

## Brexit and the Politics of the UK:

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# EU referendum:



# Foreword

Well, it's not boring is it? Politics continues to surprise us, and all the while the Article 50 clock keeps ticking. One year on from the EU referendum, this report is intended for all those who are interested in what has happened since the referendum, and how the Brexit process might unfold in the months and years to come.

As ever, my thanks to all those who contributed to this report. The authors have, in some cases, had to turn their sections around extremely quickly after the general election. All have had to cope with irritating questions and queries from me. I'm grateful to Hannah Bridges for doing the copy editing so quickly and thoroughly. As ever, Ben Miller played a crucial role in getting the report designed and produced, greatly assisted by Navjyot Lehl, while Phoebe Couzens has worked tirelessly to keep The UK in a Changing Europe show on the road. Finally, I'd like to express particular thanks to Camilla Macdonald, who has shepherded this process from the start and gone over all the text assiduously. I'm sure it's pure coincidence that she's leaving us on 23 June.

## **Professor Anand Menon**

The UK in a Changing Europe

Theresa May's decision to call a snap election threw up yet more questions regarding Britain's withdrawal from the European Union. Such a time of uncertainty calls for timely academic analysis, and so the Political Studies Association (PSA) is delighted to have teamed up with The UK in a Changing Europe once again to shed some light on the Brexit process.

Following two successful collaborations in 2016 (*Brexit and Beyond* and *Brexit: Six Months On*), *EU referendum: one year on* examines the progress that has been made thus far.

The PSA is committed not only to studying but also informing political decision-making. In what follows Professor Anand Menon and his colleagues will guide you through the complex political journey that is Brexit and consider how the UK's withdrawal from the EU is likely to play out across a range of policy areas.

## **Professor Angelia Wilson**

Chair, Political Studies Association

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# Brexit:

We should have known better. While it is doubtless a useful exercise to track what has become of Brexit a year after the referendum on EU membership, we were naïve in expecting history to stand still while we completed the task. As the drafts for this publication were coming in, the General Election took place. And whilst the outcome may change nothing at all to do with Brexit, one cannot discount the possibility that it will change everything.

So, with that caveat firmly in mind, this collection looks at what the decision to leave the EU has come to mean one year on. We cover everything from public opinion, politics, economics and the implications for the nations of the United Kingdom, to a raft of public policies ranging from agriculture to higher education.

Inevitably, there is no clear conclusion that can be drawn from such a broad overview. However, several things do stand out. First, there is much about Brexit that is no clearer than it was a year ago, and much that is less clear. Talk of a referendum on Irish unity has come as something of a shock. Jonathan Portes points out that what might originally have been thought of as

relatively straightforward issues, such as dealing with the rights of EU nationals in the UK, are in fact fiendishly complicated.

As for the politics, well, what do I need to say? Public opinion seems to be in flux, with John Curtice, Maria Sobolewska and her collaborators and Sara Hobolt and her team suggesting not only that old class allegiances to particular parties might be loosening, but that Brexit itself might be becoming a new political divide, alongside the traditional left-right spectrum. At the same time, a minority government will have to deal with a parliament whose approach to Brexit is as yet unclear, and where backbench rebellion, as Phil Cowley underlines, is all too likely in dealing with one of, if not the, most complicated issue of public policy of our lifetime. As for the parliamentary parties themselves, well, read Tim Bale's entertaining piece.

All this politics will take place against the backdrop of the British economy. As Swati Dhingra intimates, the economy may not be in the rudest of health, and a hard Brexit would hardly represent a cure. Equally, as Philip McCann and Raquel Ortega-Angilés point out, the ultimate

## EU referendum: one year on

# one year on

impact of Brexit may well be further complicated by its unequal impact on different parts of the country.

Meanwhile, there is much we will need to know rather rapidly. How parliament will deal with the Great Repeal Bill is one thing. A related minefield, explored by Jo Hunt, concerns where the powers that are repatriated end up – Belfast, Cardiff and Edinburgh will all have their piece to say on the matter.

Turning to more substantive issues, the kind of agricultural policy that will replace the Common Agricultural Policy is something we should start worrying about sooner rather than later. So too is the need to deal with the rights of EU nationals in this country.

In contrast to the uncertainty that has characterised our approach, the EU, for its part, has sorted out its negotiating position and is waiting for the British government to arrive. For all the early hopes that clever diplomacy might divide the EU27, they have remained resolutely united in their determination to see the process through without weakening the EU. Indeed, as

Richard G Whitman points out, Brexit even seems to have provided a fillip to plans for some kind of enhanced EU defence capability.

Much has changed over the course of the last year. But there is evidence that not enough has been done to think through both the immediate process of leaving the EU and the structures and policies we would like to have in place once we have exited. Brexit, in other words, will pose a challenge to our government, our parties, our civil service and all those involved in the various sectors where it will hit home.

**By Anand Menon**



# Brexit and the election

## Introduction

The EU referendum was deeply disruptive for Britain's two main political parties. Conservative MPs were deeply divided in their preference for Leave or Remain, while Labour MPs blamed their leader, Jeremy Corbyn, for the Remain side's defeat and mounted a challenge against him. Meanwhile, a majority of Conservative supporters ignored the advice of their Prime Minister and voted for Leave, while around a third of Labour voters went against their party's advice and backed Leave too.

In contrast, few such difficulties faced the Liberal Democrats or UKIP. Holding a referendum to get out of Europe was UKIP's *raison d'être*, and thus an issue on which both the party's elected representatives and its supporters were united. And while around a quarter of Liberal Democrat voters also failed to follow their party's recommendation to vote Remain, once the referendum was over the traditionally pro-EU party was soon arguing there should be a second referendum after the Brexit negotiations were completed.

Between them, these developments raised an interesting question. Would the Conservatives and Labour lose support during the course of the Brexit process, as unhappy Remain voters switched to the Liberal Democrats and Leave voters were attracted by the unambiguous position of UKIP. If so, might British politics be fractured yet further?

## The general election

At first glance, the outcome of the 2017 election suggests Brexit has had the opposite effect. Support for UKIP imploded to just 2%, lower than in 2005 and 2010, let alone 2015. The level of Liberal Democrat support failed to recover from the 8% to which the party had sunk two years ago. The Conservatives and Labour between them won 82% of the votes cast across the UK as a whole, more than at any election since 1970. It seems as though Brexit has paved the way for a return to the two-party politics that characterised British party politics in the immediate post-war period.

However, this conclusion is too simple. Brexit was associated with, and was probably at least a partial cause of, a reshaping of the choice voters made between Conservative and Labour.

Consider, first of all, the trends in party support amongst Remain and Leave voters during the course of the election campaign. In the last four polls conducted by ICM immediately prior to the election being called, 53% of Leave voters said that they intended to vote for the Conservatives, compared with 38% of Remain supporters. However, this gap widened during the course of the election campaign. In the last four polls ICM undertook before polling day, support for the Conservatives amongst Leave voters was five points higher at 58%, while that amongst Remain voters had dropped five points to 33%.

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Support for Labour increased across the course of the campaign amongst both Remain and Leave voters. But, at 13 points, the increase was more marked amongst the former than it was the latter (six points). As a result, what before the election was a 15-point difference between Remain and Leave voters in the level of support for Labour had grown to 22 points by polling day.

Evidence that Remain and Leave Britain diverged in their willingness to vote Conservative or Labour is also to be found in the pattern of the election results. With the exception of Scotland, the Conservative vote increased most in those areas that voted Leave, while Labour made most progress in areas that backed Remain.

Within England and Wales, Conservative support increased on average by 10 points in constituencies where, according to estimates made by Chris Hanretty of the University of East Anglia, Leave won over 60% of the vote in the EU referendum. Conversely, support fell on average by two points in seats where the Leave vote was less than 45%. Labour, in contrast, saw its vote increase by twelve points in seats where the Leave vote was lowest, but by only nine points in those places where it had been highest.

Not the least of the reasons why the Conservatives gained ground most amongst Leave voters and in places where the Leave vote was highest last year is that the party benefitted most from the collapse in the UKIP vote. According to a poll conducted on polling day by Lord Ashcroft, 57% of those who voted UKIP in 2015 voted for the Conservatives this time, while only 18% switched to Labour. Equally, where in England and Wales UKIP secured under 7.5% of the vote in 2015, Conservative support fell back on average by three points, while in those seats where UKIP won more than 17.5%, the Conservatives advanced by ten points.

The Conservative party is, of course, traditionally the party of middle class voters. But Leave voters were disproportionately working class.

Consequently, it was amongst working class voters and in predominantly working class constituencies that the Conservatives advanced most. According to Lord Ashcroft's polling data, Conservative support was up twelve points amongst working class "DE" voters than it was in 2015, but by only four points higher amongst professional and managerial "AB" voters. Equally, Conservative support increased by nine points on average in the 30% most working class seats in England and Wales, but by only one point in the 25% most middle class. In short, the divergence between Remain and Leave voters served to cut across the traditional class base of Britain's two-party system.

## What lies ahead?

The general election was, then, more of a Brexit election than immediately meets the eye. Many a Leave voter switched to the Conservatives, while Remain voters were more inclined to back Labour than their Leave counterparts. As a result, the Conservative party in particular won over voters it would not normally be expected to reach. The question that now faces the party is whether it can keep them as it tries to negotiate Brexit against the backdrop of a hung parliament, in which there will be pressure on the Prime Minister to soften her vision of what Brexit should mean.

**By John Curtice**

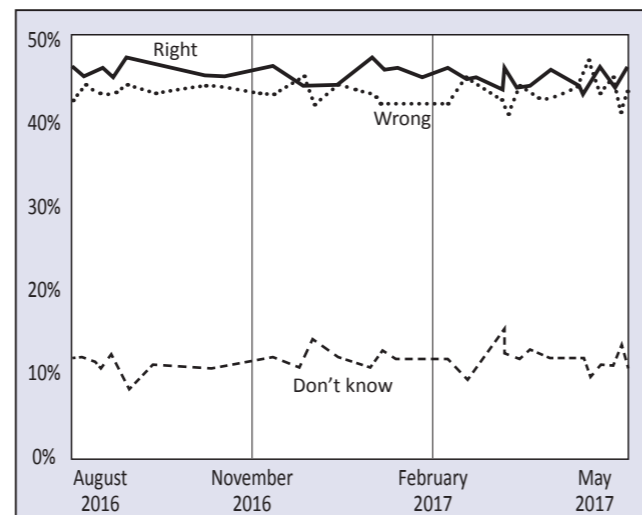
# Public attitudes

## Introduction

The EU referendum was a historic democratic exercise that has given the British Government a popular mandate for leaving the EU. Yet, the choice between leaving or remaining in the EU provided little in the way of guidance as to *what type of Brexit* the public wanted. As the Government starts to negotiate the UK's exit from the EU, we asked whether the public remains divided and what people actually want from Brexit. Our survey evidence shows that, while the public remains almost equally divided on whether leaving or staying is a good idea, there is an emerging consensus about what Brexit should look like, and there are high levels of support for a "hard Brexit" along the lines proposed by Theresa May.

## No regrets as the public remains divided

While many commentators speculated that voters would change their opinion on Brexit after the implications of leaving the EU became clearer, public opinion surveys so far tell a very different story. In fact, very few people have changed their minds about the way they voted. When asked "In hindsight, do you think Britain was right or wrong to vote to leave the EU?", polls show almost no change since the referendum: people who voted Remain continue to think it was wrong to vote to



Was Britain right or wrong to vote to leave the EU?

Source: YouGov polls

leave the EU, while people who voted Leave think it was right (see figure above).

Interestingly, the continuing divide between those who favour and oppose Brexit appears to have given rise to a set of new political identities in Britain. It is well established that many people feel attached to a political party and this attachment shapes their attitudes to all sorts of things. The EU referendum, however, was a highly unusual event. The two main parties were openly split over the issue. The electorate was also divided: around 40 per cent of Conservative supporters voted Remain, while a third of Labour supporters voted Leave.

# EU referendum: one year on

The referendum has given rise to a new form of political attachment based on the Leave-Remain divide. A year on, nearly three quarters of people think of themselves as "Leavers" (38 per cent) or "Remainers" (35 per cent). These groups are similar in size to the proportion of people who identify with political parties. It is primarily the people who voted Remain who have come to identify strongly with this perspective after the election. The prospect of Brexit has made some people more committed to EU membership. A crucial question for the future of British politics is whether these new political identities dissipate over time as Brexit becomes a reality, or persist. This is likely to depend on whether, and how, political parties mobilise this new fault line in British politics.

## What do people want from Brexit?

The negotiations between the British Government and the EU involve an array of complex policy questions. The most prominent so far has been the trade-off between the Government prioritising preferential trade agreements with the EU or prioritising control over EU immigration rates. But there are many other policy choices that relate to the "divorce bill", continuing EU budget contributions and access to EU funds, jurisdiction of the European Court of Justice, border controls with the Republic of Ireland and so on. These questions did not feature on the referendum ballot paper, nor are they issues that many people necessarily gave much thought to before the referendum. However, it is crucial for the Government that the outcome of the negotiations is perceived to be legitimate by the people.

Our research shows that, when asked to choose between outcomes resembling what have become known as "soft Brexit" and "hard Brexit", a large majority of the public favour the latter. Perhaps more surprisingly, when asked to choose between the Government's preferred outcome of hard Brexit and a "no deal" alternative, there is a majority in favour of walking away from the table without any kind of deal. In the survey we

conducted in late April this year, each of these scenarios was described in detail – crucially without the "soft", "hard" and "no deal" labels – and people were asked to make a choice between a series of pair-wise options of different negotiation outcomes. Our survey shows that Leavers are relatively united in preferring the hardest version of Brexit when given a choice. This is driven primarily by a desire to control immigration, to limit the powers of the European Court and to avoid paying any sort of settlement bill to the EU. In contrast, Remainers are much more divided: while a small majority favours a soft Brexit over a hard Brexit, 40 per cent prefer the latter. On the whole, Remainers and Leavers are looking for many of the same things from Brexit: greater sovereignty, good trade arrangements and no settlement bill. They differ over the questions of controlling immigration and giving rights to EU citizens resident in the UK.

One year on, the electorate remains divided on whether a vote on Brexit was a good or a bad thing. However, those divisions are much less stark when we focus on what citizens want from Brexit and what they will accept. Theresa May's hard Brexit is popular not only among Leavers, but also among a sizable proportion of Remainers. Moreover, when asked how the Government is handling the Brexit negotiations, the percentage of people who say "well" has increased from just 20 to 35 per cent over the last six months. As negotiations with the EU start in earnest, the Government may also benefit from a rally "round the flag" effect from both Leavers and Remainers. At the same time, however, the possible costs of Brexit will also become more apparent as the negotiations proceed: these could harden opposition among those who continue to identify themselves as Remainers.

By Sara Hobolt, Thomas Leeper and James Tilley



# Public debate

This was supposed to be the Brexit election. In her Downing Street statement on 18 April announcing her intention to seek the dissolution of parliament, Theresa May spoke of little else. She suggested that, without an early election, her opponents would have both the will and the ability to disrupt her efforts to negotiate the best possible Brexit deal. The vote, she hoped, would deliver a secure majority for her favoured Brexit plan.

## Brexit's low profile

In the end, however, Brexit did not dominate. It was mentioned on average 580 times a day in the main UK-wide newspapers in the week following May's statement. But that fell below 500 for the following two weeks, then below 400 for the four and a half weeks between then and polling day, dipping to just 155 mentions a day in the sixth week of the campaign, immediately following the Manchester bombing. When the BBC's Andrew Neil interviewed the prime minister on 22 April, his questions turned to Brexit only in the last few minutes. Interviewing Jeremy Corbyn four days later, Neil asked nothing directly about Brexit itself, although he did enquire towards the end about immigration. The other main television debates and interviews gave Brexit more attention, but still it did not dominate.

There were at least three reasons for this. One, as suggested, was the unforeseen and tragic eruption of terror into the campaign caused by the attacks in Manchester and London. This inevitably shifted the agenda towards the terrorist threat. It raised deep questions about both Theresa May's record on police funding and Jeremy Corbyn's record of opposition to counter-terrorism legislation and seeming friendship with certain terrorist organisations.

