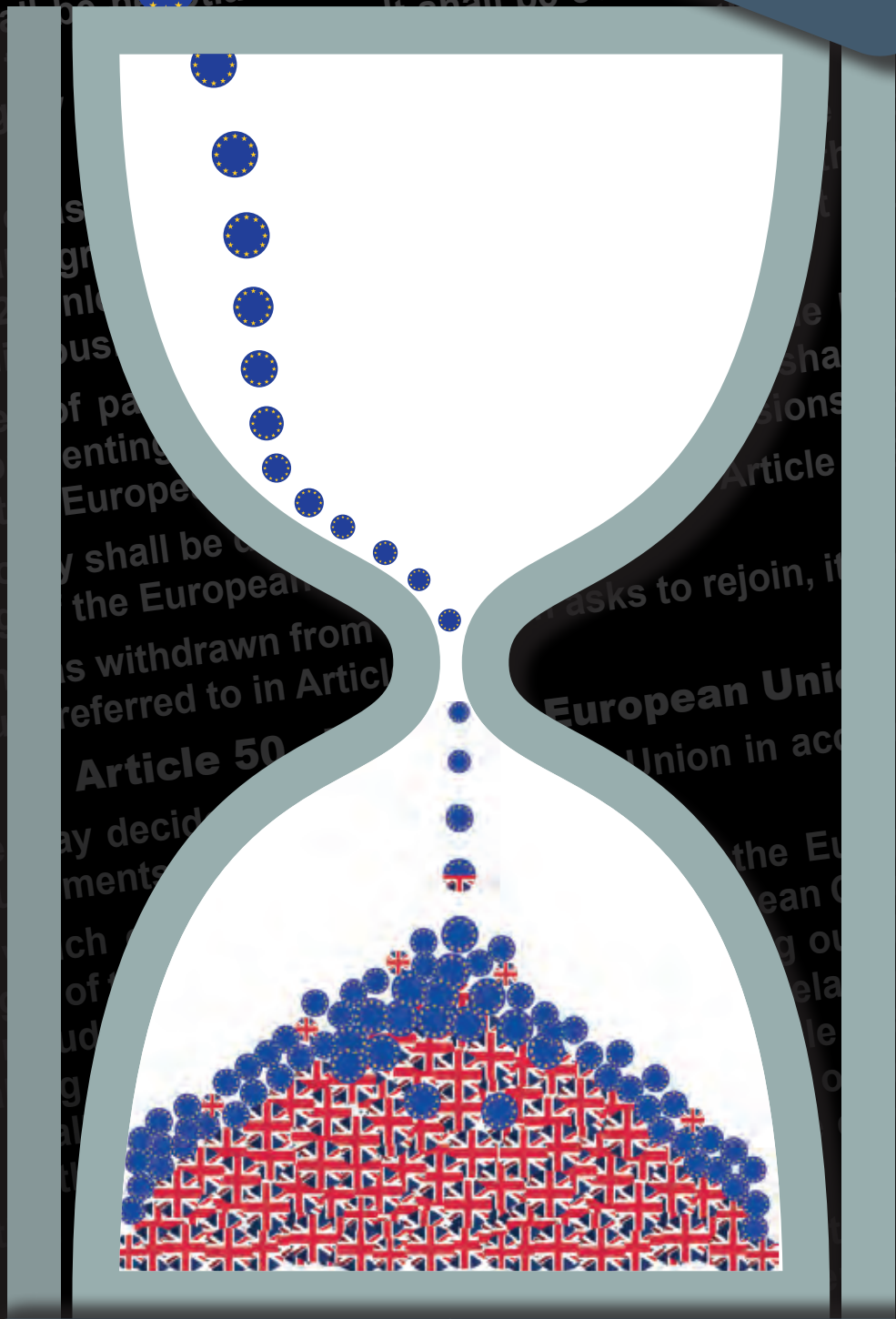


Article 50 two years on



The **UK** in a
Changing Europe

Foreword

It's worth recalling just what has been achieved since we triggered Article 50 two years ago today. For all the noise and drama in Parliament, we have passed the main piece of legislation to prepare the statute book for life outside the EU. For all the upheaval in cabinet and government, we have negotiated an international treaty with the EU which would mean we leave it in an orderly manner. If, that is, MPs approve it.

These were not mean feats. And this was down in no small part to the civil servants both here and in Brussels who worked tirelessly to ensure that a compromise was reached and solutions were found where, frequently, none seemed possible.

Perhaps rashly, this report represents our attempt to provide a summary of what has happened, where we are now and where we're likely to go next. It brings together some of the best minds working on Brexit. They share their expertise on a range of areas where Brexit is having or will have an impact. I think, it makes a unique and original contribution to the Brexit debate. And I hope you find what follows useful and interesting.

I've run out of superlatives to express my gratitude to colleagues and collaborators. This time more than ever, they've had to deal with last minute comments and queries, and have done so with great efficiency and (more or less) good humour. Special thanks to the ever patient, creative, understanding and brilliant Richard Linnett. Matt Bevington, Liam Hill, Alan Wager and John-Paul Salter all proofed and checked the various contributions. Extra special thanks to Lizzie Parker who coordinated the whole enterprise with her customary effortless efficiency. Today is not the day we leave the European Union, but it is Lizzie's last day with The UK in a Changing Europe. Let me finish, therefore, by wishing her all the very best.

