevalent bilateral agreement model. There is a distinct possibility that the Union will break down as the various constituent parts choose to go their own way.

When we move from the social focus to an economic one (the scenario called "Fragmentation and competition"), we see a number of differences. Europe maintains coherence at its core, but it is the coherence of a fortress. Borders are tight. Competitive advantage is all; competition from low-wage economies continues to drive down real wages in advanced economies, but also promotes the development of new technologies – which are closely protected by patent barriers.

The impact of our postulated crisis leads people to draw different lessons. Competing systems with different tolerances for threats such as systemic collapse and cyber-attack avoid the risk that centralised economic and political systems can collapse, but those competing systems compete with each other for advantage. This is not just financial; corporations increasingly want to be in low tax communities with low legislative burdens, so governments respond by lowering corporation taxes, and loosening laws on the protection of workforce rights. The impact on tax revenues affects states' ability to deliver on the "cradle to grave" welfare system. Automation lowers costs, but drives people out of work, and internal cohesion suffers, though the grey economy provides an element of informal employment. Migration of the highly skilled becomes easier; of the lower-skilled more difficult.

Trade is the tool for diplomacy; trading blocs with large consumer bases and substantial low cost manufacturing, such as China and India, are confident players on the world stage. Smaller countries focus on a narrow range of specialisms.

For the UK, pinned between fortress Europe and an inward looking US, competing as a global player is difficult except in very specific areas – education, financial services, aviation and some specific high technology applications becomes key to the economy. Tourism is no longer about 'cool Britannia', but the "heritage theme park" of history and tradition. Benefitting also from its language and still respected legal system, the "British model" of tight industrial focus, low tax and regulation, and determined international trade negotiations, becomes one other smaller countries work hard to replicate.

The localised world is "harder" than the globalised one. The liberal mantras of the post-war settlement have broken down, and the world is more competitive, less cooperative and in many ways harsher. But there are places in it for countries to succeed – though whether those countries are all the ones we are currently used to is somewhat moot.

Our final blog in this series will seek to draw some conclusions – common themes, and common differences, and try to draw together what the world, specifically for the UK, will look like in 2030.

Written by Jonathan Blanchard Smith, SAMI Fellow, published October 18, 2017

Could 2018 Be The Next “Year of Revolutions”?

David Lye, Director and Fellow of SAMI, looks at the historical precedents and the drivers that might lead to a “year of revolutions”.

When Revolutions Happen….

They tend to happen in clusters. The French Revolution of 1789 inspired radicals across Europe. In 1830, revolutions in Belgium and France helped to inspire uprisings in Switzerland, Poland and Italy. In 1848, revolutions in Sicily and France led to uprisings across Europe: Austria and its Habsburg dominions, the German states, the Italian states, Denmark and the Netherlands. The Russian Revolution 0f 1917 both inspired revolutionary movements from Europe to Outer Mongolia. 1968 saw protests in the USA, France, Northern Ireland, Mexico, Brazil, Czechoslovakia, Poland and Yugoslavia, as well as Chairman Mao’s cultural Revolution against his own Government in China. 1989 saw protests in Poland spread to Hungary, East Germany, Bulgaria, Czechoslovakia and Romania, all inspired in part by the student uprising in Beijing. In 2010/11, the death of a young man in Tunisia triggered uprisings in that country, and in Libya, Egypt, Yemen, Syria and Bahrain, as well as large protests in a number of other Islamic countries.
Revolutions do not always succeed, and even when they manage to usurp the existing power structures, they do not necessarily resolve the problems that caused them. The uprisings in 1989 were directed against the regimes created by previous revolutions. And in 1848, the French people ejected the monarchy that itself had been installed after a revolution only 18 years previously.

For the purposes of this blog, the term revolution includes both completed revolutions, and major uprisings, which may not succeed.

Why Revolutions Happen

The demand for political change becomes revolutionary when those demanding change feel the “push” factor of intolerable circumstances, and the “pull” factor of a combination of a sense of their own strength, and of the decadence and weakness of the powers that be.

The push factors can be economic – desperation due to famine and economic depression across Europe was one cause of the 1848 revolutions, and economic problems helped to drive the revolutions of 1989 in Eastern Europe and the Arab Spring.