A second reason was the spectacular misfiring of the Conservative campaign. Conservative strategists intended to focus on one core message: that Theresa May, not Jeremy Corbyn, was the person to provide the "strong and stable leadership" needed for successful Brexit. But the Conservative manifesto introduced controversial policies – most notably on social care – that distracted attention away from that core message. The prime minister's forced U-turn on social care undermined the credibility of the message. Veteran election watcher Sir David Butler tweeted that "In the 20 general election campaigns I've followed, I can't remember a U-turn on this scale".

A third reason – and perhaps the most fundamental – was that neither Conservative nor Labour strategists ever wanted a debate about

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Brexit as such. The Conservatives, capitalising on May's huge early poll lead over Corbyn, wanted a debate about who could best negotiate Brexit, not the details of the deal that should be sought. Indeed, they wanted to avoid tying themselves to specific negotiating objectives. Labour, meanwhile, sought to shift the agenda away from Brexit – on which their compromise position risked pleasing no one – towards domestic policies that were popular with voters.

## Brexit's unknowns

The result of all this was that an election called to clarify the Brexit position in fact did very little to advance public understanding or discussion of the Brexit options. As the Director of The UK in a Changing Europe, Anand Menon, put it, the main party manifestos "dance[d] daintily round the tricky issues" of Brexit. Subsequent campaign debates did little to expose, let alone fill, the gaps. There was little explicit thinking about how to trade off a general public desire for lower immigration against the preference for maintaining trade with the EU ([see the section on public attitudes](#)). There was little debate about whether the advantages of being able to negotiate trade deals with non-EU countries outweigh the disadvantages of leaving the Customs Union. The Conservatives brandished the idea that "no deal is better than a bad deal" as a totem, but little attention was given to what "no deal" implies. Labour said free movement would end, but also said they wanted the option of membership of the Single Market to remain open, implying free movement might continue.

The weakness of debate around Brexit is longstanding. During last year's referendum campaign, both sides peddled misinformation. Most criticism has, understandably, focused on the inaccuracies of the victors, such as the infamous £350 million claim and the statements about Turkey's future EU membership. But the losers were at it too: that the Treasury machine was used to promote highly misleading claims about both

the short- and the long-term economic impacts of Brexit should be a matter of major concern.

## Strengthening the public debate

The question of how public debate over complex policy issues such as Brexit could be improved is important. In the wake of the referendum, 50 MPs signed a motion calling for the creation of a body that would check the truthfulness of claims made during campaigns and fine those who flouted its rulings. That, however, is unlikely to achieve much: it is easy to mislead without directly lying. It also raises questions about free speech, while failing to address the problem that important matters are often simply given little careful attention.

Another approach seeks to create fora in which members of the public can learn about and discuss the issues in depth. One version of this is a citizens' assembly: a gathering of randomly selected citizens who reflect the diversity of the population at large. They meet to learn about, deliberate upon, and deliver recommendations relating to the issues on their agenda. As part of The UK in the Changing Europe, I am leading a team that will run a Citizens' Assembly on Brexit in the autumn. Its recommendations will be published in a report and put to parliament.

A better quality public discussion now would strengthen the Brexit process. It would encourage politicians to focus on real, hard choices rather than sloganeering. It could ready public opinion for the kind of deal we are likely to get, rather than the deal we might dream of. It would help negotiators understand the kind of trade-offs that are most likely to engender public support. Without this, a debate driven by rhetoric risks cornering our leaders into accepting an outcome that harms us all.

*By Alan Renwick*



## Introduction

One of the most striking developments in the House of Commons over the last 50 years has been the rise of backbench dissent. MPs are increasingly willing to vote against their party line. This was, at least in part, the justification for the calling of the 2017 general election. Whilst the claim that extra support for the Conservatives would strengthen Theresa May's bargaining power with other European leaders may have been dubious, there was more credibility behind the idea that it would be easier to get all the Brexit legislation through Parliament with a larger Commons majority. May had inherited a slender Commons majority from David Cameron, which, when she called the election, stood at just 17. In the House of Lords – which has been a permanently hung chamber since 1999 and has been increasingly willing to defy the government – she had no majority at all. A larger Commons majority would have given her more room for manoeuvre with her own MPs, and some more power with the Lords. To repeat a remark made by David Cameron at 7am on 23 June 2016: "Well, that didn't go according to plan".

## What makes for a rebellion?

Indeed, it is probably worse than it looks on paper. Here are eight factors that help party managers get legislation through the House of Commons:

- **Attitudinal cohesion.** MPs do not rebel for the sake of it. There has to be a disagreement on the issue for rebellion to be considered.

- **A large majority.** Although large majorities are not unambiguously positive (they bring with them their own problems of party management), they do at least provide a buffer against rebellious MPs within a government's own party.
- **Delivery of a manifesto pledge.** Knowing that they are elected mostly because of their party label, and not because of their own wonderful personality, MPs are more restrained in rebelling if an item of policy has been clearly set out in their party's manifesto.
- **A first-term government.** Discontent builds up over time within a governing party, so governments born out of a period in opposition usually see lower levels of rebellion than those that have been returned for multiple terms.
- **Prime ministerial coattails.** MPs who feel they owe their victory to the prime minister can often be persuaded to show loyalty in return ("she got you here").
- **A large cohort of new MPs.** The "coattails effect" applies especially to new MPs swept in on a wave of support for the party at the polls; and anyway, new MPs tend to be less willing to stand up to their whips, from a mixture of inexperience and (in some cases) careerism.
- **Low salience issues.** Parliament deals with a lot of legislation. On much of it, MPs do not have much knowledge or interest, and even if they do have a view on some issues, if it is low profile they can often be persuaded to stick to the party line provided it is not something they feel very strongly about.

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- **Threat of an election/resignation.** A nuclear option, to be deployed only sparingly, prime ministers have threatened to make votes on legislation a vote of confidence – meaning that a defeat on a vote would trigger a general election. This was a tactic John Major, for example, used on occasion in the 1990s.

## What lies ahead?

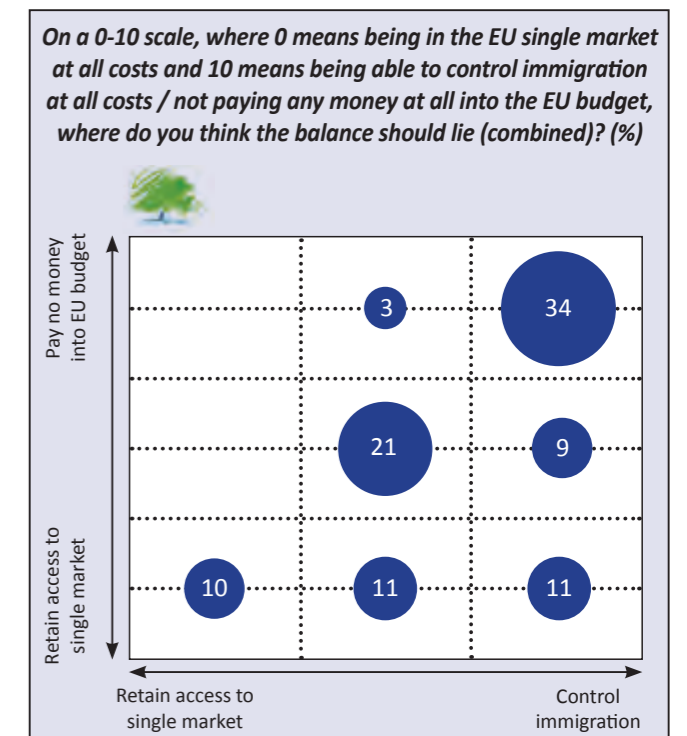
Of these eight factors, none apply now. There is no majority. There are only a handful of new Conservative MPs. No MPs – old or new – are thanking the prime minister for her magnificent election campaign. The Conservatives have been in government for seven years now, either alone or in coalition, and the habit of rebellion has built up on the backbenches. Whatever else it is, Brexit is not a low salience issue, and whilst the fundamentals of Brexit were sketched out in the manifesto, much of the detail that Parliament will have to vote on over the coming years was absent. This last factor would have caused a problem in the House of Lords in particular, even if the Conservatives had won the election.

By requiring specifically worded motions for the triggering of early election, the Fixed Term Parliaments Act removes the ability of a prime minister to link the triggering of an election to the passage of specific pieces of legislation. Theresa May can still threaten to resign as prime minister if she does not get her way, of course, but this is unlikely to have quite the leverage it once might have done.

In terms of attitudes, we know relatively little about incoming MPs, and it is, anyway, always best to be sceptical about attempts to read across from stances taken before parliament to behaviour once at Westminster. But on the Conservative side of the House of Commons, at least, because there are so few new MPs, we can draw on surveys from before the election, which show plenty of scope for disagreement.

We know that around half of Conservative MPs voted Remain, even if most soon came to terms

with the outcome. A survey of MPs conducted by Ipsos MORI between October and December 2016 asked Conservative MPs about the trade-offs that may be required in any negotiations (see figure). The plurality response of Conservative MPs is in the top right-hand corner of the graph – prioritising both controlling immigration and not paying money into the EU budget over access to the single market – but with significant minorities who took a different stance.



The same survey found that a full quarter of Conservative MPs believed that it would not be honouring the referendum result if the UK ended up staying in the single market after the Brexit negotiations; just over a third said it would be impossible to say it was honouring the vote if the UK still paid into the EU budget. Almost 60% said that they would not see it as honouring the terms of the referendum if immigration from within the EU could not be controlled.

Passing the detailed Brexit legislation through parliament was already a hard enough task before the election; by the morning of 9 June, it had got a lot harder.

**By Philip Cowley**



# The political parties

## Introduction

As far as the UK's political parties were concerned, last summer's EU referendum was a bit like one of those tag-team wrestling matches you see on TV. Although the bout began with everyone thinking they knew who was on which side, by the end of it no-one in the ring – nor, for that matter, in the audience – was sure anymore.

Everyone knew, of course, that the Conservative Party was divided on the issue. But it wasn't until the bell went and the seconds stepped out of the ring that we (or indeed he) knew that David Cameron was going to be fighting not only Nigel Farage but also Boris Johnson and Michael Gove.

And while no-one expected Jeremy Corbyn to get into the ring at the same time as David Cameron, most people had assumed he'd do his bit. Instead, he spent most of the bout in the dressing room – a decision which allowed grapple-fan favourites like Kate Hoey and Gisela Stuart to give the distinct, but misleading, impression that Labour's MPs were as divided on whether to leave or remain as their Tory counterparts.

True, the country's smaller parties managed to hold things together all the way through to the

end. No-one could doubt, for instance, whose side UKIP (which, as usual, forearm smashed above its weight media-wise) was on. The same could be said for the Lib Dems, the SNP and the Greens. And, although no-one was paying anywhere near as much attention as they should have been, both the DUP (pro-Brexit) and Sinn Fein (anti) behaved entirely as predicted.

## From referendum to election

After the referendum, things seemed to become a little clearer – at least on the Tory side. The Remainers either retired hurt (David Cameron and George Osborne) or else acted as if they'd always been Leavers (Theresa May and virtually everyone else) – not only to the extent of insisting on a so-called hard Brexit but even talking about “no deal being better than a bad deal.” A handful of Europhiles (kudos, Anna Soubry and Nicky Morgan) refused to drink the Kool-Aid but they were cast into outer-darkness (and booted off the frontbench) as “Remoaners”, replaced by veteran Europhobes like Liam Fox and David Davis.

Labour, however, found it much harder to pull off the collective amnesia trick. Jeremy Corbyn's AWOL act during the referendum campaign made his critics in the Parliamentary Labour Party even angrier with

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him than they already were. Interestingly, however, he seemed to escape any censure whatsoever from his youthful fan-base outside Westminster, even though many of them were furious that the UK had voted to leave the EU and therefore might reasonably have wondered if their hero could have done more to avoid that outcome.

Had Labour MPs not lost their heads and triggered a premature leadership contest, perhaps things would have been different. But they did, thereby ensuring that any of Corbyn's extra-parliamentary army who shared their suspicions that he (and his Shadow Chancellor John McDonnell) had secretly wanted Brexit all along promptly forgot all about their reservations in the rush to defend “Jeremy” against “the chicken coup”.

With Corbyn re-elected, Labour MPs found themselves being asked to go against everything almost all of them had ever stood for by voting in favour of the government triggering Article 50, thereby setting the clock ticking on the UK's departure from the EU. Most of them managed to swallow their objections and their pride, reasoning that it was the only way of reconciling the difference between their views and the significant support for Leave in many Labour-held constituencies that looked vulnerable either to UKIP or to the Conservatives as a result. That said, nearly 50 MPs voted with their consciences and in many cases (and surely not coincidentally) with their largely Remain-supporting constituents.

In the wake of Article 50, Labour's position on what it wanted out of the Brexit it had just voted for remained, to put it mildly, a little unclear. Had it fully reconciled itself to rejecting freedom of movement and therefore leaving the Single Market? What exactly was the have-our-cake-and-eat-it solution that it was proposing if it wasn't “the Norway option”? Would Labour MPs really dare to vote down whatever deal (or no deal) Theresa May eventually agreed with the EU in two years' time? No-one, not even Labour's spokesman on the issue, Keir Starmer, seemed to know for sure.

## The election

All this confusion, the Lib Dems hoped, would see their fortunes revive as the standard-bearer for “the 48%”. But their prayers proved to be in vain as the bulk of Remain voters, even those who continued to hope Brexit could be avoided, seemed destined, at elections anyway, to stick with the devils they knew rather than throw their lot in with Tim Farron.

Brexit's biggest loser, however, was obviously UKIP. Farage, who stepped down to spend less time with his family and more time with his new best friend, Donald Trump, proved predictably irreplaceable. Meanwhile, Mrs May was offering his voters not only more Brexit and less immigration, but also grammar schools, a war on wind turbines, and whole lot more besides.

Little wonder, then, that she belatedly bought her advisors' arguments that she should capitalise on the collapse of the Conservatives' right-wing rival by calling an early general election – a contest which, by delivering her a bigger majority, would, paradoxically, make her less dependent on her own Eurosceptic ultras at Westminster.

It didn't, of course, turn out that way. Six disastrous weeks later, the Conservatives were returned to Westminster with fewer MPs and no parliamentary majority, stuck, when it comes to Brexit, between Scylla (Tory “headbangers” insisting on full-speed ahead to a Hard Brexit) and Charybdis (the DUP which wants out of the EU but without a return to a hard border with the South). Whether, in such rough seas, Mrs May or her successor can keep the ship afloat for two full years of tough negotiations with the EU27 is anyone's guess.

**By Tim Bale**

# British politics

## Introduction

The 2017 general election was billed as the “Brexit election”. Set against the backdrop of the 2016 referendum on EU membership, Prime Minister Theresa May framed the election as a way of “strengthening her hand” ahead of the negotiations with the EU and ensuring stability. But, in the end, she achieved neither.