Professor Anand Menon

Director, The UK in a Changing Europe

Hyperlinks to cited material can be found online at www.UKandEU.ac.uk

29 March 2019



The UK in a Changing Europe promotes rigorous, high-quality and independent research into the complex and ever changing relationship between the UK and the EU. It is funded by the Economic and Social Research Council and based at King's College London.

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The negotiations

By Simon Usherwood

Any international negotiation involves two levels. The most obvious one is that between states and their agents: the high-level meetings where texts are presented and argued, to produce something that everyone can agree on. But there is also a domestic level: each state has to manage its internal audiences and stakeholders, especially when they get to have a say on signing off that international deal.

In that respect, Brexit and the Article 50 process have much in common with other such negotiations, and we can make much sense of the difficulties that have been encountered by the simple observation that the interaction of these two levels has been badly managed by the British government.

This said, we should also note that Article 50 differs from the very large majority of international negotiations in two key respects. Firstly, in stark contrast to most negotiations between states it is a process about moving apart, rather than more closely together. Secondly, failure to agree doesn't just leave us where we were beforehand. It results in a no deal outcome that completely erases the present relationship.

Setting up a difficult Article 50

Brexit has engulfed the British political system in a way that is unprecedented in peacetime: there is no area of public policy that is not affected in some meaningful way by the choice made in the 2016 referendum. And that is partly why the focus of the government has been much more firmly on managing those domestic impacts.

Almost every key turning-point in the process since the referendum can be understood primarily as a function of domestic politics, rather than by reference to the EU level.

Prior to the notification of withdrawal in March 2017, the formation of Theresa May's policy was driven by two factors: the need to demonstrate to her party that she was no longer the Remainer of the referendum, but instead a staunch defender of the 'will of the people'; and the desire to retain the elements of collaboration with the EU that she saw as valuable.

Thus, the Lancaster House speech of January 2017 presented a wish-list of objectives that lacked internal consistency (from the EU's perspective) but which spoke to the Tory party faithful with its talk of leaving the single market and the customs union. This was at the harder end of what the EU had anticipated. However, its high level of agreement about protecting core values of EU membership allowed the Commission to take it in its stride.

Likewise, the March 2017 notification to trigger Article 50 was driven by a growing anxiety in the Conservative Party that May might never deliver on these promises, rather than because a robust strategy was in place. The decision almost immediately afterwards to call a general election was similarly much more about the perceived weakness of Labour than any benefit to the UK's negotiating position that might accrue from the expected enhanced majority for Theresa May.

What happened?

The surprise failure of this gambit not only robbed May of her authority (if not her office) at home, but also caused concern among the EU27. Worries about the ability of the government to deliver domestically on any agreement grew stronger. The presence of the DUP as the Conservatives' prop in the Commons also much reduced the room for manoeuvre on the Irish border issue, which was rapidly becoming the sticking point in the negotiations.

Negotiating hard

The opening phase of Article 50 sought to tackle a very limited number of subjects – citizens' rights, financial liabilities and Ireland – as a means of settling these exit-related matters before moving on to any discussion of what might come next. The EU saw this as their best opportunity to lock the UK into commitments before potentially losing focus in any drawn-out negotiations on the future relationship.

While this did result in the December 2017 Joint Report, it was hard-won and sketched out the lines of tension that have remained ever since. Both the DUP and a substantial section of the Tories strongly resisted the wording in the Report on Northern Ireland, and the complex language needed to accommodate the government's red lines and its commitments to the Good Friday Agreement. It was only after some to-and-fro that negotiators were able to pronounce 'sufficient progress' to allow the next stage to begin.

Importantly, while the talks through 2018 did make headway, the last parts of the first phase still loomed large, none more so than the question of the Irish border. By the time of the draft Withdrawal Agreement in March, both sides made a lot of how much they had agreed – glossing over the intractability of what they hadn't.

The summer of 2018 was thus largely about trying to find ways to sweeten the pill of the backstop. The UK embarked on a confusing and confused debate about what kind of future customs arrangement it might have, all the while neglecting to consider whether any of the options might be acceptable to the EU. Negotiators continued to explore other options, including through the Political Declaration to be attached to the Agreement.

September's Salzburg European Council saw another bad misjudgement by the UK of the EU's willingness and capacity to make concessions. The result was a delay in getting to a finalised text which was only achieved in November, some months later than planned. Despite the EU's concession of a UK-wide temporary customs arrangement as part of the backstop, the text was rapidly lost in the tumult of British political debate.

That tumult has no clear outcome in sight. May has sought to convince Parliament that the choice is between the Withdrawal Agreement and a no deal that is widely rejected by MPs: running down the clock has been a key tactic in this approach, even as she fended off votes of no confidence in her leadership and her government.

For the EU, the concern about the stability of the British government and its ability to deliver on the rest of the Brexit process remains. Only when it feels more assured about this will it move to complete its part of the ratification process, and to begin to debate in earnest what future relationship it might have with the UK. And, on that question, there is nearly as little consensus in the EU27 as there is in the UK itself.