A desire for self-determination, allied to a lack of identification with the ruling powers is often a factor. The revolutions in Belgium and Poland in 1830, and across Germany, Italy and the Habsburg dominions in 1848 were strongly nationalistic in many places, as were the 1989 uprisings against the USSR.

The generation gap is often a factor, as it was in China in both the Cultural Revolution and the Beijing spring, and in the USA and Paris in 1968, where young people, students and the urban poor, fought against what they saw as a corrupt, out-of-touch and elderly elite.

External influences can also have an effect. In the febrile atmosphere of a revolutionary "zeitgeist", these influences tend to be greater.

Drivers of Revolution Today

In the West, Governments failed to foresee the Financial Crash, and the recovery from it has been weak or, in some places, non-existent. But a very narrow elite has prospered, while a much wider section of the population struggles to find and hold on to work, and to maintain its standard of living.

In Europe there are regions demanding autonomy within nations, and tensions between some nation states and the EU. Mass-migration (or perhaps more accurately, the fear of it) has added to these tensions in many places. In the USA there is increasing polarisation, with the white working class, urban minority ethnic populations, and the educated young all feeling different forms of alienation and disconnection from the rulers and the big corporations.

Even Russia, which projects strength beyond its borders, suffers from a weakening economy and disaffection among its educated young people, with street protests taking place for the first time for several years. Rapid population growth in Africa will unleash social and economic tensions. There is plenty of unfinished business in the Islamic world, and South America too faces uncertainty and social, political and economic pressures.
Throughout the world, the increasing access to instant news and social media around the world increases the pace at which uprisings can gather support and momentum.

The 4th Industrial Revolution – even if its long-term effects are beneficial, as we hope – will create extra instability and jeopardy for workers in the short-term, and might very well increase the concentration of wealth into fewer hands. The use of quantitative easing to stave off a repeat of the Great Depression may have been partially successful, but leaves the global economy and the economic powers with unprecedented levels of peacetime debt.

The Revolution Starts Here?

The push factors are in place – economic precariousness, desire for self-determination and nationalist movements, a generation gap in terms of wealth and expectations. The years since the Financial Crash have seen the rise of outsider politics – the Occupy Movement, individuals such as Bernie Sanders and Jeremy Corbyn, new parties such as Syriza, Podemos, Cinque Stelle, and, most spectacularly, election winners: Donald Trump and Emmanuel Macron. There has also been a rise in nationalism – with nationalist parties taking a growing share of the vote in almost every European Country, and independence movements in Scotland, Catalonia, the Basque Country, Galicia, Corsica and Flanders – there is even an embryonic Californian secessionist movement: a response to Donald Trump's winning of the Presidency.

If the pull factors apply: if the powers that be are incapable of restoring a sense of economic and social security, and the outsider politicians are seen also to fail to provide solutions, and the protest movements continue, what then?

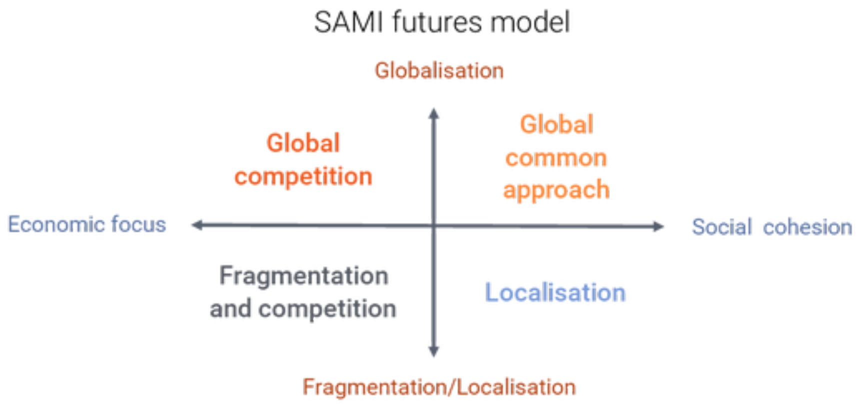
As good futurists we deal in scenarios and ranges of possibility, NOT predictions, and this blog is not a forecast. But if 2018 joined 1830, 1848, 1968, 1989 and 2011 on the list of years of global uprisings, it would not be a huge surprise. The news reports and coverage on social media of the events in Catalonia this month may be a portent of things to come.