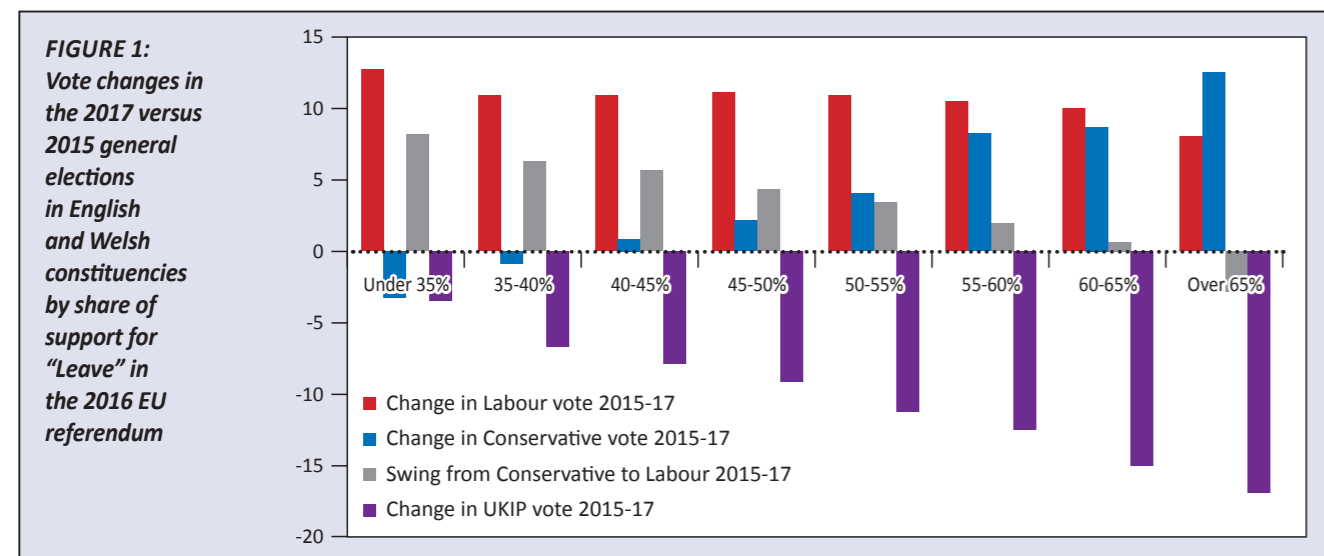
While the Conservative Party attracted a 42.4% share of the national vote – their highest share since 1979 and an increase of more than 5% on their result in 2015 – the party failed to increase its number of seats. At 318, the Conservatives won 13 fewer seats than in 2015 and were left eight short of a majority. A working majority of 17 made way for a hung parliament and negotiations with the Democratic Unionist Party (DUP), which if successful will leave May, now a greatly diminished figure, with a working majority of just 13.

Jeremy Corbyn’s Labour, meanwhile, had a better night than expected, polling 40% of the national vote – their highest share since 2001 and a 9.5-point increase since 2015 – and winning 262 seats, 30 more than in 2015.

Can the election result be attributed to a “Brexit effect”? Initial reactions to the result certainly focused on the Brexit realignment. The shock Labour win in Canterbury came to epitomise this – Labour’s vote increased over 20 percentage points in this traditionally blue seat with two university campuses, where 55% of voters were estimated to have voted Remain. Jeremy Corbyn became the first party leader to take the seat from the Conservatives since William Gladstone.

## The effect of the Brexit referendum on the 2017 vote

Figure 1 illustrates the changes in English and Welsh constituencies by their estimated support



# EU referendum: one year on

for Leave in the 2016 EU referendum, based on figures provided by Chris Hanretty. The Conservatives stagnated or fell back in Remain areas, gaining the most ground in the strongest Brexit seats, which also saw the biggest collapse of UKIP support. This fits with much of the pre-election polling showing large-scale switching from UKIP to the Conservatives. The surprise comes on the Labour side. The party’s surge was greatest in the strongest Remain areas, but Labour surged everywhere else, too. Corbyn’s party was up by nearly 13 points on 2015 in seats where less than 35% voted Leave; and rose a still-hefty 7.4 points in seats where more than 65% did so.

This had two important effects. Firstly, the fall in Conservative support combined with the surge in Labour support was sufficient to topple huge majorities in Conservative-held Remain seats, particularly in London, where Labour overturned large majorities in Battersea, Kensington and Enfield Southgate, and slashed Conservative majorities in previously safe seats such as Putney and the Cities of London and Westminster. Big swings in Remain seats have created a new swathe of marginal seats for Labour to target in the next election.

Secondly, Labour’s resilience in Leave areas thwarted Conservative attempts to turn traditional working-class Labour heartlands blue by consolidating UKIP support. The Conservatives increased their vote in such areas, often dramatically, and usually at UKIP’s expense. Yet, Labour also bounced back in these areas, so the net Labour to Conservative swing was weak even in the strongest Leave seats. The Conservatives made just six gains from Labour in Leave areas of England and Wales. Most MPs representing heavily Leave seats such as Derby North, Bolsover and Stoke North held on with reduced majorities.

## Party strategies

Theresa May expected her embrace of Brexit to fundamentally change the electoral map in her favour, by holding Remain voting heartlands while expanding into Leave-voting, Labour strongholds. Instead the opposite occurred: Labour held firm in their Leave-leaning seats, and achieved often stunning advances in previously true-blue, Remain seats. One possible reason is that in the “Brexit election”, Jeremy Corbyn’s position on the EU was better aligned with the electorate than Theresa May’s. May’s ever more strident and inflexible

language on Brexit alarmed Remain-leaning voters in traditionally Conservative areas and put her reputation as a competent steward of negotiations at risk. She looked like a leader determined to appease the most vocal and ideological Brexiteers at any cost.

Jeremy Corbyn’s strategy, by contrast, moved the party towards the mildly Eurosceptic centre. Faced with a complex issue where his party’s traditional position was a long way from the median voter’s, Mr Corbyn embraced the pro-Brexit position of the median voter, even at the risk of antagonising the strongly pro-EU segments of the Labour coalition, in a move reminiscent of an earlier Labour leader’s. In 1997, Tony Blair gambled that he could pitch to the centre ground on economic issues while retaining the loyalties of working-class left wingers. On Brexit, Jeremy Corbyn pitched to the Eurosceptic centre ground by invoking Article 50 and accepting the end of freedom of movement, gambling that Remain voters alarmed by Theresa May’s shrill rhetoric and hard Brexit policy would recognise that Labour was the only viable alternative. This Brexit Blairism helped blunt the Conservatives’ appeal in Leave areas, while allowing Labour to capitalise on alarm with Theresa May’s Nigel Farage tribute act in Remain areas.

## Conclusion

Of course, Brexit was not the only factor driving the results. Leave and Remain voting patterns capture a range of other fundamental differences between people and places: in identity attachments, social class, education levels, ethnic diversity and views of immigration, among others.

Yet this may be another reason Brexit Blairism proved a smart strategy. Labour’s decision to embrace departure from the EU in some form may have helped them reframe the election around other issues such as austerity and public services, and remind voters in Leave areas of their traditional suspicions about the Conservatives. Meanwhile in Remain areas, the party could advance by promising a “softer” alternative approach to “hard” Brexit.

The Conservatives went into this election eager to paint Labour as out of touch and extreme, but failed to realise that, in their own heartlands, they were vulnerable to the same charge.

**By Robert Ford, Matthew Goodwin and Maria Sobolewska**



# The role of Parliament

## Introduction

In the year since the EU referendum, the key question that has preoccupied Parliament is how to legislate to give effect to the decision of the British people to leave the EU. The practical question of how Brexit would be delivered, and in what time scale, was not fully discussed during the referendum campaign. Since the referendum, both the Government and Parliament have focussed on how to leave the EU within the two-year timetable prescribed by the Article 50 process, while simultaneously formulating a strategy to address the immediate legal consequences for the UK of leaving the EU. To address this latter point, the Government has proposed laying before Parliament the Great Repeal Bill, which will convert, on the day of withdrawal, all existing EU law into UK law.

To further complicate matters (not least by shortening the parliamentary time available to debate Brexit) the prime minister called a snap general election for 8 June 2017. The aim of the Government in calling this election was to strengthen its majority and, arguably, provide it with a stronger mandate during the Article 50 negotiations. However, the outcome of the election, a hung Parliament with a minority Conservative government, creates uncertainty and would appear to leave the UK in much weaker position at the commencement of the Brexit negotiations. By contrast, the outcome of a hung Parliament creates improved opportunities for

Parliament to exercise control and scrutiny over the Government.

## Parliament since the referendum

The process by which Article 50 was formally triggered on 29 March 2017 provides a good illustration of the parliamentary challenges the Government faces in delivering Brexit, even if it had retained an overall parliamentary majority. The judgment of the Supreme Court in January 2017 confirmed that Parliament, not the Government, had the sole power to trigger Article 50, thereby laying down an important marker that Parliament cannot be bypassed during the course of the Brexit negotiations. One consequence of the Supreme Court judgment is that it has created an expectation that Parliament will be engaged in the Brexit process, which, in practice, means exercising effective scrutiny over the Government during the Brexit process. This engagement will only increase with a hung parliament, with the opposition likely to identify opportunities to amend or even defeat the Government on Brexit issues where there may be cross-party support.

Despite the Government making a commitment before the election that both Houses of Parliament will vote on any final Brexit deal, it is not totally clear what this will mean in practice, though the hung Parliament should place limits on the Government's scope to bypass Parliament. Specifically, there remains uncertainty as to whether Parliament will be able to reject the

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final outcome – whether a deal or no deal. Furthermore, before the election the prime minister consistently stated her unwillingness to provide a “running commentary” to Parliament on the progress of the negotiations.

Following the election of a minority government, it may be argued that Parliament is in a better position to exert influence over the Government during the Brexit negotiations both in terms of scrutiny and with respect to the substance of the negotiations. The absence of a parliamentary majority is likely to make it difficult for the Government to conduct negotiations without reference to MPs, especially by not offering a “meaningful vote” on the outcome of the negotiations which, with a minority government, it remains possible that Parliament could reject.

## The parliamentary challenge of delivering Brexit – democracy versus efficiency

Perhaps the biggest challenge facing the newly elected Parliament will be a legislative one. To deliver Brexit, Parliament will need to pass a number of important bills (upwards of 10), including the Great Repeal Bill ([see the Great Repeal Bill section on this](#)) before the completion of the Article 50 negotiations. This will prove challenging given limited parliamentary time. The time available consists of only two full parliamentary sessions, during which parliamentarians will need to continue with the wider legislative programme. However, it is the absence of a working majority that will undoubtedly make it more difficult to secure parliamentary approval for key Brexit legislation, such as the Great Repeal Bill.

Delivering Brexit within the timescale prescribed by Article 50 will place immense pressure upon Parliament. Effective management of parliamentary time will be an important tactic that is likely to be employed by the Government, not least as a way of limiting debate and scrutiny. It is therefore crucial that Parliament uses the

opportunity of a hung Parliament to provide a strong counter balance to the requirement of meeting the Article 50 deadline of 29 March 2019 by insisting that democratic accountability and scrutiny, whether in the chamber or via select committees, is not compromised.

Given the legislative and political challenges of delivering Brexit, it is essential that Parliament and the Government avoid conflict as far possible and cooperate in order that the objectives of Brexit and parliamentary democracy are fully reconciled. In terms of parliamentary activity, this will, first and foremost, require improved cooperation between Government and the opposition to ensure that parliamentary scrutiny is focussed on key legislative proposals.

Post-election, the Government should present, without delay, its legislative proposals, especially where new and potentially complex UK legislation will be required before Brexit – for example with respect to immigration or customs rules – which cannot be adopted via the Great Repeal Bill. To ensure that this legislation is enacted within the necessary timeframe, and to avoid the uncertainty of the so-called “cliff-edge”, sufficient parliamentary time for scrutiny of all new legislation must be built into the Government's legislative programme.

Ultimately, the success of Brexit will be judged not by the outcome of the referendum, but on the basis of how Parliament gives effect to the referendum decision. In particular, this means whether UK citizens believe, in the years to come, that their expectations for Brexit have been delivered by the Parliament they elected to fulfil this task.

**By Adam Cygan**



# Northern Ireland

## Introduction

Northern Ireland voted to Remain and, one year on, is a society struggling with the forces unleashed by the Brexit vote. It has exacerbated tensions and reopened its ever-present sovereignty fracture.

Politics in Northern Ireland typically focuses on issues relating to the divide between Catholic nationalists (who are favourably disposed to a united Ireland) and Protestant unionists (who prioritise the maintenance of Northern Ireland's union with the rest of the UK). The recent Westminster election (June 2017) confirms that this remains the dominant dynamic in Northern Irish politics. Northern Ireland is still a society scarred by ethno-national division and the consequences of conflict.

Is Brexit an issue that cross-cuts this divide, with significant numbers of Catholics and Protestants on both sides of the debate? The simple answer is: No.

In contrast to Britain, where both Conservative-inclined voters and Labour supporters are seriously split on the Brexit issue, in Northern Ireland, Catholic nationalist voters and parties are

overwhelmingly Remain, while Protestant voters and the main unionist party, the Democratic Unionist Party (DUP), are strongly "Leave". Thus, the easiest way to make sense of the consequences of Brexit for Northern Ireland is to view these through the prism of the unionist-nationalist distinction.

## The border

What to do about the border is one major challenge. Nationalist parties in Northern Ireland (and Catholic voters) firmly oppose any form of "hard border" between Northern Ireland and the Republic of Ireland. And the unionist parties (and Protestant voters) are highly sceptical of any east-west alternative, namely border controls between Northern Ireland and the rest of the UK.

These are highly sensitive issues. If not handled well, there is potential for significant disquiet, either from staunch nationalists upset by any physical manifestation of a north-south border or from hard-line unionists whose identity would be wounded if barriers to their smooth movement across the UK were introduced.

How this border question plays out has been significantly affected by the Westminster election.

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As is now clear, the DUP is likely to enjoy significant post-election political leverage in Westminster to pursue an agenda of the UK exiting the EU, and will be in pole position to shape the associated border regime.

## United Ireland?

A danger for the DUP, and for unionism in general, is alienating the nationalist community even further, to such an extent that they begin agitating in a sustained way for a referendum on a united Ireland to facilitate the "return" of Northern Ireland to the EU on an all-island basis. The fact that nationalists in Northern Ireland have now effectively voted to turn their backs on Westminster politics is a clear warning of where politics may go in the not-too-distant future.

The debate needs to be normalised. Demands for a "border poll" should not be seen as strange, unusual or contrary to the constitutional status quo. The possibility of a referendum on a united Ireland is a core element of the 1998 Good Friday/Belfast Agreement, which established the current political structures in Northern Ireland. If it is obvious (to the Secretary of State for Northern Ireland) that there is significant desire for such a referendum, then such a poll may be held.

With both nationalist parties now putting this more firmly on the agenda, and with the major gains for Sinn Féin in the Westminster election (and the elections to the Northern Ireland Assembly in March 2017), the likelihood it will occur has increased. If opinion poll evidence over the coming months points to a significant proportion of Northern Ireland citizens favouring unity with the Republic of Ireland (or clearly supporting the call for a unity referendum), it would be difficult to withstand the pressure to advance this option.

Unity would also require a referendum in the Republic of Ireland, and any such debate would grapple with the financial pros and cons of unity

as well as the symbolic and identity-related aspects. As the DUP is finding in its discussions over cooperation with the Conservative Party, both communities in Northern Ireland may discover they are not universally welcomed in their respective sovereign states.

## Conclusion

While in Britain Brexit maps onto a set of issues relating to sovereignty, immigration and globalisation, Northern Ireland is grappling with an arguably bigger basket of thornier questions relating to the place and nature of the border, the related significant threat of civil disquiet, and the prospect of a referendum on a united Ireland. All of which would add further complexity to the UK constitutional mix.

These challenges have to be faced in the fragile context of no functioning government in Northern Ireland and an unstable Westminster regime depending on a party representing one half of Northern Ireland.

**By John Garry and Colin Harvey**

# Scotland and Brexit

## Introduction

Last June, Remain secured a 62% vote share in Scotland, with only 38% of voters backing Leave. Support for remaining in the EU was the highest of any nation or region in the UK, with a majority in all 32 local authority counting areas and almost every demographic.

But the choice was not only Scotland's to make. In her speech to the Conservative Party Conference last autumn, Theresa May insisted, "Because we voted in the referendum as one United Kingdom, we will negotiate as one United Kingdom, and we will leave the European Union as one United Kingdom. There is no opt-out from Brexit." By contrast, First Minister Nicola Sturgeon insisted, "we didn't vote to leave – we voted to remain. To be told that we have to leave, regardless, is tantamount to being told that our voice as a nation doesn't matter".

## Developments since the EU referendum

The morning after the referendum, the first minister announced her intention to find a way to respect the wishes of the Scottish people. She secured the backing of the Scottish Parliament to negotiate with the UK Government, EU institutions and member states to explore options for keeping Scotland in the Single Market. A compromise proposition was set out in the Scottish Government's paper, *Scotland's Place in*

*Europe*. The first priority was to try to keep the UK within the European Economic Area (EEA) and the EU Customs Union. In the event of the UK Government negotiating withdrawal from these, the paper argued that Scotland should either become a full or associated member of the European Free Trade Association, or have direct association with the EEA.