As much as the EU has maintained a high level of coordination and adaptability in the process, the difficulty of working with a UK that has still to settle on what it wants has been palpable: the major question will now be whether any decision that the UK reaches in these last days of March can be turned into a durable programme of action. From what has happened so far, the signs do not look promising.



The Withdrawal Agreement

By Steve Peers

What would the Withdrawal Agreement do (and not do) if ratified? Here's a brief overview.

Part one (articles 1-8) deals with basic issues like definitions and territorial scope. The agreement must have the same legal effect for the UK as EU law does for EU member states – including the principles of direct effect (meaning that the agreement as such can be enforced in national courts) and, implicitly, supremacy (meaning that national law which breaches the agreement must be disapplied by national courts).

The UK must also pass an Act of Parliament to give effect to the Agreement. This is above and beyond the 'meaningful vote' on the agreement in Parliament. All references to EU law require it to be interpreted in accordance with the normal rules of EU law, including ECJ case law delivered before the end of the transition period (see Catherine Barnard's piece in this volume on the continued applicability of EU law).

Part two (Articles 9-39) guarantees rights for those EU27 citizens in the UK, and UK citizens in the EU27 before the end of the transition period, during which free movement of people will continue. In principle, they will retain the same rights, including on social security coordination and the recognition of qualifications.

Some aspects of their legal status will change though. The UK or EU27 member states may require them to apply to prove their right to stay. The UK in particular will implement this by means of a 'settled status' scheme. The risk is that some people will not have the documentation to prove their right to stay. Some categories of people currently covered by EU law will not be covered by the Withdrawal Agreement, so their position will be up to UK law. The rules on family reunion and expulsion for criminal offences will also become stricter.

Part three (Articles 40-125) sets out the details of phasing out the application of EU law in the UK at the end of the transition period. The biggest difficulties were over geographical indications (for instance, protection for those who call their product 'Parma ham') and what happens to cases pending before the ECJ on Brexit day.

Part four (Articles 126-132) provides that EU law still applies to the UK after Brexit day, until the end of 2020. The period may be extended by a single period of one or two years. EU law (including new EU law) will apply to the UK, except in areas covered by UK opt-outs (such as the single currency and Schengen). There are special rules on external relations: for instance, the EU will notify non-EU countries that the UK should still be regarded as covered by EU free trade agreements, although the non-EU countries aren't obliged to agree to this.

However, the UK will not be represented on any EU institutions or bodies. The UK will only be consulted on new EU measures as a special exception. In one area – foreign and defence policy – the UK can refuse to apply new EU measures if it has fundamental objections to them, and the Withdrawal Agreement foresees an early treaty between the EU and UK that will replace the transition period rules.

What happened?

Part five, on the financial settlement (Articles 133-157), incorporates the earlier agreement that the UK takes part in the EU's spending until the end of the current budget cycle (December 2020). If the transition period is extended, the UK and EU will negotiate a separate EU contribution to the EU budget. It also includes UK payments to the budget incurred because the EU often makes financial commitments in one year and then pays them out in later years.

Part six (Articles 158-185) sets up a Joint Committee to oversee and implement the Agreement. It can take certain decisions to add to the Agreement – such as an extension of the transition period – but for all these decisions the EU and UK must both agree.

Dispute settlement rules provide for arguments about the Agreement to go to a panel of arbitrators. However, if the arbitrators have to decide an issue of EU law when settling the dispute, they will have to ask the ECJ to give a ruling.

Finally, the protocol on Irish border issues includes the UK-wide customs union backstop, part of which is specific to Northern Ireland. This includes a 'level playing field', which means some degree of continued harmonisation of law relating to tax, the environment, labour law, state aid, competition, and public companies/monopolies.

The protocol also contains provisions on the UK internal market, as well lists of specific EU laws that apply in Northern Ireland: product regulation, VAT and excise tax, agriculture and the environment, a single electricity market, and state aids. There's also a vague reference to other north/south cooperation.

Could the UK have negotiated a different Withdrawal Agreement with the EU? Some provisions might be different, if the UK's settled intention from the outset was to continue participation in the single market and/or agree a customs union with the EU. But without either side changing their 'red lines', it is hard to see how the agreement could look very different.