Written by David Lye, SAMI Fellow, published October 25, 2017

"Britain in 2030: four post-Brexit scenarios": conclusions and questions

Our publication of "Britain in 2030: four post-Brexit scenarios" came as the UK was well into its negotiations with the UK about the shape of the terms of disengagement. The Brexit process remains in as much flux today as it has done since its beginning. Two entirely different negotiating tactics, the Europeans approaching with clearly laid out, published and agreed positions shared amongst the 27 member states, and the UK with a more flexible yet secretive approach, have often led to public confusion at the direction of the talks. The marginal success of the Leave side has encouraged, rather than quashed, internal debate within the UK, and within its political parties. This debate continues, and the negotiations remain opaque to outsiders.

Our concern, however, is not with the terms of the final deal; it is with what the world will look like for the UK long after the disengagement has happened.
Our model opposed globalisation with localisation, and an economic focus with social cohesion, to produce a scenario set for modelling the future. In this piece, we review the implications of those scenarios for the UK itself.



SAMI futures model

We offer no political opinions in this paper, nor do we attempt to predict a single outcome. What we have done is project a set of scenarios which encompasses the broad range of potential outcomes, and their implications. They will neither be as bad, nor as good, as their various supporters and opponents wish or expect. This is intentional – we are, as it were, operating at the centre of the Bell curve, not at its tails.

Our UK-specific conclusions were as follows:

Global common approach

In this model, the UK would play an important part, since its constants of the English language, a trusted rules-based system, and an open, external focus would enable it to trade widely and smoothly. Negotiations with the EU would have resulted in a replicable model of frictionless trade, coupled with a movement of people almost identical to that prevailing before Brexit.

Pressure points would include aging populations in the west, encouraging immigration; the continuing rise in cyber crime as the world becomes more connected; and an increased focus on governance which may look like overheavy control on free enterprise.

Global competition

For the UK, being outside the EU forces it to engage, rapidly, with bilateral deals to maintain access to markets – and, importantly, access into the UK of the imports it needs to maintain the local standard of living. This world looks more ‘capitalist’, but for Britain, it should contain opportunities – though they will have to be fought for.

Localisation

The UK’s decision to leave the EU is less relevant than it at first appeared – the country becomes one amongst many, suffering as the EU’s cohesion diminishes but benefitting in its ability to be part of the prevalent bilateral agreement model. There is a distinct possibility that the Union will break down as the various constituent parts choose to go their own way.

Fragmentation and competition

For the UK, pinned between fortress Europe and an inward looking US, competing as a global player is difficult except in very specific areas – education, financial services, aviation and some specific high technology applications becomes key to the economy. Tourism is no longer about ‘cool Britannia’, but about the very thing Britain has in large quantities – history and tradition. Benefitting also from its language and still respected legal system, the “British model” of tight industrial focus, low tax and regulation, and determined international trade negotiations, becomes one other smaller countries work hard to replicate.

We have deliberately not included some elements which readers may expect to see in mid-term scenarios. The most obvious is climate change, and the associated impact of food and water insecurity, with their potential for migration and conflict. This is because it is not currently our view that climate change will have a magnitude-level impact within the period under discussion. Were we to extend the scenarios out to 2050, we would want to include it.

Our model worlds have many commonalities starting with a crisis which provokes significant change. We have not specified that crisis – it could be Brexit, it could equally well be a financial crash. The fact that it provokes change is what is important.

We do believe that developments in biotechnology and solar power fit within our end-date. The current development paths, especially in China and south-east Asia but also across the developed world, imply that there should be considerable impact from both.

Our divergences stem in the main from the axes we have chosen. These seem to us to be the most clear in the world as it is, and certainly those reflected most clearly in the political landscape within the UK and the world after the Brexit vote. Other oppositions would lead to other conclusions – there may be, particularly, value in this time span in considering international negotiation/militarism and wealth/poverty.

All four scenarios offer challenges. What the set shows, though, is that all routes also offer opportunities, even if some of them may seem to be somewhat disguised at present. We do not project likelihoods for any of the scenarios – they are tools for thinking and planning, rather than an attempt to confidently predict a specific future – and we encourage you to think about questions, and implications, for each one. We look forward to your views.

Written by Jonathan Blanchard Smith, SAMI Fellow, published November 1, 2017