Clearly, the prospect of Scotland remaining within the Single Market while England and Wales do not raises considerable practical and legal difficulties, not least around the free movement of money, goods, services and people across two separate markets. The Scottish Government argued that these need not be insurmountable, and that innovative solutions could be found. The extent of the challenge would only become apparent once the UK's status *vis-à-vis* the EU was made clearer. If the UK-EU agreement minimises tariffs and non-tariff barriers, the practical obstacles in the way of a differentiated Brexit for Scotland would be reduced.

Overcoming the political objections, however, was always going to be difficult. In contrast to Northern Ireland, where the land border with the Republic of Ireland has generated political commitment in Dublin, London and Brussels to find a compromise, there is little sympathy in the UK Government for a differentiated Brexit deal for Scotland. The proposition was formally rejected by the Secretary of State for Exiting the EU in April.

# EU referendum: one year on

Brexit also catapulted the independence issue back to the top of the political agenda. The Scottish National Party (SNP) manifesto for the 2016 Scottish Parliament elections sought a mandate to hold a new independence referendum if there was clear demand, or if there was a "significant and material change in the circumstances that prevailed in 2014, such as Scotland being taken out of the EU against our will". A majority in the Scottish Parliament (consisting of SNP and Green MSPs) backed the Government's call for a referendum once the terms of Brexit were known. Yet, the Scottish Parliament lacks the legal authority to hold a referendum similar to the 2014 vote and the UK Government rejected the call, declaring that "now is not the time". The Scottish Conservatives' electoral gains and the SNP's losses in the 2017 general election have been widely interpreted as public rejection of an early referendum.

The process toward triggering Article 50 had already generated a step-change in formal intergovernmental relations between the UK Government and the devolved governments. But the Joint Ministerial Committee (European Negotiations) – set up specifically to discuss Brexit – has been a frustrating process for all involved ([see also the section on Wales](#)). Having raised expectations that it would provide an avenue for joint agreement on a UK approach prior to the triggering of Article 50, it singularly failed to do so. There was no intergovernmental discussion of the UK Government's Brexit position prior to either the prime minister's Lancaster House speech, the publication of the White Paper or the triggering of Article 50. The JMC (EN) was also supposed to provide the devolved governments with oversight of negotiations with the EU.

The JMC process may be difficult to resurrect without a functioning Executive in Northern Ireland. Besides, prior to the general election at least, the UK Government's appetite for the JMC (EN) had diminished, as had the expectations of the Scottish Government regarding its capacity to uphold its remit.

## Looking ahead

Both the UK Conservatives and the SNP have been humbled by the general election results, and it is not yet clear how this will affect the relationship between their two governments. The coming year will be dominated by the Brexit negotiations. Despite the first minister's call for a seat at the table, the Scottish Government's capacity to influence negotiations is likely to remain limited. On the other hand, the Scottish Conservative leader, Ruth Davidson, buoyant from her electoral success, seems intent on trying to influence the UK's Brexit stance.

In parallel, the introduction of the Great Repeal Bill will intensify debate about the repatriation of EU competences and their impact on the devolution settlements ([see the section on repatriation](#)). The prime minister has insisted that EU frameworks need to be replaced by UK frameworks to preserve the UK internal market. This has been perceived by the SNP as an attempt to weaken the powers of the Scottish Parliament by expanding the areas where the Westminster Parliament has exclusive competence. The Scottish Government doesn't reject the need for common UK frameworks to avoid barriers to trade and mobility. But there will be tensions over who gets to decide what such frameworks would entail, who owns the process of overseeing their implementation, and who wields the power should disputes emerge.

**By Nicola McEwen**



# Wales and Brexit

## Introduction

On 24 June 2016, Wales awoke on the “winning side” of the EU referendum. 17 of 22 local authority areas had voted “Leave”, totalling 52.5% of those who went to the polls. And this against a backdrop of high levels of EU funding, a devolution settlement premised on EU membership, and overwhelming support for “Remain” from Welsh politicians and sectoral organisations. So began Wales’ Brexit journey: a divided nation with a weak bargaining hand, yet with distinct interests to protect both within the UK and within Europe.

## Wales’ journey since the EU referendum

The Leave vote in Wales placed the Welsh Government in an unenviable position. Prior to the EU referendum, it had vehemently expressed its preference for Remain, asserting that the risks of Brexit were manifold in financial, economic and political terms. Indeed, as a beneficiary from EU funds (totalling £658 million in 2014) and a small nation for whom the Single Market holds particular significance, this pro-EU position had been rather taken for granted in Welsh politics. The voting public, however, did not agree.

The Leave vote left the Welsh Government without a mandate to advocate its pro-EU position. Added to this is the Welsh Government’s weak bargaining hand in its dealings with the UK Government. In this, Wales differs from Scotland (through calls for a second independence referendum) and Northern Ireland (with acutely sensitive political issues that demand attention), both of which voted Remain.

During the summer of 2016, the political institutions of Wales set to work preparing themselves for the UK’s prospective withdrawal from the EU. The Welsh Government established *inter alia* an EU Transition Team to coordinate all Brexit activity, and a European Advisory Group of external stakeholders. The response of the National Assembly for Wales was swift and decisive. Days after the EU referendum, it issued a [report](#) outlining some of the implications of the referendum for Wales. It then embarked upon a programme of research and analysis, spearheaded by the newly created Committee on External Affairs and Additional Legislation. The Committee launched its [report](#), ‘Implications for Wales of leaving the European Union’ in early January 2017, in which it clearly outlined the priority areas for Wales and a scrutiny role for the Assembly.

The Welsh Government’s white paper on Brexit was released later that month, on 23 January 2017,

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in partnership with Plaid Cymru, as an evidence-based contribution to the UK debate. The [White Paper](#) – ‘Securing Wales’ Future: Transition from the European Union to a new relationship with Europe’ – addressed both the UK’s future relationship with the EU, and the internal functioning of the UK post-Brexit, as a union of four nations (see the contributions by [Jo Hunt](#) and [Michael Keating](#)).

The Welsh Government presents a contrasting vision of Brexit to that proposed by the UK Government. Not least, it prefers continued participation in both the single market and the Customs Union. The Welsh Government also stresses the importance of freedom of movement, although asserts that there ought to be a stronger link between freedom of movement and employment than is currently exercised in the UK. It calls for continued Welsh involvement in a number of EU programmes, including Horizon 2020 (for science and research), ERASMUS+ (education and training), Creative Europe (supporting cultural and creative sectors) and the Ireland-Wales Programme (a European Territorial Cooperation programme that connects organisations, businesses and communities). It also seeks for the UK to remain a partner in the European Investment Bank.

Despite these contrasting positions, the Welsh Government has consistently emphasised areas of complementarity with the UK Government, insisting that their positions are “not irreconcilable”. It is in this cooperative spirit that the Welsh Government has participated in the cross-nations forum on Brexit: the Joint Ministerial Committee on European Negotiations or JMC (EN), established on 24 October 2016. This forum “seek[s] to agree a UK approach to, and objectives for, Article 50 negotiations”. However, even the most measured participants have been moved to express some exasperation. Both the Welsh and Scottish representatives (Cabinet Secretary Mark Drakeford and Minister Michael Russell, respectively) have been outspoken in their critique of the forum, with Drakeford stating that, “St Fagans Community Council, in my constituency,

would be better organised than most JMC meetings have been.” Indeed, there is little to indicate that the UK Government has engaged seriously with the devolved administrations. This does not bode well for the latter’s role in the Brexit negotiations themselves, something both the Welsh and Scottish Governments have called for.

## What next for Wales?

Today, Wales is working to protect its future both within the UK and within Europe. Of central importance to Wales is the Great Repeal Bill, and its consequences for devolution and the future of the UK’s own union ([see Jo Hunt’s contribution](#)). Attached to this are fundamental questions about how powers will be repatriated to the UK, how (or indeed whether) lost EU funds (specifically for agriculture and regional development policy) will be compensated for via UK domestic sources, and how Welsh interests will be protected in international trade deals. Beyond this, during the negotiations themselves, Wales will continue work to defend its key industries, seeking to ensure sufficient levels of migration and pushing for a close relationship between the UK and the EU.

However, whatever the final relationship between the UK and the EU, Wales is investing in its own future in Europe, as a “European nation” in its own right. As it stands, from the Welsh outpost in Brussels (Wales House), a number of organisations work to advance Welsh interests and support Welsh participation in collaborative ventures with a range of national and regional actors. Much of this European activity already reaches beyond the EU, providing foundations upon which to build post-Brexit. Indeed, Welsh engagement with Europe is set to continue following the UK’s withdrawal from the EU, albeit tailored to a renewed set of circumstances.

**By Rachel Minto**



# Brexit and devolution

## Introduction

There are two very different views of the UK's largely unwritten constitution. One, the "Westminster" view, is based on the principle of parliamentary sovereignty and supremacy. This holds that the UK Parliament is the supreme source of law and can do anything except bind itself. Parliament, in turn, is answerable to a unitary British nation. It is this view of the constitution that clashes with the European project, which is based on a philosophy of sharing sovereignty and power.

The other view, widely held in Scotland and the other UK nations, is that the United Kingdom is a union of nations, each of which has its own relationship with the centre. Devolution since 1999 has reinforced this view by providing Scotland, Northern Ireland and Wales with their own elected legislatures and governments. It is further strengthened by the "Sewel Convention" under which Westminster will not "normally" pass laws in devolved areas without the consent of the Scottish Parliament, National Assembly for Wales or Northern Ireland Assembly. The convention was put into law in the Scotland Act (2016) and the Wales Act (2017). The Northern Ireland settlement rejects the idea that there is a unitary British people. Instead, it allows people to define themselves as British, Irish, Northern Irish or any combination of those. It also provides that

the people of Northern Ireland can vote to join the Republic of Ireland.

## The constitution and the EU

This "devolved" view of the constitution is entirely consistent with the European project. The United Kingdom and the EU are both unions in which different nations share power. Both are open-ended, without a clear end point. Rather they adjust according to the times. The issue of sovereignty is fudged and never absolutely resolved.

Opinion surveys have repeatedly shown that the people of Scotland and Northern Ireland have no problem with multiple layers of authority. Our work on the Scottish independence referendum showed that, despite being forced to choose between independence and the union, most voters continued to prefer something in between. In Northern Ireland, the power-sharing settlement has gained cross-community support. The numbers of people in Scotland and Northern Ireland who want to put all the sovereignty in one place is small.

The argument for Brexit was to "take back control", and restore the supremacy of the UK Parliament and people by eliminating the provisions that made UK law subordinate to EU law in fields where the EU is competent. This reflects the Westminster

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view of the constitution in which sovereignty must be in one place. The majority in Scotland and Northern Ireland, however, voted Remain, wanting to remain in both the UK and European unions. Now they are forced to choose.

## From then till now

Brexit therefore presents a severe challenge to the UK's evolving constitution. We can illustrate this by three developments in the year since the Brexit vote.

The first is the judgment of the Supreme Court in the *Miller* case, which primarily concerned whether Parliament needed to approve the Government's triggering of Article 50, giving notice of withdrawal from the EU. The Scottish Government joined the case to argue that it would also need the consent of the devolved legislatures. This is because it would require changes in the devolution acts in various ways. At the minimum the provisions binding them to act within EU law will have to be removed. The Supreme Court could have ruled that the convention was not applicable because the situation was not "normal", or because the EU comes under foreign affairs and is not devolved. Instead, at the urging of the UK Government's Advocate General, it ruled that the convention was a mere political device and not binding in any circumstances.

The second issue concerns the idea that Scotland and Northern Ireland might have a differentiated form of Brexit, allowing them to remain in parts of the EU, including the Single Market, even as the rest of the UK withdraws. A plan was presented by the Scottish Government in December 2016. Nationalists in Northern Ireland have made their own suggestions for a differentiated settlement, although unionists have opposed the idea. The UK Government response is that there must be a "UK approach" in which the whole of the UK must in the future have the same relationship with the EU.

The third issue concerns those powers currently held by the EU which are also devolved within the United Kingdom. The main ones are agriculture, fisheries, the environment and some aspects of justice and home affairs. The UK Government's position is that all powers will come back to Westminster, which can then decide which ones to pass down to the devolved level. The Scottish and Welsh Governments have argued that these powers constitutionally belong to them. There might need to be UK frameworks to replace European frameworks but these would have to be negotiated voluntarily among the four nations.

## What lies ahead?

Brexit exposes very different views of the UK constitution, something that has not had to be addressed since devolution in the late 1990s. The UK Government's positions have implied a reaffirmation of Westminster supremacy at odds with developments since 1999 and tending to centralisation.

The issue could be resolved by the UK breaking up, with Scotland and Northern Ireland remaining in the EU. Alternatively, it could be resolved by the UK Government imposing its will and leaving the EU on terms set by itself. The result of the General Election suggests that neither the UK Government, with its unitary view of the constitution, nor the Scottish or Irish nationalists, are strong enough to allow either of these to happen. Instead, Brexit will remain entwined in the changing constitutional politics of the UK.

**By Michael Keating**

# Regional implications

## Introduction

Two claims were made during the referendum campaign concerning the implications of Brexit for the UK's regions, cities and nations. The first was that the major beneficiaries of EU membership were the "metropolitan elites" in London, while the rest of the country was largely deprived of the benefits of EU membership. This theme reappeared on many occasions, and was referred to by many high profile Leave advocates. It also frequently re-surfaced when the members of the public were interviewed by the media, suggesting that, as a campaign slogan, it had gained real traction. Indeed, the geography of the referendum result provided further evidence for the "metropolitan elite" argument within England and Wales, revealing, as it did, a stark division between pro-Remain London and its hinterland and the rest of the country.

The "metropolitan elite" argument was always about London, not cities in general. There was never any suggestion that pro-Leave advocates had places like Liverpool in mind when they referred to "elites". And it was never based on any empirical evidence.

The second, interrelated claim, was that the UK has a very strong economic hand to play in the

Brexit negotiations because of its balance of payments deficit with the rest of the EU. As such, other EU member states will be eager to agree a comprehensive free trade deal with the UK in order to protect their trade surplus. This argument finds little support in modern economics. In contrast, most economists agree that the strength of the UK's position can only be understood in terms of the impact of trade and foreign direct investment on all economic activity taking place in the domestic economy, irrespective of whether those activities are themselves involved in trade or not. Crucially, trade surplus or deficit levels simply have no relevance for these issues. Again, the truth of this claim can only be tested by examining how the international and interregional trade structures of the UK's regions affect their internal economic performance.

## Testing the claims

Testing both claims requires moving beyond simple numbers regarding the levels or changes in gross exports and imports, because these numbers actually tell us very little about the economic dependence of a country, a city or a region, on its trade relationships. Modern global value chains involve moving goods and services across many different borders multiple times before a final product or service is produced. This means that

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only a sophisticated analysis based on detailed data linking trade patterns to domestic economic structures and patterns can uncover these relationships.

This shows us that, firstly, the "metropolitan elite" argument is completely wrong. London is less dependent on the EU for its prosperity than anywhere else in the UK. Indeed, the regions which voted Leave tend to be the regions which are most dependent on EU markets for their prosperity. This strongly suggests that it is the UK's weaker regions which are most exposed to Brexit.

Secondly, in economic terms, the UK and its regions are far more exposed to Brexit trade-related risks than regions in any other EU member state except the Republic of Ireland. Even countries such as Germany or the Netherlands will be less affected by Brexit than the UK, while many other member states will feel almost no effect. This suggests that the economic strength of the UK's negotiating position is far weaker than most of the UK public understands.

## The regional rather than just the sectoral dimension

Until now, much of the discussion on Brexit has been dominated by the potential impact on particular industries such as automobiles or finance and whether this would require specific deals for certain industries. Importantly, however, this discussion has overlooked the fact that the specific details of the final UK-EU agreement are likely to have very different impacts on different parts of the UK, and have the potential to undermine much of the economic "rebalancing" agenda that is currently being widely discussed domestically. The impacts of Brexit on the UK's devolved administrations and city-regions are likely to differ markedly depending on the terms of the final UK-EU agreement, and there are now growing voices that advocate a greater involvement of different parts of the UK in the negotiations.