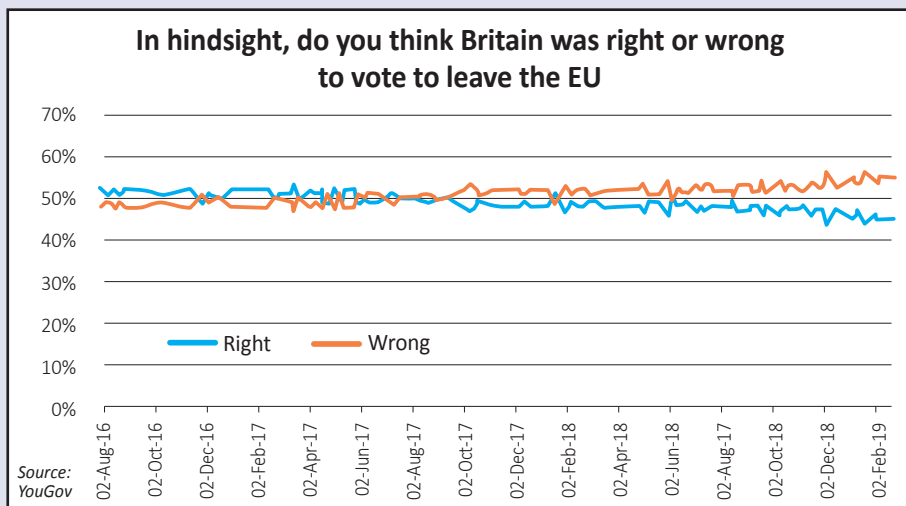
Public opinion

By Sara Hobolt

In her speech to Parliament triggering Article 50 on 29 March 2017, Theresa May expressed the hope that the UK would emerge from the negotiations “more united” than ever before, declaring that it is time “to come together”. But, as we reach the end of the two-year negotiation process, there is precious little evidence that the British have heeded her. Rather, the polls indicate that voters are as divided along Brexit lines as they ever were.

When asked whether they think it was “right” or “wrong” for Britain to vote to leave the EU, the population remain fairly evenly divided, albeit that there has been a consistent small majority opposing the Brexit decision over the last year. A similar picture emerges if they are asked how they would vote if a referendum on Brexit were held today: around 54% would vote Remain and 46% Leave (excluding don’t knows). So while there is a small movement in the direction of greater pro-Remain sentiment, the vast majority of voters have not changed their minds since the 2016 vote.

Indeed, the Brexit divide has hardened over the last two years. Several studies have illustrated the emergence of Brexit identities, as over three-quarters of people identify as ‘Remainers’ or ‘Leavers’. These new political identities are [stronger than the partisan division](#) between Labour and Conservative supporters. Just like



partisan identities, Brexit has created an “in-group” versus “out-group” dynamic that drives how people view politics and even each other. This includes prejudices towards and [negative stereotyping of “the other” group](#).

Brexit identities have also shaped how people view the economy. Before the referendum, Leavers and Remainers shared very

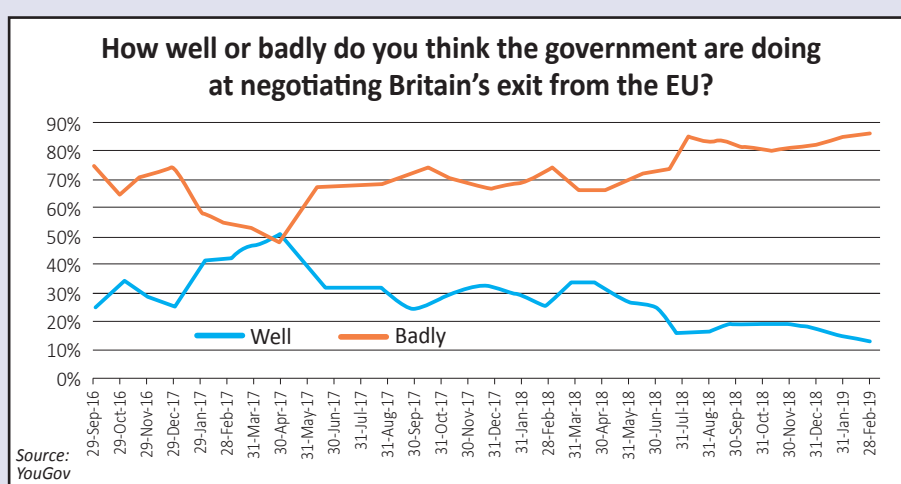
similar assessments of the economy, but they started diverging immediately after the vote, with [Remainers becoming far more pessimistic about than Leavers](#). Unsurprisingly, the Brexit division also shapes [how people view the consequences of Brexit](#). Remainers tend to be far more pessimistic about the prospect of Brexit than Leavers, who remain optimistic. When asked what the consequences of Brexit will be, a study found that 87% of Remainers will mention negative things, compared to only 18% of Leavers – and this divide has essentially remained stable since the negotiations began. Remainers and Leavers also have very different views about the different Brexit scenarios, including Theresa May’s deal, a no deal Brexit and the possibility of a second referendum. Leavers favour leaving the EU without a deal over the alternatives of remaining in the EU or even leaving under the terms of Theresa May’s deal, while Remainers favour a second referendum over both the deal and no deal.

What happened?

Overall, the picture that has emerged over the last two years is that of a deeply divided nation. In one respect, however, the British people have come together: the vast majority of people – both Remainers and Leavers – are increasingly unhappy with the government’s handling of Brexit.

