

THE
ECONOMIC
CLUB OF
CHICAGO

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The Club was pleased to host the Right Honorable Lord Jonathan Hill for a Special Luncheon Meeting on November 25. Lord Hill is the former EU Finance Commissioner, a role in which he was responsible for financial regulation across Europe. Currently, Lord Hill serves as chairman of the Ditchley Foundation, an organization seeking to connect people from around the world to discuss and design a sustainable future for democracy, global markets and the Transatlantic alliance. James Arroyo, director of the Ditchley Foundation, served as the moderator for the Q&A session that followed Lord Hill's remarks.

Below are excerpts from the speech and Q&A session.

On the general view of Brexit in the UK...

“I would describe the overwhelming feeling in Britain, about Brexit, not as one of rage, but as one of boredom. That of course is a much more typical British reaction. People are fed up with talking about it, and it's of course precisely that mood which Boris Johnson is trying to tap into with his campaign slogan of ‘Get Brexit done.’”

On the state of British politics since Brexit...

“If my first point is that the UK is more resilient than we might look from the outside. It's nevertheless true that in the three-and-a-half years now, since our referendum in June 2016, we have certainly got ourselves into a political mess. So how did that happen? I'd say that there were three main reasons. There was a lack of honesty, a lack of leadership and the lack of numbers. On honesty, it was always clear that we could not leave the EU, having spent 40 years consciously integrating ourselves into it, without there being disruption and some economic and political pain. [...]Nor were our politicians ever honest about the fact that we faced some fundamental choices. What was more important? Maintaining frictionless trade with the EU or having more control over our own laws and borders? Did we want to remain close to the EU in terms of regulation and values or diverge from them? Instead of trying to answer those questions, we spent now over three years claiming that we can keep all the things that we like while getting rid of all the things that we don't like. Meanwhile, the EU side was very clear. Either you are a member, with the advantages and disadvantages that a membership brings or you're a third country, with all the disadvantages and advantages that that brings.”

On the political structure of the European Union...

“Before Britain voted to leave the EU, there was a strange balancing act, like a three-legged stool between Germany, the UK, and France. Far from having no influence in the EU, the UK actually had rather a lot of influence and we were an effective break on further integration. That was something that often suited

Germany rather well. But with Brexit, that strange balance has been disturbed. France and Germany have been driven closer together, which rather than making things easier, as you might imagine, has left the Germans feeling a bit more exposed and a bit more vulnerable to pressure for further integration. Because of Mrs. Merkel's political difficulties in Germany, it's now President Macron of France who's calling more of the shots in European politics. To put it at its most simple, without Britain as a member, the EU is becoming more French. At the same time, President Trump's strategy of seeking to divide the world into camps, his trade wars, his dislike of multilateralism and what one might call the rules-based liberal order, has provoked a corresponding response from the EU's side. So Brexit plus Trump has led to greater European self-definition and people are choosing sides.”

On what he foresees occurring this election...

“I'm going to stick my neck out and end with some predictions where I hope you will be generous and only remember the ones that I get right. Boris Johnson will win the general election. Britain will leave the EU. The EU will integrate further and become more protectionist. Over this coming year, the UK will be forced to choose between the EU and the US. Under Boris Johnson, we will end up choosing the [US]. Now, over the last 40 years, the UK has done a brilliant juggling act, managing to maintain a relationship with both the US and the EU, as a bridge between the two, to the advantage of both. My view is that one day we were going to have to make a choice of this kind in any case, but Brexit and Mr. Trump have brought the date of that choice forward, and this is the year that the UK is going to have to choose.”

On the impact of Brexit on Ireland...

“The people who have been most anxious about this whole process – because it's obviously the economy that is most affected –are the Irish. [...] They got very close to the point where the whole objective of the European negotiation was to force Britain to remain in the customs union and therefore protect the interests of Ireland. But actually they got perilously close to the whole thing collapsing precisely because of the question of the Irish border. The thing that they set out to avoid actually became the thing that they have embedded. [...] There is quite a lot that has been left to trust and hope that we will somehow manage to resolve this difficulty. So is there currently a clear legal economic solution that you can point to and say, ‘This is definitely going to work’? I'm not sure that there is.”

On the UK's future relationship with the EU...

“In order for us to have a grown-up relationship with Europe in the long run, we're actually going to have to leave, probably leave quite a long way, work through whatever is going to happen and then from a more mature point of view be able to establish a new relationship with Europe. The fact of where we are with our shared history, it seems daft that we don't have a close relationship, but I think we're going to have to have a more distant relationship before we one day end up having a close one again.”

Please note that the content of this program was edited and condensed for clarity.