Current political debates focus on the role that the devolved administrations may play in the Brexit negotiations, but these give little or no attention to the issues affecting the rest of the country. Taken together, the populations of the recently constituted city-region combined authorities are much larger than the total populations of the three devolved administrations, although these areas barely figure in current discussions. Furthermore, many of the smaller towns and rural areas which voted strongly for Brexit, and which are likely to be the most adversely affected by it, effectively have no representation whatsoever. Although various local government leaders have raised these issues, this has achieved little or no broader resonance. However, as the Brexit negotiations proceed and the potential impacts on different areas start to become clearer, it may be that the UK's cities and regions become more involved in the process.

*By Philip McCann and Raquel Ortega-Argilés*



# The UK economy

## Introduction

The Remain campaign made the economic consequences of Brexit the central element of their case. In this, they were supported by the apparatus of government, the key international economic institutions, and the vast majority of academic economists. Most forecasters predicted that a Brexit vote would lead, in the short term, to a sharp fall in the exchange rate; turbulence in financial markets; and, over the subsequent few months, to a significant slowdown in growth (with the Treasury predicting a mild recession). Credible analyses of the long-term economic impact of Brexit foresaw a significant hit to Gross Domestic Product (GDP), although with considerable uncertainty over the precise magnitude of this impact. While some elements of this campaign may well have backfired – in particular, George Osborne’s “punishment budget”, widely regarded as political posturing rather than credible economics – most polls suggested that voters expected Brexit to damage the UK economy.

## What’s happened since the referendum?

In the short run, however, any damage was minimal. The pound did fall sharply, but stabilised and has recovered somewhat in the last few

months. The Bank of England cut interest rates in August and announced further quantitative easing; this appears to have supported markets and business confidence. Financial markets, in the UK as globally, have been buoyant to the point where many fear they are overvalued. Most importantly, growth and employment held up well. Indeed, the main strengths (a remarkably resilient labour market, strong consumer spending and steady growth in the services sector) and weaknesses (weak private and public investment, poor productivity growth and a very large current account deficit) of the UK economy remained largely as they were before the referendum.

However, the poor record of short-term forecasts concerning the impact of the Brexit vote tell us almost nothing about longer-term predictions. Here, the indications – albeit tentative at this point – are both gloomier and more consistent with the economic consensus. As expected, some financial sector jobs and investment are being relocated elsewhere in the EU. So far this is a trickle, but it seems likely to accelerate as the negotiations progress with little or no prospect of any early deal on continued market access. Companies that rely on pan-European supply chains are making contingency plans to deal with border controls and/or trade barriers; the UK stands to

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be the main loser in any resulting restructurings because of the relative size of the two markets. And labour migration – particularly of highly skilled workers – appears to have slowed. None of these spell imminent disaster, but all will damage the UK’s long-term growth prospects, very much as predicted before the referendum.

Meanwhile, Brexit has precipitated significant changes in the orientation of domestic economic policy, with less emphasis on fiscal restraint or deregulation than in the Osborne-Cameron era; indeed, the May government is arguably the least “liberal” in economic orientation for four decades.

Finally, the notion that Brexit will lead to an overall reduction in “red tape” now seems increasingly absurd. Rather, increased bureaucracy and government intervention appear likely. Even on an optimistic reading, business faces the prospect of being forced to implement new immigration controls on EU workers, new workers’ rights, and cope with customs checks at borders.

## What happens next?

In the short term, the economy appears to be gradually slowing. Growth fell to 0.2% in the first quarter of 2017 (down from 0.7% in the fourth quarter of 2015) and recent indicators of consumer and business confidence have been weak. However, employment remains at historically high levels and there is little evidence yet of a dramatic reversal. Unemployment may rise, although not rapidly. Once again, this is the central view; there are as always risks to both the upside and downside – with the latter perhaps rather larger. The inconclusive result of the election adds a further element of uncertainty in the short term.

But what will be crucial over the next year is the interaction between the economics of Brexit and the politics of the negotiations. Under one scenario, the negotiations progress well, with a relatively early agreement on the broad terms of withdrawal, a constructive approach on both

sides towards the longer-term relationship, and, crucially, an extended “implementation” phase after Brexit in which little or nothing changes with respect to the UK’s economic relationship with the EU27. This would maintain confidence and give firms time to adjust; any negative impacts would be spread over a longer period and, at the same time, the UK could begin to pursue deeper economic relationships with non-EU countries. This scenario would also help give the UK Government political space to make the necessary compromises needed to secure a successful outcome.

However, if negotiations stall, or worse, break down entirely while the Article 50 clock keeps ticking, the risk is that there is a rapid erosion in business and consumer confidence as fears of a “cliff-edge” or, still worse, a “chaotic” Brexit grow. At its worst, this could spiral, with a succession of announcements of business relocations in a variety of sectors. This would also spill over into financial markets, with a further fall in the pound. Politically, there would again be feedback loops, this time negative, given the Government’s domestic political weakness. From an economic perspective, the last year may well prove to have been the calm before the storm.

*By Jonathan Portes*



# Trade and the Single Market

One year ago, the UK voted to leave the EU. However, voters did not choose what would come after Brexit.

## Options for “life after Brexit”

One option is to remain in the Single Market and preserve the free movement of goods, services, capital and labour with the EU. Another is to negotiate a bespoke trade agreement with the EU that keeps trade barriers as low as possible while ending labour mobility and giving the UK greater control over economic regulation. Finally, if no deal is reached, the UK and EU would trade under World Trade Organization (WTO) terms. This means the UK would have much the same economic relations with the EU as with non-EU countries such as the US or Japan. It would lead to tariffs on goods trade and reduced market access for service exporters.

Each of these alternatives was endorsed by different factions of the Leave campaign prior to the referendum. Asking voters what they prefer does not resolve the conundrum: opinion polls show support for maintaining the benefits of Single Market membership. Yet polls also find support for taking back control by restricting immigration and removing the UK from the jurisdiction of the European Court of Justice (ECJ) ([though see the section on public opinion](#)).

European integration brings economic benefits by reducing barriers to trade and investment. But, to reap these benefits, countries must give up unilateral control over some areas of economic policy. For example, harmonising product standards across the EU creates export opportunities for UK businesses because they do not have to satisfy different regulations in different markets. But, harmonisation is only possible if all countries agree to adopt the same standards, which means giving up national control of regulation. Similarly, the EU’s Customs Union keeps trade costs low by allowing goods to cross borders without facing customs controls. However, countries that belong to the Customs Union cannot have independent trade policies.

## The integration–sovereignty trade-off

As it leaves the EU, the UK must choose whether to prioritise maintaining economic integration or asserting its sovereignty. This choice will have important economic consequences. Research conducted with colleagues at the Centre for Economic Performance at the London School of Economics found that the fall in UK living standards caused by Brexit would be twice as large if trade reverts to WTO terms than if the UK stays in the Single Market.

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Faced with these trade-offs, Theresa May’s government wants to prioritise sovereignty. The Government hopes to end free movement of labour and to remove the UK from the jurisdiction of the ECJ. Consequently, Prime Minister May announced in January 2017 that the UK would leave both the Single Market and the Customs Union, and would seek a new free trade agreement with the EU. The Government also signalled it was willing to leave without a deal if a sufficiently attractive agreement could not be reached. This approach was driven primarily by the prime minister’s need to secure support from voters who backed Brexit to take back control from the EU. However, the Conservatives’ failure to win a majority of seats in the general election means the Government is now under pressure to appeal to a broader coalition of voters by developing a Brexit plan that is less harmful to the economy.

## Negotiating a free trade agreement

If the UK does leave the Single Market and the Customs Union, what type of free trade agreement should it aim for? The most basic agreement would simply ban tariffs on UK-EU trade. But economic analysis finds the largest potential costs of Brexit come not from the threat of tariffs, but from higher non-tariff trade barriers due to the imposition of customs procedures and the emergence of regulatory differences between the UK and the EU. An ambitious free trade agreement needs to go beyond tariffs and take steps to keep these non-tariff barriers low. This means finding creative ways to minimise border checks and ensure that changes to UK regulation do not create new trade costs – a goal that conflicts with the desire to reassert national control over regulatory policy. As will become increasingly apparent during the Brexit negotiations, giving up control is the price countries pay to keep trade costs low.

It is also important for the UK that any agreement covers services industries. Close to half the UK’s trade is in services, but most agreements do little to reduce barriers to services trade. Even Switzerland does not have a comprehensive services trade agreement with the EU, despite allowing free

movement of labour. No trade agreement will offer the same market access that membership of the Single Market provides, particularly for financial services, but the UK should seek to keep barriers to services trade as low as possible.

To secure a good deal with the EU, the UK must be patient and willing to compromise. Trade negotiations are lengthy, complex and often contentious. There is little chance an ambitious agreement can be reached before Brexit occurs in March 2019, so the UK’s first objective should be to negotiate a transition arrangement to govern UK-EU relations until a longer-term agreement is possible. To give adequate time for negotiations, the transition arrangement should last until at least 2022. And to avoid economic disruption, it should mimic the status quo as closely as possible.

Once longer-term negotiations begin, progress will require the UK to make concessions. Possible concessions include making payments to the EU budget, agreeing EU regulations will continue to apply in some industries, and guaranteeing immigration rights for EU citizens offered a job in the UK. The UK has a weaker negotiating position than the EU, so even with these concessions it is unlikely to achieve all its objectives. But refusing to compromise will guarantee failure. Research estimates that leaving the EU without a deal could reduce UK income per capita by up to 10% in the worst-case scenario.

## Where next?

As Brexit approaches, the UK is facing more challenges than opportunities. From an economic perspective, the question is not whether Brexit will harm living standards, but how large the cost will be. Following the general election, the Government needs to ask how much voters are willing to pay to assert their sense of national identity. If leaving the Single Market is viewed as too costly, the UK is headed in the wrong direction.

*By Thomas Sampson*

# Public finances

## Introduction

During the referendum campaign, the main debate around public finances was about whether leaving the EU would release £350 million a week to be spent on the NHS. Even on the most favourable assumptions, the claim – which influenced many voters – was [repeatedly shown](#) to be exaggerated. There were also concerns that any downturn in the economy as a result of Brexit would [reduce tax revenues](#) in a way that could worsen the UK fiscal position.

The EU's finances are set in a seven-year Multiannual Financial Framework (MFF), currently covering 2014-20 and formally enacted in a 2013 [Council Regulation](#). The MFF is a hard fought bargain, invariably agreed after much acrimony and brinkmanship. As with many EU accords, the ministers concerned usually claim victory at home, while bemoaning in Brussels how much they have conceded. The advantage of the seven-year deal is in allowing the annual budget to proceed relatively smoothly, precisely because the MFF is where all the big compromises are settled.

## What has changed since the referendum?

The subsequent emergence of the “[divorce bill](#)” rapidly became a new and potentially divisive issue in the Brexit negotiations. It arises mainly

because many EU programmes, principally for research and for EU regional policy, are multi-annual in character. In both cases, the aim is to avoid piecemeal projects and to look instead for coherent programmes delivering results greater than the sum of the parts. It does, however, mean that contracts signed in one financial year will often not fall due for final payment until several years later – known in EU circles as RAL, from the French expression *reste à liquider*.

Against this backdrop, the departure of the UK (assuming April 2019), will be seven quarters before the end of the MFF. An immediate end to British payments would leave a hole in the budget that would have to be filled by other member states. For the likes of Germany or the Netherlands, the additional payments would be manageable, but the political fallout would be open to exploitation by anti-EU populists. Others, such as Greece, Italy, Spain or even France, already struggling to consolidate their public finances, would need to make cuts in other spending programmes at a time when austerity is already having damaging political effects.

## What happens next?

A financial settlement has been put forward as one of three key areas on which the EU side wants to see significant early progress. Reports suggest the demand from the EU could exceed €100 billion,

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close to the gross amount (after deducting the UK rebate) the UK was expected to pay into the EU budget over the entire span of the 2014-20 MFF. Unsurprisingly, messages from the UK side dismiss these claims which, it has to be emphasised, no-one on, EU Brexit negotiator, Michel Barnier's team has formally made.

An arguably rather vindictive proposal in an EU briefing document published at the end of May 2017 suggests the UK may also be asked to pay for relocating EU agencies from the UK, such as the European Banking Authority, as well as the salaries of teachers at the European Schools in Brussels. The Bank of England can, however, look forward to recovering its paid-in capital from the European Central Bank.

If €100 billion is fanciful, as [researchers from Bruegel](#) imply, what is realistic? Despite a [House of Lords Committee's](#) verdict that there is no legal obligation to pay, British ministers have been careful not to rule out some payment, using language such as “obey our legal obligations” [[David Davis](#)]. Even so, the UK is reluctant to countenance an early agreement, for fear of a negative public reaction.

## What sort of compromise could be envisaged?

As explained [in an earlier paper](#), the main elements of a financial settlement are not unduly complex. They turn on: the extent to which the UK accepts that it is bound by the commitments made for the full duration of the MFF, and not just up to the date of Brexit; the share of total commitments the UK should bear; and on apportioning the assets and liabilities (notably pensions) of the EU. The EU position is to use the total transferred by the UK from 2014-18 as a proportion of the total transferred by all member states. Extrapolating from the data for 2014-16, this would mean a ratio of around 12%.

A neat answer might be to allow the 2014-20 MFF to play out as part of a broader transitional deal, implying the UK continues to pay in until the

end of 2020, while continuing to receive its share of EU funding for agricultural support, regional development and research. This solution has the pragmatic advantage of enabling the Government to fulfil the promise to maintain funding until the end of 2020 to UK beneficiaries from these EU programmes. For the EU side, higher payments to Brussels or cuts in EU programmes would be avoided for the 2014-20 MFF, although the issue will return with a vengeance when the next MFF has to be negotiated, most probably while Brexit negotiations are heading towards a conclusion in late 2018. Using [Treasury projections](#), the net cost to UK taxpayers would be of the order of £18 billion (€22 billion) from April 2019 to the end of 2020.

RAL would still be a problem because, under EU rules, claims for EU regional programmes are allowed up to three years beyond 2020; as would the balance of assets and liabilities. The amount of RAL changes from year to year as projects are completed and new multi-year commitments are contracted, but is typically in the range of €200-300 billion. Whether the UK should be liable for a proportion of RAL is negotiable: the UK could argue there was already a stock of RAL from the previous MFF and it should only be liable for a share of the change in RAL, whereas the EU side could insist the UK pay its share of the full stock. Similar bargaining could be envisaged for EU pension liabilities and assets.

Best guess? Around €30 billion.

**By Iain Begg**



# UK economic policy

## Introduction

What form of relationship to have with the EU after Brexit is the key economic policy issue facing the UK. This election was meant to give the prime minister a strong mandate for a “hard Brexit”. The Conservative Party and the DUP, whose support will be necessary to allow Theresa May to continue as prime minister, agree on the main elements of UK’s future economic relationship with the EU. They want to leave the Single Market and the Customs Union, and they don’t want to be subject to the jurisdiction by the European Court of Justice. Both, in this sense, support a “hard” Brexit. Now that the DUP is supporting the government, however, there are a couple of new priorities for the Conservative Party, not least deciding on replacements for the income support that the EU provides to the farming sector, which is important for Northern Ireland.

## Softly, softly?

Broadly though, while both parties in the ruling coalition agree on the plan for Brexit, the inconclusive election result means that a hard

Brexit looks far less certain. The [press, for its part](#), has never been more sceptical of this path.

One reason for this is that the seat share of MPs from pro-Remain [Scotland](#) in the Conservative party has increased, which could soften the government’s previous stance of “no deal is better than a bad deal”. Another reason is the way this general election result will change the public discourse on economic policy. Early estimates are that the turnout of young people between 18 to 24 years increased from about [40% in 2015 to 70%](#). Young people tend to be much [more pro-Remain](#) than older voters, so a hard Brexit would ignore the wishes of a newly mobilised electorate. In addition, the [Remain-Leave](#) divide seems to have been a factor underlying which constituencies swung to and from the Conservative party in this general election, with the Government performing particularly badly in pro-Remain urban and southern constituencies ([see the contribution by John Curtice](#)). The election results have undermined the plans of the Conservative party, which stood on the platform of a strong and stable leadership in the Brexit negotiations.