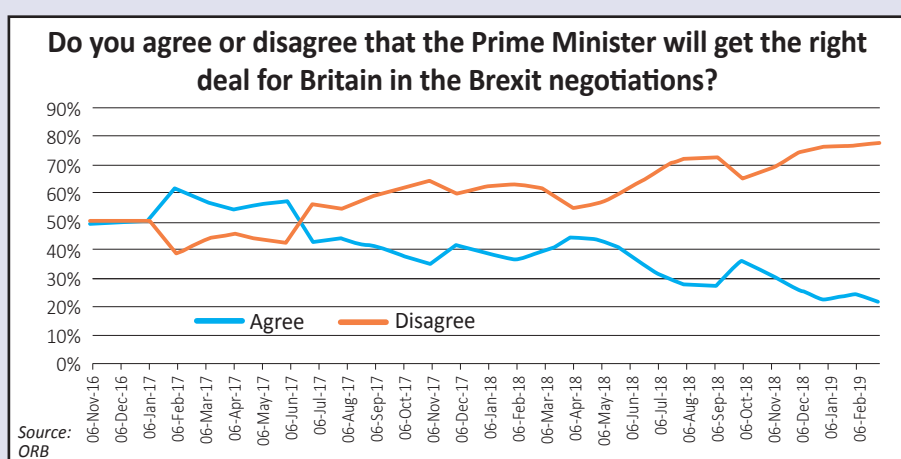
In the months following Theresa May’s January 2017 Lancaster House speech, almost half the population thought the government was handling the negotiations “well”. But this faith has been in steep decline since the summer of 2017. Coming to the end of the two-year negotiations, only 13% per cent of people think the government is doing “well” and 78% think that the government is doing a bad job of negotiating Brexit. On this at least, Remainers and Leavers are remarkably united: 85% of those who voted Remain in 2016 and 76% of those who backed Brexit think the government has done poorly.

A very similar picture emerges when people are asked if they think Theresa May will get the right deal for Britain. Since July 2017, a majority of people have been of the opinion that the Prime Minister will not be able to secure the right deal, and in February 2019 and this had risen to an overwhelming majority of 78%.



Both Leavers and Remainers have lost faith in the government’s and Prime Minister’s handling of Brexit. Yet, there is no evidence that people think a different government would do a much better job. When asked whether a different leader would be able to get a better deal, only 11% agree (YouGov, 11 December 2018). Similarly, when people were asked who they “trust to

deliver a good deal for the UK on Brexit”, the answer “none of the above” was the most popular answer at 24%, followed by Theresa May (23%), and Jeremy Corbyn and Boris Johnson (both 21%) (Survation, 5 December 2018).



Overall, public opinion has remained firmly divided over Brexit over the course of UK-EU negotiations. However, one issue has united the British public: the near universal consensus in recent months that the government, and politicians in general, is doing a very poor job at handling the Brexit negotiations. Distrust in politicians was one of

the drivers of Brexit vote in the 2016 referendum: people with little trust in politicians and government were much more likely to vote in favour of leaving the EU. Almost three years on, the Brexit process has exacerbated this lack of faith in politics, among both Leavers and Remainers. This may be a lasting legacy of Brexit, regardless of the outcome of the negotiations.



Parliament

By Matt Bevington and Alan Wager

It has been surprisingly easy to become accustomed to the current level of parliamentary dysfunction. On 25 March, 30 Conservative MPs, including three who resigned their ministerial posts, defied the whip and defeated the government. The defeat gave MPs the ability to introduce legislation and dictate parliamentary time. Yet almost no-one expected this vote to be a fatal blow for the government.

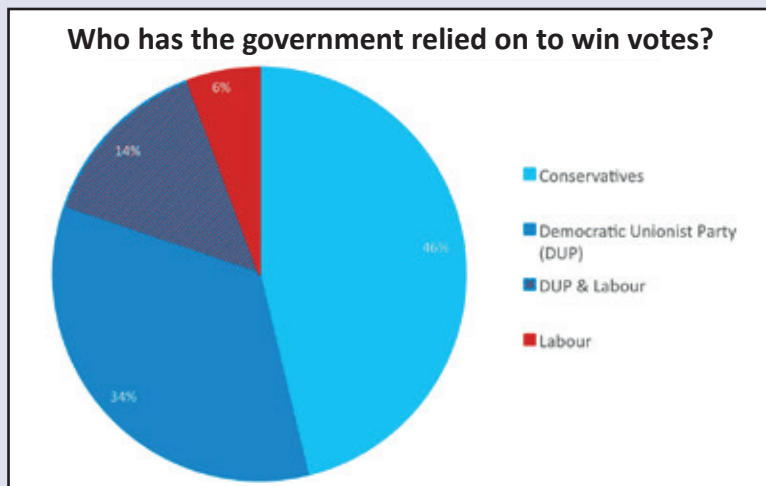
It's worth remembering that defeats on Brexit have only recently become the new normal. Since mid-July, the government has suffered ten defeats on Brexit issues – more than a third of all divisions on Brexit. Before that, the Prime Minister had suffered just one defeat on Brexit legislation.

Paradoxically, the turning point came on 17 July when the government saw off an amendment to the Trade Bill to compel customs union membership. Theresa May and her Chief Whip Julian Smith felt distinctly relieved, having won by six votes. The government both survived a fundamental threat to its Brexit policy, and avoided a split inside the Conservative Party to boot. Rebel MPs would never find out whether the government's threat to call a confidence vote in itself was genuine.

However, amid the celebration, there was real cause for concern. The government was only carried over the line because the 12 Conservative rebels had been sufficiently counterbalanced by four Labour votes. Frenetic whipping meant the Conservatives had broken pairing arrangements with Jo Swinson, a Liberal Democrat MP who was heavily pregnant and on maternity leave. The government had clung on by its fingernails and got its hands dirty in the process.

