Q&A-Jobs may migrate from UK to EU, U.S. post-Brexit, but not a sudden mass move; London to retain global status: George Bridges, Former Brexit Minister

Jobs are expected to migrate out of Britain post-Brexit to the European Union and the United States, but it won't be a sudden mass move, **George Bridges, Former Brexit Minister,** told the Reuters Global Markets Forum on Tuesday, January 12.

"London's weight and scale is not something that can easily be replicated," Bridges said. It’s a global centre - not an EU one.

Bridges said there were "massive opportunities" for London City and the UK financial services industry to gain from the digital revolution and green transition.

"(That's) not just in the EU, but globally," he said.

Following are edited excerpts from the conversation:

Q: What long-term economic fallout for the UK would you expect from the Brexit deal, considering doomsday calls of economic implosions or investment freezes after 2016 didn't really materialise?

A: Clearly there is going to be some disruption for businesses on both sides of the Channel - but nothing like what you might have seen if there had been no deal. That’s the short term. Medium term: UK businesses are going to have to get used to new processes as regards employees working in the EU - as there is no mutual recognition of qualifications - and also on processes like conformity assessment of products. Again, that will increase costs, but not on the doomsday scenario level. The interesting aspect of this is going to be financial services, which the deal does not cover, and the question here is whether more City-based business will go elsewhere because of that. But again, this will not be on the doomsday scenario level.

Q: What do you see as the long-term political implications post-Brexit for the UK? Would it isolate Britain from the rest of the world? Or is it at the vanguard of de-globalisation?

A: That depends on how the government - and successive governments - play it. I asked in a debate in Parliament last week whether the government here planned to chart a different course from the EU and diverge over time, or whether it was going to remain in the EU's orbit. The latter course will minimise future disruption and friction; the former course - going our own way - may well increase it but could make us more globally competitive.

My view: we need to become more competitive in today's digital and green world, and that means taking what action is necessary, even if that means more friction in time in terms of EU-UK trade. That’s especially so on financial services. Politically, that means the EU-UK relationship is going to be a major factor in UK politics. And - flowing from that - the relationship with EU will have an impact on politics in Scotland and Northern Ireland. I expect the future of the Union to become even more of a political issue this year.

To be in the vanguard of globalisation means embracing free trade, not putting up tariffs, not protecting UK industry, and not trying to hide under the duvet in terms of issues like embracing the gig economy, and its impact on our workforce. I think that is the right approach - but some may argue -- wrongly in my mind -- that it may not go down well with former Labour voters who voted Conservative -- often for the first time -- in 2019, and voted for Brexit as they opposed the impact of globalisation.

Q: Jim O’Neill talked about the need for 'levelling up' and concentration on growing the domestic economy, which will then more than compensate for the fall in GDP due to Brexit. What action do you see happening on that front?

A: On 'levelling up' and Jim’s point: Yes, there will be more investment in infrastructure in parts of the UK especially the North; and more investment in housing, I suspect. Much of this will also be part of the government’s plans to boost the economy post COVID-19 recovery. But in my mind, this has to be accompanied by measures to kickstart the parts of the economy worst hit by COVID-19 -- not Brexit per se -- especially hospitality; and also - critically - to support SMEs (small manufacturing enterprises)/self-employed people.

We also need to look at what we should do, and stop doing, to help turbocharge financial services. So, while 'levelling up' is very important, it's not the end of the story by a very long way.

Q: Is there a plan in place for a post-COVID-19 recovery?

A: There are a series of big policies to support businesses hit by COVID-19, and the budget pre-COVID-19 set out plans for extensive investment in infrastructure. The question now is what more will the Chancellor do? Can he/should he borrow even more to fund more investment? -- And even if he did, would those projects deliver jobs and start any time soon? Probably not. -- Regarding the self-employed and SMEs: same first questions. Also, he is going to have raise taxes at some point. Who pays for all this? Talk in the media is of a reform -- i.e. rise in -- capital gains tax, for example.

Q: How damaging has Brexit overall and the lack of a clear deal yet for financial services been to London's role as one of the world's most important financial centres? Though modest so far, will a bigger chunk of jobs now migrate out?

A: That's the big question! The answer depends on what the UK government to make the City more attractive and what the EU does to attract - or deter - firms from moving there. So, jury out. My view: there may be more seepage of business to the EU - but also to the U.S. But I don't think we will suddenly see a mass movement. London's weight and scale is not something that can easily be replicated; it's full of bright, innovative people who think globally, and not just in terms of trading with the EU - and who have been preparing for this. And let's not forget the City existed - and prospered - well before the EU came along. Finally, as your question states, it's a global centre - not an EU one.

Q: Does it seem like the financial sector in London will shrink as a proportion of UK's GDP? How desirable is that given the events of the last decade?

A: Again, not necessarily. So much depends on the actions the government now takes. It's certainly not desirable to see any part of the economy shrink! I think there are massive opportunities for the City/UK financial services in terms of the impact of the digital revolution and funding the green transition - and obviously not just in the EU, but globally. The government needs to look - and it's starting to do this - how we can leverage the City's scale and expertise to make the most of this, reviewing regulation as required. That does not mean a race to the bottom in terms of regulation and supervision. It just means our regulation and supervision is fit for purpose.

Q: With Brexit negotiations scarcely covering the financial services sector, how would the Trade and Cooperation Agreement get impacted, considering assets close to 1.2 trillion euros exited London in the first 10 days post-deal?

A: If you mean a deal on financial services, the UK government is looking for the EU to deem the UK's regulations as equivalent to the EU's. I am not sure the EU will grant this - and I am not sure that in the long run the mindset of the government, and the City, should be that we are focused all the time on meeting the EU's regulations. As I said, we must use this opportunity to strengthen the UK's global credentials, and do what is required to do that, and thereby attract more business

Q: Do you see Britain relying less and less on foreign capital? And would you see the UK as a more or less attractive destination for foreign investors (very much needed to fund the long-term current account shortfall)?

A: As to attracting foreign investment - we very much need to do that - and that's why we need to be seen as more attractive to invest here than in the EU. That means looking at our regulations, our taxes and infrastructure, so foreign investors continue to see the UK as a great place to do business.