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## The economics of Brexit

The White Paper on Brexit prioritises immigration controls and commits to leaving the Single Market and the Customs Union, while the prime minister continues to reaffirm that “no deal is better than a bad deal.” There is near [consensus](#) among economists that the hard – or chaotic – form of Brexit that this implies would hurt the UK economy. Although there was little immediate economic fallout from the Brexit vote, in the first quarter of this year UK economic growth was the slowest of any EU economy. The modest recovery in real wage that started in 2014 has been eroded by the [higher price inflation](#) from the depreciation of the pound since the Brexit vote. Young workers between the ages of 18 and 21 have seen the biggest declines in real weekly earnings, which for them have fallen by 16% since the global financial crisis in 2008.

All this will put pressure on the government to soften its approach, perhaps seeking an extension of the 2-year trigger period or a quick transition deal that maintains single market membership for an extended period. This would avoid the “cliff edge” scenario of a no deal, which would mean that the UK reverts to World Trade Organization (WTO) membership without a special deal with the EU on the free movement of goods, services, people and investments. Were this to happen, it is estimated it would reduce GDP in the UK by about [3% per year](#) due to higher trade barriers with the EU.

We also have more to learn about how the Remain-Leave divide shifted party affiliations and the role played by the very different approaches to economic policy set out by each party. Certainly, the rhetoric of a [low-tax, Singapore-style economy that many hard Brexiteers dream of](#) looks increasingly distant from the UK centre of political gravity. In turbulent political times, future economic policy is hard to predict. The only certainty is that the real economic

challenge remains – how to reverse the decades of economic stagnation that has changed the political landscape of the UK? There are several policy proposals to address these challenges and many have broad political support. Hopefully, they will become a central issue in the next election.

*By Swati Dhingra*

# The politics of agriculture

## Introduction

The referendum campaigns made much of the UK's payments to the EU and of how much the UK Government could save if we left. There was, however, very little debate on the EU spending on agriculture, other than claims that we could, after a Brexit vote, achieve the same ends much more efficiently, and with substantially less regulation.

EU spending on the Common Agricultural Policy (CAP) peaked in the mid-1980s at 73% of the total EU spend, declining to about 40% today. This followed major reforms of the policy to substantially reduce tariff protection and distortion of international markets. These reforms were fully supported by UK governments, which have been highly critical of the CAP since we joined the European Economic Community in 1973. The current annual payments to farmers (totalling £2.5bn per year to the UK) are the remnants of the protectionist CAP. A further £0.8bn per year is spent in the UK under the CAP for environmental conservation and rural development schemes. These payments (£3.3bn per year) form the major part (90%) of the financial benefit to the UK of EU membership, offset by the UK's contribution to the rest of EU spending (which has also been subject to the controversial UK rebate from the EU).

## Since the referendum

While there have been reports that the majority of farmers favoured Brexit, we have found no compelling evidence of this. On the one hand, it is clear that CAP payments are currently a major part of the incomes earned from farming, leading to government commitments to maintain these payments. The Conservative manifesto pledges to continue these payments to the end of the next parliament (2022). On the other hand, many in the industry believe that these payments are distorting land values and rents (and possibly other capital and input costs as well), thus making it more difficult for farmers to enter the industry and expand their businesses. Meanwhile, the increasing tendency to make the farm payments conditional on "greening" measures (e.g. the three-crop rule which requires farmers with more than 30 hectares of arable land to grow at least three crops) and the increase in red tape in general irritates some farmers, who feel that a British agricultural policy would be preferable.

The depreciation of sterling since the referendum has helped our agricultural exporters and may have boosted farm prices, encouraging some farmers to believe that they can survive Brexit. Equally, however, a weaker pound has made imports more expensive and increased costs across the supply chain.

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In contrast, many environmental groups are concerned that the loss of European support for environmental conservation endangers our countryside ([see environment section](#)). They are calling for political commitments to preserve and enhance incentives that provide public goods, such as the maintenance of traditional landscapes, wildlife habitats for both plants and animals, and high-quality water, air and soil. UK consumer groups have not, so far, articulated any concerns about rising food prices or the potential threats to food quality and standards from freer trade with the rest of the world. The political bargaining between these interest groups has yet to begin, since no one is at all clear about what the future might bring.

## The future

There will clearly be major political debates about the need for continued taxpayer support for farmers and the role of the Government in protecting our environment and ensuring the safety and quality of our food supplies (including the regulation of inputs such as hormone treatment of beef and genetically modified crops).

There are also concerns about:

- i) Immigration: Parts of the agricultural and food sectors (especially horticulture, livestock processing and retailing) are heavily dependent on migrant labour from the EU.
- ii) Trading relations: The sector is already nervous about the extent to which agricultural trade will be sacrificed to obtain preferential trade agreements with non-EU countries. Many of these countries may regard access to the UK food market as a valuable benefit to offset increased UK access to their industrial and services markets.

The uncertainty that surrounds the terms of negotiations with the EU have made farmers and

rural communities very anxious. They fear that the end of subsidies could have a devastating impact on their livelihoods and on the industry as a whole. In the short term, farmers may experience a reduction in farm incomes, but there are those who maintain that the effects of Brexit on agricultural output and farmers' incomes may not be as severe as expected, at least in the medium and long run. What will happen after 2022, however, is not at all clear.

There are major questions to be answered:

- Should farm subsidies continue?
- Should farmers be supported on the basis of the public goods they provide beyond food – their input to landscape management, biodiversity, soil and water quality, and carbon storage?
- If so, should that be via public subsidy, private investment or both?
- Finally, what kind of agricultural governance is needed?

While there is little doubt that UK agriculture will survive and could even prosper without CAP support, the transition may be painful and will affect all farmers and related businesses in rural Britain.

**by Carmen Hubbard, David Harvey and Anne Liddon**



# UK environmental policy

## Introduction

The EU has had a profound impact on UK environmental policy. In the 1980s, the UK was derided as the “dirty man of Europe”. Today, it is a global climate leader and has successfully exported its own pragmatic, evidence-informed style of policy making to the EU level. Yet despite this, the environment barely featured as an issue during the EU referendum campaign. After sustained pressure from the large non-governmental organisations (NGOs), Prime Minister Cameron belatedly made an environmental case for voting Remain, but Vote Leave steered clear of the issue. Consequently, even though the Department for Environment, Food & Rural Affairs (DEFRA) stood to be among the Ministries most heavily affected by a vote to leave, the environment was one of the campaign’s “Cinderella” issues, gaining limited public or media attention.

## What has happened since the referendum?

Since the referendum, there has been a growing realisation in the environment and business sectors that Brexit will have profound implications for environmental policies, including those on agriculture, fisheries, climate and energy. The Government has committed to “cutting and pasting” EU environmental rules into the UK

statute book via the Great Repeal Bill ([see the section on the Great Repeal Bill](#)) to prevent any regulatory holes emerging when the UK leaves the EU. The Government claims that once outside the EU, individual policies will be reviewed and it will be up to Parliament to decide which to remove, amend or leave as they are.

However, it was acknowledged by Andrea Leadsom, former Secretary of State for the Environment, Food and Rural Affairs, that a third of EU environmental policy cannot simply be copied into UK law. In many cases, EU law makes reference to EU institutions (such as provisions for reporting to the European Commission on water quality). It remains unclear whether the UK will develop alternative governance arrangements and whether, in devolved areas such as the environment, these will be centralised or devolved.

The House of Commons Environmental Audit Committee (EAC) has also underlined the risk of “zombie legislation”, alive on the statute book but effectively dead for want of mechanisms to secure its updating and implementation, with possibly negative consequences for environmental quality. The EAC has called for a new Environmental Protection Act to ensure that the environment is adequately monitored, that policy is enforced and

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that information continues to be fully available in the public domain. However, there seems to be little appetite in government for such legislation or for a wide-ranging debate about the future of environmental governance. The 25-year plan on the UK’s Natural Environment, first promised in 2015, is still to appear, although it remained a manifesto commitment for the Conservative Party in 2017.

## What will happen?

There is a significant possibility that UK environmental policy will be weaker post Brexit. Take air quality. There is an ongoing legal action against the Government for its failure properly to implement EU laws on air quality. The activist legal group Client Earth has taken the Government to court over the issue. Outside the EU, such groups will have less leverage over the Government. The Conservative 2017 manifesto has some vague mentions of air quality but few concrete commitments to implement the current plan or to maintain EU standards post Brexit.

Brexit raises other, equally profound, questions about the governance of the UK environment. For example, there is scope for much greater fragmentation of UK environmental policy as the environment is a fully devolved matter. Currently, EU directives set a minimum level of protection but member states – or devolved bodies – can set higher standards if they so choose. Thus, Scotland and Wales have more ambitious climate policies than England. Post Brexit, different policies are more likely to emerge across the four nations of the UK – unless, that is, an agreement is struck to establish minimum standards. Determining who decides those standards, and their level, will be politically challenging.

Brexit, therefore, has profound implications for environmental policy. The immediate outlook suggests some policy continuity, not least because much environmental policy is underpinned by

product standards that are likely to remain in place to enable UK firms to continue to trade with the EU. However, whilst the Government has paid lip service to maintaining the EU’s environmental rules, its general state of readiness to cope with Brexit has been described as “worryingly complacent” by the House of Lords. Their Lordships were particularly exercised by the Government’s apparent unwillingness to engage with deeper questions, such as how rules will be properly implemented and enforced outside the EU’s environmental governance structures. The reduced capacity of DEFRA, coupled with the closure of the Department for Energy and Climate Change further suggests that environmental policy innovation is likely to be rather limited. For example, opinion polls show that the public support the adoption of a Clean Air Act, but only Labour and the Green Party were committed to introduce one in their election manifestos. One possible outcome of Brexit, then, is increased party competition over environmental issues.

Another outcome is increased mobilisation on environmental issues by public campaigning groups. For example, the Greener UK campaign has brought together environmental NGOs to campaign for new, post-Brexit national legislation that is more ambitious than current EU environmental protections. There is certainly scope in a post-Brexit world to develop policies that are more sensitive to local conditions, and to build upon Britain’s reputation for leadership in key fields like climate change. Delivering these goals will, however, require ambition and vision.

**By Charlotte Burns, Viviane Gravey and Andrew Jordan**

# The Great Repeal Bill

## Introduction

The Brexit vote was about taking back control. It had been given up at UK level by the elegant but terse European Communities Act (ECA) 1972. This Act gave supremacy to EU law where it conflicted with UK law (i.e. EU law took precedence over UK law) and mandated British judges to follow judgments of the Court of Justice. Brexit requires this Act to be repealed. This will be done by the Great Repeal Bill (GRB), which will also make provision for the many thousands of technical changes that delivering Brexit will require. The GRB, in other words, aims to deliver at the domestic level the results of the Article 50 negotiations in Brussels, as well as the changes to UK constitutional law needed to give effect to Brexit. Most lawyers accept that a Bill along the lines of the GRB is necessary, although Jeremy Corbyn, the leader of the Labour party, has indicated that the Prime Minister's plans to complete Brexit through a "Great Repeal Bill" were "history" and would have to be dropped, without providing clarity as to what he would do instead.

The GRB has not yet been published. However, a [white paper](#) is available and what follows is taken from that. It is primarily about preparing the UK

legal system for Brexit. It is not a vehicle for major policy changes (which will be delivered by other pieces of legislation). The white paper makes clear that the intention of the GRB is to ensure a "smooth and orderly Brexit that commands the confidence of all". In other words, to reassure employers, workers and consumers that, as far as possible, the same laws and rules will apply the day after Brexit day as the day before. Specifically, the GRB has three aims:

- *Repeal* the ECA
- *Convert* EU law into national law
- *Correct* UK law to deliver a functioning statute book

## Repeal

The first and most important aim of the GRB is to repeal the ECA, thus making UK law, not EU law, supreme. This part of the GRB will come into force on the day the UK leaves the EU. The GRB will end the *general* supremacy of EU law: "newer legislation [passed by Parliament post Brexit] will take precedence over the EU-derived law we have preserved". But if, after exit, a conflict

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arises between two pre-exit laws, one of which is EU-derived and the other not, then the EU-derived law will continue to take precedence over the other UK law. In other words, a degree of supremacy is preserved, albeit one that can be corrected by an Act of the UK Parliament.

## Convert

The second aim of the GRB is to convert the whole corpus of EU law into national law. In essence, the GRB will take a snapshot of all EU law and ensure it all becomes part of UK law on Brexit day. This is why some refer to it as the "Great Cut and Paste Bill".

In fact, the reality is somewhat more complex. Take Directives, for example. The UK has had to implement Directives, usually within two years of their adoption. Some Directives have been implemented by an Act of Parliament, like the Equality Directives, which were implemented by the Equality Act 2010. They will be unaffected by the GRB. Others, like the Working Time Directive, have been implemented through "Statutory Instruments" (SIs) – secondary law in the UK – using powers conferred on the executive (the government and the civil service) by provisions in the ECA. Once the ECA is repealed, all these SIs would disappear. However, the GRB will ensure they continue to have legal effect.

Another type of EU law, Regulations, of which there are around 12,000, will also have to be incorporated into UK law. This will largely be done simply by referring to them in the GRB, rather than copying and pasting them into it.

The case law of the Court of Justice is also a key part of EU law. The GRB will ensure that pre-Brexit case law will continue to be binding on the UK courts. It will have the same precedent status as decisions of the UK's own Supreme Court. In exceptional circumstances, the Supreme Court can reverse those decisions. After Brexit, Parliament too will be able to reverse those decisions. When

it comes to post-Brexit case law, the GRB will "not require domestic courts to consider CJEU's jurisprudence". But it is likely to have "persuasive" effect (i.e. the judges will take it into account).

## Correct

The third and most controversial aspect of the GRB will be the powers to "correct" the UK statute book. These will take the form of "Henry VIII powers". These are powers given to the executive to amend UK primary and secondary law using Statutory Instruments. The use of these powers is necessary to deliver Brexit in the two-year timeframe (and so will have to be brought into force prior to Brexit day), but are controversial because Parliament does not have much chance to scrutinise the legislation. These powers will be used to make technical changes to the law (e.g. removing references to EU law and institutions), but they will also be used to deal with issues that arise during the negotiations. In other words, the Henry VIII powers in the GRB will be used to fix the plane while it is still flying. Hold on to your hats.

**By Catherine Barnard**



# Immigration

## Introduction

If the UK's vote to leave the EU was a vote for, or more specifically against, anything, it was a vote against free movement of workers within the EU. Polling evidence showed that approximately 80% of those who thought that immigration was mostly a force for good voted to Remain, while a similar proportion of those who thought it was a force for ill voted to Leave.

The slogan, "Vote Leave, Take Control", summed up the entire Leave campaign. However, it was particularly effective with respect to immigration policy and border control, because it contained a large element of truth. Free movement of workers is one of the foundational "four freedoms" of the EU. Consequently, the Remain campaign found it extremely difficult to counter the simple argument that the only way for the UK to "control" immigration was to leave.

Other claims made by the Leave campaign with respect to free movement – in particular, that EU migrants drove down wages, reduced employment prospects for British workers or were responsible for reduced access to public services – were at best exaggerated and often simply unsupported by the evidence. However, because of the perceived

advantage of the Leave side on the immigration issue, the Remain campaign largely avoided the topic.

Meanwhile, one issue that received little high-level political attention during the campaign was the future of EU citizens resident in the UK, and of Britons elsewhere in the EU ([see the section on the latter](#)); broadly, Vote Leave's claims that "nothing will change" for people in the situation was not challenged, except by legal experts.

## What has happened since the referendum?

A few lines in one speech – Theresa May's speech to Conservative Party conference in October 2016 – set the parameters of the political debate not just on immigration but on Brexit more broadly. By saying "we are not leaving the European Union only to give up control over immigration again", she essentially decided, unilaterally, that Brexit meant not only leaving the political structure of the EU, but also the Single Market, given the EU's insistence that there is no scope for "cherry-picking" different elements of the Single Market.

So, the prime minister's position on immigration has, up until now, been by far the most important factor behind the UK's current course towards

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a "hard Brexit". And this is despite the fact that it was, and is, far from clear that this position commanded a majority either in Parliament or in the country. While public opinion is broadly hostile to free movement, it remains split on whether or not free movement is an acceptable price to pay for preserving other aspects of Single Market membership.