Since that day, almost all Brexit-related legislative business has stalled. The Trade Bill has not returned from the Lords for final consideration by the Commons. The Agriculture Bill is yet to be scheduled for report stage in the Commons. The same goes for the Immigration Bill.

But how did a once pliable House of Commons, made up of the same MPs who had defeated the government just once in ten months on Brexit votes, suddenly become unmanageable?



The truth is that, following the 2017 general election, the government's majority was always a mirage. From the introduction of the EU Withdrawal Bill in September 2017 to the government win in July on the Trade Bill ten months later, its average majority on Brexit votes was just 23 MPs. That made 12 MPs decisive at any given moment, particularly the ten DUP MPs who have a formal arrangement with the government.

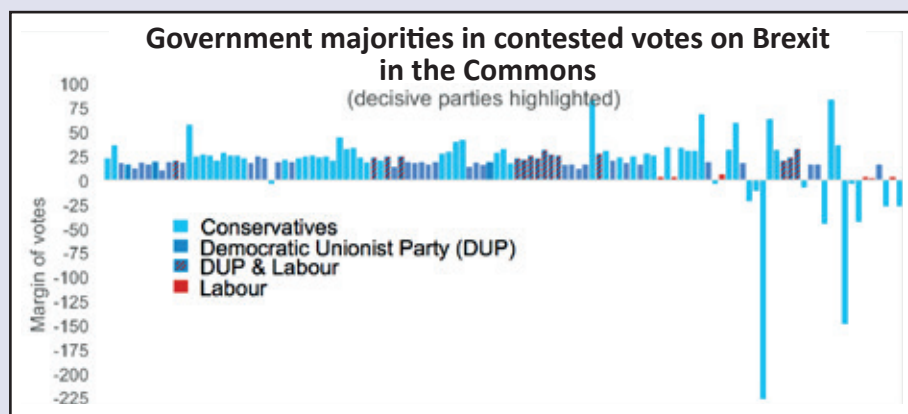
Most of those small majorities were only cobbled together with the votes of the

DUP, Labour rebels or both. Out of 90 votes in this period, the Conservatives could only rely on their own MPs to win 43. It is curious that a prime minister who has relied more often than not on the opposition has spent such an inordinate amount of time talking to the benches behind her.

It is no surprise, then, that this fragile arrangement shattered as soon as key trade-offs and choices on Brexit loomed. Tack one way and Conservative MPs in favour of a softer Brexit, or even none at all, would rebel. Tack the other and a (bigger) chunk of Brexiter MPs would do the same. In the end, moving in neither direction proved no better: the first meaningful vote on May's Deal succumbed to a 230-vote defeat, the biggest ever for any government in the Commons.

Perhaps the real surprise is that the government managed to maintain a working majority for as long as it did. An important factor was the reticence of MPs to be seen to overturn executive power. Earlier in the parliament, many Conservatives who wanted the government to pursue a softer Brexit outcome were wary of being seen to tie its hands and impose parliamentary constraints mid-negotiation. Constitutional squeamishness meant Theresa May retained her grip on the wheel.

But rebellion, it seems, gets easier with practice. In June 2018 MPs considered an amendment tabled by Dominic Grieve, which the government ultimately managed to win by 16 votes. This would have allowed MPs to table their own suggestions on Brexit if a deal wasn't reached by (what was then seen) as the dangerously late date of 21 January. By January, however, Grieve had got an equivalent measure through. The government also just about headed off the first serious attempt to pass 'indicative votes', by 2 votes, on 14 March. MPs' reluctance to overturn parliamentary convention was at a tipping point. That point was finally passed on 25 March when the Letwin amendment on indicative votes was approved.



No doubt the ticking clock of the Article 50 negotiations and impending Brexit deadlines have focused minds and forced MPs to confront the government in recent months. MPs have faced several 'act now or give up control' moments. The Grieve amendment on 9 January was one such moment. It aimed to reduce

the government's time to respond to a defeat of its Brexit deal – which would be voted on a week later – from three weeks to three days. The fear was that the government would run down the clock and leave MPs with a deal-or-no-deal choice unless they intervened.

Public opinion has also softened over the past two and a half years. When asked how they would vote now in a referendum, a small but clear majority would now choose Remain according to the polls. This gradual shift has given cover to MPs – a majority of whom supported Remain – to assert themselves. Also, the fact that a large faction of pro-Brexit MPs have repeatedly rebelled against the government and the Brexit deal has allowed other MPs to do the same without the risk of being seen as blocking Brexit.

What does all this mean for what comes next? Even if Theresa May's deal passes, will she be able to put the Brexit genie back in the bottle to pass the Withdrawal Agreement Bill? MPs might feel – having supported yet another, and perhaps the biggest, step towards Brexit – that they have license to be even more rebellious when it comes to that bill. Equally, pressing deadlines and the need to focus minds might mean May gets an easier ride once a deal is passed.



Politics in the EU

By Catherine de Vries

Eurosceptic political elites on the continent responded with excitement to the Brexit vote in June 2016. They took to Twitter to celebrate ‘their’ victory. The Swedish Democrats [tweeted](#) ‘Congratulations to Britain’s people choosing independence! Now we are waiting for a swexit!’. Marine Le Pen [added](#): ‘Victory for freedom! As I have been asking for years, we must now have the same referendum in France and EU countries’. Geert Wilders [tweeted](#) ‘Hurrah for the British! Now it is our turn. Time for a Dutch referendum’.