Paradoxically, the clarity of this specific decision has thrown almost every other element of the UK immigration system into doubt. Among the fundamental questions on which the UK Government (and the official opposition) currently does not have anything resembling a clear policy are:

- When will free movement end?
- Should EU citizens continue to enjoy preferential status in the new system?
- Will the new system have preferential or special treatment for specific sectors (or indeed nations or regions)?
- Will policy be set primarily with respect to the economic needs of the UK or by reference to an arbitrary and largely discredited numerical target?

Meanwhile, one issue that has risen sharply up the agenda since the vote is the status of EU nationals resident in the UK (and Brits living elsewhere in the EU). It quickly became apparent that the promises from Vote Leave that these groups had nothing to worry about were either ignorant, deceptive or both. Equally, the prime minister claimed that this issue would be easily resolved once the EU27 set out their position. They have now done so but, before the election, were met with a deafening silence from the UK side.

## What next?

In the short term, the most salient political issue is likely to be citizens' rights, since an acceptable

resolution is an essential element of an Article 50 deal. Alongside the "divorce bill", the extent to which the UK Government is prepared to compromise on this issue – which, for the EU, must involve some continued elements of "European" law holding sway in the UK for an extended period – will be a key signal of whether an ultimate deal is possible.

Assuming this is resolved, the focus of political debate is likely to move back to the trade-off between freedom of movement and the Single Market, which Theresa May thought she had resolved last October. Paradoxically, despite the fact that both main parties committed in principle to ending freedom of movement, the inconclusive result of the election means that the government's approach to Brexit is called into question. Labour's stance – supporting both the end of free movement and the continued "benefits of the Single Market" – was both confused and contradictory, but does not entirely preclude the possibility of continued membership of the Single Market, perhaps with some modest amendments to the current free movement rules. More broadly, the election result also calls into question the Conservative Party's (uncosted) pledge to reduce immigration to the "tens of thousands", which is highly unpopular with business.

Much will depend on economic developments. Up until now, the debate about Brexit, free movement and immigration has been against the background of a relatively robust economy and labour market, and high immigration. If, as seems plausible, the economy slows significantly, and net migration – particularly from the EU – falls sharply, then the trade-offs noted above will appear very different, and the political dynamics may change significantly, opening up space for a more economically liberal approach to immigration both from within and outside the EU.

**By Jonathan Portes**

# Britons in the EU

## Introduction

Freedom of movement – the right to live, work and access welfare arrangements in another European Union member state – is one of the founding principles of the EU. Freedom of movement became a central theme for the Leave campaign. Playing to public concerns about high levels of migration, they argued that stopping freedom of movement was critical to curbing these flows.

An estimated 3 million European citizens are resident in Great Britain, while the latest figures suggest that there are 1.2 million Britons living elsewhere in the EU. The latter represent a diverse population that includes those working, studying and retiring abroad. Just as for their EU counterparts living in Britain, Brexit might bring about a significant transformation in the lives of these British migrants as their political rights and social and financial entitlements are renegotiated.

## Britons abroad and the EU referendum

In the run-up to the referendum, Britain's expatriates featured in two prominent ways. First, in that those who had lived overseas for 15 years or more found themselves ineligible to vote. Second, because of the potential consequences

of large-scale repatriation. The inability to vote in a referendum that could have such profound consequences for their daily lives reinvigorated the question of overseas voting rights for British citizens, sparking political mobilisation and campaigning among Britons living abroad around a "vote for life". On the other hand, Britain's expatriates were depicted as a social problem waiting to happen. The prospect that elderly British pensioners currently living in other European countries might be forced to return promoted concerns that Brexit might place further pressure on an already strained National Health Service.

These headlines paint only a partial picture. The British populations living elsewhere in the EU are a more diverse group than a focus on pensioners suggests. Similarly varied are the motivations for their emigration. These include work, study and family reunion. Freedom of movement may facilitate such migrations, but is not the only thing that enables the migration and settlement of individual migrants.

## One year on...

Freedom of movement does not unilaterally affect British populations living in Europe; the removal of

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this foundational right of EU membership will also have consequences for EU nationals making Britain their home. October 2016 saw the establishment of the All-Party Parliamentary Group on Freedom of Movement, a forum emphasising the value of freedom of movement to the British economy and British society, as well as the rights of EU citizens living in Britain and Britons resident in other EU member states.

The general election has caused further disquiet among British overseas residents about the right to vote. The Government issued a white paper in October 2016 outlining its plans to legislate to grant lifetime voting rights to individual British citizens who had previously been registered to vote. However, this had not become policy before the general election.

British pensioners living abroad have also continued to make the headlines. While claims about what their return might cost the NHS continue to be made, concerns about what might happen to pensions paid abroad have also surfaced. Simply put, while current arrangements allow for Britons living in the EU to receive pension increases in line with inflation, withdrawal from the EU might entail the end of this reciprocal arrangement. This could result in the freezing of pensions and hence a real-term reduction in the incomes these pensioners receive.

The lack of clarity about what Brexit might mean for Britain also affects British populations abroad. This uncertainty is profound and is causing significant unease.

## The future for Britons abroad

The end of free movement will undoubtedly impact on who can migrate to, and who can continue to live and work in EU member states. It is possible that one response to Brexit might be repatriation, particularly of those populations

made more vulnerable as a consequence. If this transpires, proper planning will be necessary not merely in terms of the potential costs in relation to health and social care, but also with regard to how the reintegration of these people into British society will be facilitated. Absent repatriation, it is important that clarity is provided as soon as possible as to what Britons living in other EU member states will need to do to continue their residence.

These are just some of the questions we might consider. Looking forward, it is important to carefully attend to how Britain's withdrawal from the EU variously impacts on Britons living and working elsewhere in the EU.

*By Michaela Benson*



# Nationality politics

## Introduction

Immigration was central to the EU referendum. In particular, the principle of freedom of movement, one of the pillars of the EU, became a key target of the Leave campaign. The promise to curb the flow of EU nationals into Britain proved particularly effective in mobilising Leave voters. Far less attention was given to the impact of Brexit on over three million EU citizens leaving in the UK and one million Britons residing in the EU. The issue of their legal status was put aside, and after a year it is still unresolved.

Attempts to get both sides to pledge support for a rapid resolution concerning the legal status of EU nationals living in Britain received cross party support before the referendum but evaporated soon after. To date, calls for a unilateral gesture of good will from the prime minister towards EU nationals have fallen on deaf ears. However, there are signs that the political landscape emerging from the 2017 general election may force the Government to soften its position.

## A year of uncertainty

A year of uncertainty over their right to remain in Britain is taking its toll on EU nationals, with some

[evidence](#) pointing to an increase in mental health and anxiety disorders among EU residents. A number of online and offline discussion fora have emerged, offering legal advice and mutual support in the face of the everyday and bureaucratic challenges the referendum has created for EU nationals, especially with regard to securing legal status in the UK. To many of them, the referendum result, and the realisation that their position in Britain was now both legally precarious and subject to the fluctuation of party politics, came as a profound shock.

The options open to EU nationals vary primarily according to the length of their stay in Britain. Many long term residents are applying for permanent residence and British citizenship. Others are contemplating leaving the UK, especially those who, because of their age, working status, family arrangements, or length of stay, feel excluded from existing pathways to secure their status. Others may be doing both, securing their legal position in Britain, while considering options elsewhere in Europe.

According to the Office for National Statistics' latest [quarterly release](#) of provisional long-term international migration estimates, net migration is at its lowest level for nearly three years. The

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drop is partly due to 25,000 fewer Poles and other Eastern and Central Europeans coming to work in Britain, and an increase of 16,000 in those leaving. Uncertainty over their future legal status has also triggered a rise in the number of EU nationals and their family members applying to the [Home Office](#) for permanent residence – five times higher than last year – and British citizenship, which is up 35% in the past year. Detailed Home Office data on naturalisation show that the surge in citizenship applications is particularly noticeable among the citizens of older EU member states, with an increase in citizenships applications among Italian, French, and German nationals in the most recent period. In that same period, some of the largest number of applications, however, came from Polish nationals who, since 2010, have submitted applications for citizenship in large numbers.

## Forty years of EU membership

The focus during the referendum on recent arrivals, particularly from Eastern Europe, has overshadowed recent and past immigration from older EU member states and, more generally, the fact that the UK has been a member of the EU for 40 years. For example, while the inflow of Central and Eastern Europeans, whose levels of immigration have been relatively high since those countries entered the EU in 2004 and 2007 respectively, has received extensive media coverage, far less coverage was accorded to the mobility of EU nationals from Germany, France, Spain and the other older member states. These have made up an increasing share of EU migration to the UK in recent years; most recent [estimates](#) for 2016 show that 53% of the most recent immigrants estimates from the EU come from EU14 countries (member states joined in 2000s).

Besides, this attention on latest arrival has also obscured an inconvenient truth. Throughout four decades of EU membership, there has been intermingling of people which can be most clearly seen in the growing number of mixed-nationality EU families in the UK and their offspring, many

of whom were born in the UK and hold a British passport. [Data](#) from recent birth statistics show that almost 12% of children born in England and Wales in 2015 had at least one EU-born parent (the figure rose from 8.1% in 2009), pointing to their potentially increasing demographic importance.

This is a growing but as yet understudied and underreported segment of British society. In the post-EU referendum context, in which the rhetoric about curbing EU immigration has permeated political, media, and popular discourses, producing a stark “us and them” narrative, the question left unasked and unanswered is what the human and emotional costs of this will be if, for a large section of the British population, “us and them” are the same.

*By Nando Sigona and Laurence Lessard-Phillips*

# The repatriation of competences

## Introduction

During the EU referendum campaign, much was made of the UK “taking back control” of law-making powers from Brussels, and the issue certainly resonated with many voters. Being part of the EU has meant that a lot of the UK’s laws originate in Brussels. EU law making involves EU-wide standard-setting in areas as diverse as banking regulation, agriculture, the environment, consumer protection and employment rights. With the UK’s withdrawal from the EU, these powers will be repatriated to the UK. How much flexibility the UK will, in fact, have to set its own laws after this remains to be seen, and much will depend on the terms of our existing and future international agreements.

But there is another aspect of this repatriation of powers that is causing constitutional headaches. Brexit may mean taking back control over law making – but where is this control being taken back to? The UK has now experienced nearly 20 years of devolution. Scotland, Wales and Northern Ireland have their own governments and parliaments, and have primary policy responsibility for areas including health, education, environmental protection and agricultural policy. Block grants from the Treasury to the devolved administrations have been supplemented by important EU funding streams, especially significant for the devolved nations’ agricultural sectors, as well as for their universities.

Whilst the UK has been part of the EU, the powers held by the devolved nations have been exercised within the limits of EU law. They have implemented certain EU laws themselves (resulting in some difference across the UK in the rules on eligibility for agricultural payments, for example), as well as ensuring that their own policies comply with the demands of EU law. So, for example, Scotland’s plans for minimum alcohol pricing ran into trouble with the EU’s internal market laws, constraining the Scottish Government’s actions. As the head of the Scottish Vote Leave campaign [announced](#) ahead of the referendum, Brexit would lift these restrictions and lead to Scotland gaining “major new powers”. Devolution, according to this argument, would be enhanced as EU-derived constraints in policy areas devolved under the Scotland Act, Government of Wales Act and the Northern Ireland Act fall away.

## What has happened since the referendum?

How much salience this devolution argument had with voters in the referendum is unknown. However, we do now know that the suggestion made by some campaigners that Brexit would lead to an expansion in the powers of the devolved nations is proving constitutionally controversial. For the governments of the devolved nations, the matter though is straightforward. The current devolution settlements must be respected, and powers over those areas which are devolved that come back from Brussels must go to Belfast, Cardiff and Edinburgh, along with appropriate

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means to finance them. Northern Ireland, Wales and Scotland should then be recognised as being able to determine their own policies over devolved areas, including fisheries, agriculture, and the environment. The Supreme Court in the Article 50 *Miller* case agreed, saying that “removal of EU constraints on withdrawal from the EU Treaties will alter the competence of devolved institutions unless new legislative constraints are introduced. In the absence of such new restraints, withdrawal from the EU will enhance devolved competence”.

But for the UK Government, such new legislative constraints are required. Powers in devolved policy areas will not flow directly to the devolved legislatures, but will come back to Westminster. As a first step, as foreseen in the Great Repeal Bill White Paper, the legal frameworks set at an EU level, within which the UK and its devolved nations currently operate, will be retained. This is in the interests of legal certainty, and to ensure there is legal continuity after Brexit, with no black holes emerging. Subsequently, and following “intensive discussions” with the devolved nations, further decisions may be taken on determining where UK-wide approaches are needed, and where powers may lie at a devolved level, including the local government level. It is expected that some common frameworks will emerge on agriculture, environment, fisheries and regional policy – areas that are devolved, but which have been subject to EU law. The UK Government argues that this approach is necessary to ensure there is no disruption to the UK’s own internal market – on the basis that divergences in law create unnecessary and costly obstacles to cross-UK trade. Additionally, it is said to be needed in order for the Government to undertake international trade negotiations, with these powers falling to London to exercise for the UK as a whole. For the devolved nations, however, this approach is tantamount to a power grab that undermines the existing devolution settlement and for which their support is certainly not guaranteed.

## What happens next?

What that means in constitutional terms, and its significance for the long-term future of the UK, remains to be seen. Pre-election, the Great Repeal Bill was set to start its legislative journey through the Houses of Parliament before the summer recess. Whilst this is still expected, the Government’s plans for the devolved nations may come up against opposition there. Yet the opportunities for the devolved parliaments and governments to feed into this law-making process are very limited, despite the critical significance it will have for them and their powers. This reflects the lack of experience of “shared” rule making amongst the different levels of government in the UK. Opposition from the devolved parliaments can be signalled through their refusal to grant Legislative Consent Motions. By convention, these are required when Westminster legislates on devolved matters or to change the scope of devolved powers. According to the Supreme Court in the *Miller* case, however, this convention is not legally enforceable, operating only as a political constraint. Any resulting constitutional clash over powers may provoke further moves towards independence in Scotland. In Wales, the Government has called for a constitutional convention and a redefinition of the UK machinery along more federal lines, creating a new system for making common policies. In any case, the UK Government will be going into the Brexit negotiations with disunity at home, which may ultimately prove more than an unwelcome distraction.

**By Jo Hunt**



# Foreign policy

## Introduction

Discussion of foreign and defence policy was largely conducted in terms of generalities during the EU referendum campaign. Key themes were the EU's historic role in bringing peace to the European continent, and claims that it was on the road to creating a "European army".

Remain campaigners argued that the prosperity created as a consequence of EU membership was integral to national security. Brexit, they argued, would undermine both UK and EU security and stability. These claims were echoed by key international figures, including President Obama and NATO Secretary General Jens Stoltenberg.

Brexit campaigners, in contrast, made the argument that Brexit would provide the UK with greater freedom to fully utilise its diplomatic, military and "soft power" capabilities, and hence achieve enhanced international influence. They also sought to downplay the EU's contribution to security, insisting that NATO and the United States, not the EU, have kept the peace in Europe since World War II. These campaigners also emphasised the dangers inherent in supposed EU moves to create a "Euro army" in place of national armed forces.

The Brussels bombings of March 2016 gave different security issues greater prominence. It focused attention on the issue of border and "homeland" security, and whether the UK's security is enhanced, or compromised, through its membership of the EU. This issue gained renewed attention more recently following the terrorist attacks at Westminster, Manchester and London Bridge.

## What has happened since the referendum?

The future of the EU-UK foreign and security relationship has been the subject of relatively little public debate since the referendum. This is partly because none of the alternative models for a future trading relationship come with a predefined model for foreign and security policy cooperation. In addition, foreign policy, and especially security policy, are areas in which Mrs May's government has indicated that it wants to maintain close cooperation with the EU. The Brexit White Paper and speeches by the prime minister have repeatedly stressed a desire for a close EU-UK security partnership.