Fast forward to March 2019, and these eurosceptic political entrepreneurs have softened their stance on *Swexit*, *Frexit* and *Nexit*: they no longer want to leave, but instead to mold the EU into something they can work with. This should not come as a surprise. Public support for remaining in the EU [rose](#) across Europe after the referendum. The UK was a test case for the rest of the continent. The tedious and uncertain process made leaving both less desirable and less viable – especially for those states that, unlike the UK, are in the euro as well. The extremely long and chaotic process made Brexit something of a Frankenstein’s monster.

The British government was the first, and to date only, government to invoke Article 50 of the Treaty on European Union. The British are thus more or less the guinea pig for this procedure. Brexit is considered as a benchmark, especially for wealthy northern European countries, for what a *Nexit*, *Frexit* or *Swexit* could look like. The lengthy, difficult path to Brexit characterised by high levels of economic and political uncertainty has [reduced support for exit](#) in the remaining member states – in the short term in any case. Political parties like Wilders’ Party for Freedom, the Rassemblement National (the former Front National) in France and the Sweden Democrats, have shown considerably less enthusiasm for exit of late.

Brexit shows that withdrawal from the EU entails enormous political and economic risks. The current European Commission President Jean-Claude Juncker is therefore optimistic about his vision of the future of Europe and the European elections in May of this year, [announcing](#) that ‘the wind is back in Europe’s sails’. President Macron has called for a European reform agenda – ranging from a European minimum wage to the prohibition of political party contributions by foreign (state) actors – that, he [argues](#), would lead to a European Renaissance. Yet it is important not to move from a first hangover about Brexit to blind optimism about Europe’s future.

Three issues are of key importance when we think about the EU’s post-Brexit future. First, when it comes to the elections, it is important to bear in mind that European elections are not just about Europe. [Many](#) eurosceptic parties mobilize anti-government and anti-elite sentiment. Second, more support for EU membership does not necessarily mean that people are satisfied with the direction in which Europe is heading. Limited enthusiasm for leaving should not be confused with broad support for the European system. Euroscepticism comes in [many](#) different shapes and sizes.

Finally, it remains to be seen whether Brexit creates more public support for the European project in the future. The EU will be dealing with an emeritus member on its shores against which the success of the EU

will be compared. If the UK is doing badly, Brexit will remain a bogeyman that will most likely silence any calls for *Nexit*, *Frexit* or *Swexit*. However, if the UK does well, the calls for exit, especially in the northern member states, may become louder again.

European elites may count the Brexit chaos as a blessing in disguise in terms of its short-term effect of bolstering support for European unity. However, this may not necessarily be the best advertisement for the EU. It is reminder of Margaret Thatcher's famous statement: 'there is no alternative'. Is there no alternative for Europe outside the EU framework? Is the EU really a maze that one cannot exit? This ultimately makes a negative case for European cooperation. It still ultimately rests on the false dichotomy between being in and out. It frames the choices on the table as between blind support for the European project and for further integration, or a retreat into the nation-state.

If the EU wants to make the European project viable, it will need to address people's legitimate concerns. When a political system fails to internalize opposition and give it a seat at the table, this opposition will eventually turn against the system itself. This has been historically true for empires and nation-states – it could well be true for the EU itself.



The economy

By Thomas Sampson



How has voting to leave the EU affected the UK's economy? The difficulty in answering this question is that we do not know what would have happened to the economy if Remain had won. Consequently, researchers look for ways to estimate what would have happened. For example, how would the UK's economic output have changed since June 2016 if there had been a Remain vote? Comparing observed outcomes to what would have happened then gives an estimate of the Brexit effect.

So how do we estimate what would have happened? A couple of options can be ruled out immediately. Assuming nothing would have changed after a Remain vote would be a mistake. The economy is constantly changing for many reasons that have nothing to do with Brexit. We cannot simply compare today's outcomes to pre-referendum data and attribute the difference to Brexit.

Likewise, it would be wrong to use pre-referendum forecasts that assumed a Remain victory to measure what would have happened. Short-run economic forecasting is an imperfect craft. More importantly, we know today many things that pre-referendum forecasters did not, such as global economic trends since June 2016. We should not ignore this information when estimating the Brexit effect.

Instead, researchers have estimated what would have happened for the UK by studying what has happened to other similar economies that did not vote to leave the EU. Academics from Bonn, Oxford and Tübingen have used this approach to analyse how the Leave vote has affected UK output, as measured by Gross Domestic Product (GDP). They estimate what would have happened using a control group of countries whose average GDP growth exactly matches UK growth prior to the referendum. Their hypothesis is that, but for the Leave vote, growth in the UK and the control group would have continued to match after June 2016.

But when they compare actual UK growth since the referendum to the control group, they [find](#) that by the middle of 2018 UK GDP was approximately 2 percentage points lower than it would have been if the UK had voted Remain. Their estimates imply Brexit has cost the UK around £350 million per week in lost output since the referendum.