The Government has also promoted the idea that Brexit gives the UK an opportunity to reshape its place in the world. "Global Britain", a slogan first

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used by Prime Minister May in her Conservative Party conference speech in October 2016, is intended to signify a "reboot" of UK foreign policy – actively promoting free trade and cooperating closely with allies to build a safe and just world. How these priorities will differ from existing commitments is still unclear.

Overseas visits and major international summits since the referendum offer little indication of major shifts in priorities beyond stressing the importance of new export opportunities. Further, the election of President Trump, and the UK government's desire to seek a close relationship with his administration, have attracted unfavourable comparisons with the more critical stance of other European governments (notably Chancellor Merkel and President Macron). The UK has given the impression of downplaying President Trump's ambiguous stance on matters of key importance to the UK, such as the stability of NATO and global free trade.

## What might happen?

The relatively underdeveloped nature of the EU's foreign and security policy means that Brexit will have less obvious impacts for the UK than in other policy areas. The UK has not integrated its military capabilities or its diplomatic infrastructure with the EU and, consequently, detachment post-Brexit does not require major institutional reform.

However, the UK will lose its participation and the capacity to directly influence EU foreign policy making processes. Further, it will have diminished influence on the direction of development of the EU's nascent defence policy as a non-member. The referendum has already had a direct effect on the behaviour of the EU's other member states. It coincided with the publication of the new EU Global Strategy (EUGS) that sets out how the EU intends to broaden and deepen its role in global politics. One aspect of the EUGS was to further develop the EU's role in the security and defence fields. UK support for the EUGS was predicated, in part, on its ambition to deepen the EU-NATO

relationship (subsequently agreed at the July 2016 Warsaw Summit).

As indicative of the diminished influence of the UK prior to completing the formalities of Brexit, some member states have already made proposals for deepening EU defence collaboration in a direction that the UK has resisted. The French and German governments have jointly proposed a series of measures that include a permanent military headquarters for EU missions, and the creation of a common budget for military research and joint procurement to be run through the European Defence Agency (an institution that the UK has resisted giving a substantive budget or a major role in defence procurement). Finally, they have advocated reinforcing existing military formations, such as the EU's Battlegroups, using EU treaty provisions that allow for smaller groups of member states to undertake deeper defence collaboration.

These ideas have given energy to the ambitions of the EU High Representative for Foreign Affairs and Security Policy for boosting the EU's capabilities. They have also given impetus to the European Commission to earmark part of the EU budget for spending on defence research supported by all member states.

Proposals for greater EU defence integration have largely failed in the last two decades, partly because these have been resisted by the UK. Brexit, in combination with a US administration that appears less committed to European security, has given impetus to EU security developments that the UK is now in less of a position to influence. As a non-member, the UK faces the prospect of being a bystander to decisions on the future of European defence that directly impact on the UK's national security but over which it has minimal influence.

**By Richard G Whitman**

# Higher education

## Introduction

Britain's relationship with the EU has been a fruitful one when it comes to higher education. By operating within a larger European network, UK universities have become increasingly competitive in world terms. The UK attracts the second largest number of international students and, by most counts, has the second strongest research system in the world after the United States. The UK accounts for 3.2% of global research and development expenditure but 9.5% of scientific papers downloaded, 11.6% of citations, and 15.9% of the most highly-cited articles. Shared European ideas, resources and talent play a key role in this remarkable global performance.

The UK's research strength rests partly on its leading role in EU projects, which provide access to collaborators across the continent. From 2007 to 2013, the UK contributed €5.4 billion to the EU for research, development and innovation, while receiving €8.8 billion in research grants. Of this, €6.9 billion was from the UK's Framework 7 Programme, in which UK universities were the most successful recipients with a 71% share of projects.

This immersion in Europe is equally striking in relation to people mobility. In 2015-16, 127,440 EU students enrolled in UK higher education, 5.6% of all students. Non-UK EU countries made a larger contribution to staffing. In 2015-16, 31,635 EU staff worked at higher education institutions in the UK, 16% of the workforce. The figures are higher in the research-intensive sector, including 37% of academic staff at LSE and more than one in four in Oxford, Cambridge and University College London. In the last half decade, more than 40% of new academic staff appointed on merit to Russell Group universities were from the EU.

In the referendum campaign, the argument in relation to higher education was straightforward. Universities UK and other sector bodies, and individual Vice-Chancellors, argued vigorously for Remain, though the issue never achieved much public prominence and entered the official Remain campaign only marginally, in relation to research. The Leave case accepted the need for the UK Government to compensate science research funding, but ignored the extent to which free movement within the EU benefitted higher education and research. University towns voted strongly for Remain, as did staff and students.

## What has happened since the referendum

Only one of the issues triggered by the referendum has been resolved, on a temporary basis. The UK government has ruled that in 2017-18 EU citizen students can enter British universities on the same basis as UK students, as before the referendum. EU students will continue to pay a £9,000 per annum fee for full-time courses, supported by income contingent loans payable after graduation. However, the position for students entering in 2018-2019 is unclear, and it seems almost certain that after Brexit EU students will pay fees on the same basis as non-EU international students—that is, they will pay up-front fees in the year of study without the benefit of the income contingent loans. Those fees, determined by the universities, will range from £12,000 per year to £20,000 and more.

The future UK residency and contribution of all non-UK Europeans has been fundamentally placed in doubt by the referendum. The February 2017 White Paper on Brexit indicated that the Government wants to “secure the status of EU citizens already living in the UK” but there has been no resolution of this. A Times Higher Education poll of academics in March 2017 found that 53% of non-UK nationals were “actively looking to leave the UK” and 88% said that Brexit has made them more likely to do so in the medium-term to long-term. This is a crucial issue, and the longer it is unresolved the worse will be the long-term effects.

The Treasury has undertaken to compensate universities for any early loss of research funding under Horizon 2020 and other European schemes. The government includes continued UK membership of European research schemes as an objective in Brexit negotiations. While the importance of European research links for UK science is clearly understood, perhaps more so than the importance of retaining EU staff, it is not generally realised that the two areas are partly interdependent. Further, research is a second order public issue at this stage.

## What might happen in the years to come?

A hard Brexit, and particularly a no deal outcome, constitute serious threats to the national viability and global competitiveness of UK universities. Under these scenarios, access to the bulk of European research funding will be lost, and it is highly unlikely that UK universities and science could be adequately compensated in the long run. It is not just a matter of money, there is also the lost access to networks of shared expertise. Any reduction in the national science base also narrows the scope for industry innovation.

The end of direct EU access rights will trigger a new skilled migration scheme in UK, with incomers from all countries handled on an equivalent basis. The outcome here is ambiguous. A scheme that favoured high skill researchers and educators could maintain much of the present entry from Europe while enlarging the scope for entry from other parts of the world. However, if large scale cuts in international student numbers go ahead as planned, this would narrow the flow of talent from one source (international student graduates) while discouraging talent from another (academic staff from Europe and elsewhere). Much in higher education depends on whether in the fraught climate of Brexit the government and the country can maintain the UK, especially its universities, as meritocratic, internationally engaged, and above all, open.

*By Simon Marginson*



# The member states

## Introduction

Despite the UK's well-earned reputation as an "awkward partner", none of the member states wanted to see it leave the EU. They have been perennially puzzled by the UK's domestic debate about "Europe", especially given London's success in getting its way in successive treaty negotiations, as well as in day-to-day policy making. More recently, they have been frustrated by the UK's lack of solidarity over the eurozone and migration crises. Still, the member states recognised the value of the UK's membership and the assets it brought as a major European economy, with strong security and defence capabilities, a seat on the UN Security Council, and global trading links. They also admired the professionalism with which the UK argued its case in Brussels, as well as the pragmatic approach it brought to the table.

Moreover, for some member states, the UK was an important ally. It is firmly rooted in the liberal economic camp alongside Denmark, Finland, Germany, the Netherlands, Sweden, and the Baltic states. It was respected by the countries of Central and Eastern Europe for championing enlargement, as well as for deciding not to restrict migration upon their accession to the EU in 2004. For France, the UK has been a counterweight to

Germany; for Germany, it has played the same role in relation to France. The UK's relationship with Ireland is especially intimate. As well as a common border, the two countries share close historical, cultural and economic ties.

For these reasons, member governments responded positively, if warily, to Prime Minister David Cameron's demand in 2015 for a new bargain for Britain, even if the UK took time to specify what it wanted. Yet, although they were willing to do a deal to keep the UK inside the EU, they were not prepared to compromise the EU's fundamental principles, especially the freedom of movement of workers.

## Post-referendum

The results of the EU referendum were greeted with disappointment across the national capitals of the EU. "We regret this decision but respect it", said President Tusk, President Juncker, President Schulz and the Netherlands Prime Minister Rutte in their joint statement the day after the referendum. At the same time, agitated by the UK's repeated claim that "they depend more on us than we do on them", national leaders have cautioned that, although Brexit will hurt the EU, the UK will suffer even greater harm.

# EU referendum: one year on

The EU27 were quick to adopt a common position. As well as calling on the UK Government to notify the European Council of its intention to withdraw from the EU as quickly as possible, the leaders of the EU27 underlined their commitment to the EU and agreed three principles for the conduct of the Brexit negotiations:

- that negotiations should not begin with the UK until after London had triggered Article 50;
- that the UK would need to accept obligations, notably concerning EU citizens resident in the UK, as well as rights *vis-à-vis* the EU;
- that the UK could not expect access to Europe's Single Market unless it accepted the four freedoms of movement of goods, capital, services and workers.

Subsequently, the EU27 have maintained their collective position. Although prepared to commit themselves to a constructive bilateral relationship in the post-Brexit era, they have refused to enter any discussions that might pre-empt the Article 50 negotiations, particularly regarding future trade relations. At the same time, they have emphasised that, while the aim is not to punish the UK, the negotiations will be hard, and the UK cannot expect to retain the advantages conferred by EU membership.

Any hope in other EU capitals that the UK would change its mind about Brexit quickly receded. Indeed, the tone of UK rhetoric – notably in the speeches made by Theresa May and Home Secretary Amber Rudd at the 2016 Conservative Party conference, which appeared to threaten the rights of EU citizens in the UK, Michael Howard's comments about going to war to defend Gibraltar, as well as Foreign Secretary Boris Johnson's repeated references to World War II and the Nazi regime, to cite but a few – provoked dismay and bewilderment among the UK's partners.

Moreover, alarm about London's expectations ("having our cake and eating it"), its threat to walk away from negotiations ("no deal is better than

a bad deal"), and the unwillingness of the prime minister to outline the UK's objectives, has led to voluble criticism that is unusual among allies. Most notably, in the wake of European Commission President Juncker's infamous dinner at Number 10, Chancellor Merkel warned the UK about harbouring "illusions" about the outcome it would achieve from the negotiations. In addition, Ireland, which will be more affected than any member state by Brexit, fears its concerns have not been taken seriously in London, and has sought to ensure that its circumstances are understood in other EU capitals.

## One year on

Since June 2016, the sentiment in the capitals of the EU27 has moved from disappointment and disbelief to impatience. While there is still regret about the outcome of the referendum, as well as a hope that the UK will one day return, member governments are irritated about the length of time it took London first to trigger Article 50 and then to commence negotiations. The UK's partners have also been unimpressed by UK diplomacy since 23 June 2016.

On the eve of negotiations, the UK's objectives remain largely unknown. There is concern that London entertains unrealistic expectations, and anxiety that the UK will stage a walk out. To make matters worse, a snap election that was called to deliver a stronger personal mandate for the prime minister has delivered a hung parliament, introducing still further uncertainty and diminishing the prospects of a conclusion of business within the two years foreseen by Article 50.

Having committed themselves to a future within the EU, the UK's EU partners have held firm, resisting all attempts by London to "divide and conquer". From the Netherlands Prime Minister Mark Rutte to French President Emmanuel Macron, Europe's leaders have underlined that, while they are disappointed at the UK's decision, they respect it. However, they also warn that the forthcoming negotiations will be tough.

**By Hussein Kassim**

# The EU position

## Introduction

The EU depends on its member states for its legal, financial and political existence and so is usually willing to try to accommodate their “local difficulties”. In the UK’s case, this meant Jean-Claude Juncker (President of the Commission) and especially Donald Tusk (President of the European Council) trying to find an accommodation in the renegotiation that would allow Cameron to take back something valuable in the coming referendum campaign, but also respecting the interests of other members.

From the EU perspective, the resultant “new settlement” was a sincere effort to give Cameron a leg-up, albeit one pointedly draped in language that reminded everyone that the treaties already allowed for much more flexibility than public debate seemed to suppose. However, the overblown rhetoric that Cameron had taken into the renegotiation meant that any advantage he might have gained was lost in the howls of the British press about being short-changed.

Unsurprising as this was, it confirmed the dominant view in Brussels that the best subsequent course of action was to maintain a very low profile, as any intervention in the referendum was likely to back-

fire. Either the vote would be won – in which case the new settlement would come into effect and normal service would resume, or lost – in which case contingency plans would kick in.

## Post referendum

The outline of these plans was always clear before the referendum itself, but was expanded upon very quickly afterwards, notably in the statements on 24 and 28 June from EU leaders.

In essence, the EU’s position was, and continues to be, that if the UK wants to leave the organisation, then it should do so, following the procedure established for just such an eventuality: the infamous Article 50.

While it is simple to state the Union’s view, it carries with it a number of key consequences.

First, it fits with the EU’s tradition of trying to balance local needs with common interests. If the renegotiation was not enough to convince the British public, then their views must be respected. However, this implies respecting the views of other member states that were not willing to offer further concessions to the UK: hence, no post-referendum renegotiations.

# EU referendum: one year on

Second, and linked to this, the UK will not get special treatment. The renegotiation text itself applied to all member states, with the sole exception for the UK being a confirmation that it already met the threshold to limit benefits. Likewise, the EU has a process for departure, and a process for establishing third-country relations, both of which will be used to establish a new relationship with the UK.

Thirdly, the insistence on Article 50 places the EU in a strong negotiating position. The dynamic of the negotiations will be one of the EU making an offer to the UK, rather than vice versa. We have already seen this with the publication of detailed EU negotiating guidelines. While the EU is free to make whatever offer it wishes to the UK, the UK will be limited to working around that agenda, responding rather than defining.

This imbalance of power partly explains the long delay between the referendum and the notification that the UK wanted to trigger Article 50. As long as the British Government did not trigger the procedure, there was no time pressure, and an opportunity to try and influence the content and direction of negotiations. However, in the absence of any coherent British policy on how to approach the negotiations, and in the face of evident determination on the part of the EU institutions to avoid any pre-notification talks, this opportunity ultimately came to nothing.

## One year on

As the UK begins substantive negotiations, it faces an EU with a very well-developed organisational structure and a negotiating position that enjoys a high level of buy-in from all sides.

Importantly, any potential for conflict between the European Council, Commission and European Parliament was addressed early on. European Council President Donald Tusk quickly took the lead as the main contact point at the level of heads of government, while the Commission built a dedicated negotiating team around Michel Barnier.

Meanwhile, the European Parliament was able to influence the formulation of the negotiating mandates. Its role under its “lead negotiator” Guy Verhofstadt might be best thought of as that of a (not very) bad cop alongside the Commission, promising to veto any agreement that does not secure citizens’ rights. Close coordination between the EU institutions will also limit the UK’s ability to play them off against each other, something that might potentially have complicated ratification of the deal.

The unity of the institutions will be severely tested in the rest of 2017, as one of the main principles of the mandate is challenged by the UK, namely sequencing. While the mandate does have some flexibility, it essentially assumes that liabilities of membership – including finances – must be resolved before any discussion of the new relationship. Given the politically toxic nature of the money question for the UK Government, it is understandable that it would prefer to bundle everything up together, if only to distract attention. As ever, the EU is sympathetic to this – hence its clear focus on principles for calculating liabilities, rather than using actual figures – but its need to cover the gaps in financing for other member states suggest that it will stand its ground on this issue.

Whether the EU institutions will be willing or able to maintain their positions through to the end of Article 50 remains to be seen; given developments to date, it looks much more likely that it will be the UK that has to cleave to the EU, rather than the other way around. Indeed, the unity of the EU has an intrinsic value as a symbol of European cooperation that will make it that much harder to compromise or shift its position.

**By Simon Usherwood**



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