Like any economic estimate, this number is subject to uncertainty and should be viewed as an informed guess, albeit a guess based on the best available data and research methods. However, it undoubtedly suggests that the Brexit vote has already had a substantial negative effect on the UK economy.

Why has the Leave vote reduced UK GDP? Economic choices depend, in part, upon what people and businesses expect to happen in the future. Although the UK is yet to exit the EU, the referendum changed expectations. It increased uncertainty over UK-EU relations and made it likely Britain would in future become less open to trade, investment and immigration with the EU.

What happened?

Uncertainty makes businesses less willing to invest in risky new projects, while reduced openness makes the UK a less attractive destination for foreign investment and reduces the incentive for businesses to invest in expanding UK-EU trade. Existing studies do not enable us to say with any degree of confidence whether increased uncertainty or the expectation of reduced openness has played a more important role in reducing UK GDP growth. But, by estimating what would have happened if not for Brexit, researchers are starting to trace out the channels through which the Brexit vote has affected the UK economy.

The initial impact came through the exchange rate. After the votes were counted, the value of sterling quickly declined and it has settled around 10% below its pre-referendum value. A fall in the pound increases the costs of UK imports and in the year after the vote consumer prices rose rapidly. [Analysis](#) by researchers at the Centre for Economic Performance estimates that the Brexit vote increased consumer price inflation by 1.7 percentage points in the year following the referendum.

Rising prices put pressure on household budgets and, by June 2017, the Leave vote was costing the average UK household £404 per year. Analysis of the sources of slower GDP growth finds that reduced consumer demand contributed to lower output growth from late 2016 onwards.

By contrast, business investment initially showed no evidence of a Brexit effect. However, this changed in 2018 when business investment declined for four consecutive quarters and recorded its lowest annual growth rate since the financial crisis a decade earlier. Investment today increases productivity tomorrow, so declining investment is a worrying sign for future growth prospects.

The one bright spot for the UK economy has come from unemployment, or rather its absence. The labour market has continued to create jobs and unemployment is at its lowest level for over 40 years. Of course, the combination of increasing employment and slow output growth implies that productivity growth has been disappointing. And without productivity growth living standards will not rise. But this problem predates Brexit and is not unique to the UK.

Trade and foreign investment flows have also started to respond to the referendum. The decline in sterling makes UK exports cheaper, but, so far, there is no evidence this has boosted exports. On the contrary, research shows that firms have become less willing to export because they fear future increases in trade costs. A team at Cambridge University has [found](#) that, following the referendum, UK firms were less likely to start exporting to the EU and that existing exporters were more likely to stop exporting. Importantly, they show that the impact is greater for firms that would face higher tariffs in the event of a no deal Brexit.

Analysis by the UK Trade Policy Observatory [finds](#) that the Brexit vote led to a decline in new foreign direct investment in the UK. Looking at flows in the opposite direction, work by the Centre for Economic Performance [shows](#) that the Leave vote has led to a 12% increase in new investment projects by UK firms in the EU, but has not affected UK investment outside of the EU. Together these studies suggest that Brexit is making the UK a less attractive place to do business.

The long-run effects of Brexit will largely depend upon the nature of future UK-EU relations. But 33 months after the referendum we have enough evidence to evaluate the short-run impact. It has been overwhelmingly negative. The UK as a whole is economically poorer than it would have been if the country had voted to Remain.



The law

By Alison Young

The courts have played a key role in the Brexit process. While individuals and groups may have had political motives for bringing legal actions, the courts focused on determining legal issues. Nevertheless, their decisions have had political ramifications and suggest a growing role for the courts in the shaping of the UK constitution. However, this has been in the face of criticism, particularly of the courts' role in the *Miller* case, which saw the judges branded as '[enemies of the people](#)'. If courts are to play their proper role, politicians need to be more prepared to defend them.

The first key case was [Miller](#). Gina Miller and others argued that the Prime Minister could not trigger the Article 50 process on her own. The Prime Minister claimed that she could use the prerogative, a power stemming from the historical authority of the Crown. The Supreme Court disagreed. The broad prerogative power to enter into and withdraw from treaties did not include a power to modify UK law, or to frustrate legislation, or to remove rights enjoyed by UK citizens.

The majority of the Supreme Court concluded that the law would be changed and legislation frustrated were Article 50 to be triggered, as this could lead to the UK leaving the EU without parliamentary authorisation. Therefore, legislation would be needed to empower the Prime Minister to trigger Article 50. Parliament could now have a say on the conditions under which the Prime Minister communicated the UK's decision to leave the EU. Without *Miller*, there would have been no need for the [European Union \(Notification of Withdrawal\) Act 2017](#).

However, the Supreme Court concluded that this legislation did not, legally, require the consent of the devolved legislatures. Whilst such consent may be required by the Sewel Convention, this was only a constitutional convention. Conventions are only politically, not legally binding. Thus, whilst the Sewel Convention has great constitutional significance, it is fragile in nature. It requires politicians to accept its importance to ensure good relations between Westminster and the devolved nations.

The second key case was the [Scottish Continuity Bill Reference](#). As the [European Union \(Withdrawal\) Bill](#) (EU(W)B) progressed through Parliament, it became clear that there were tensions between Westminster, Scotland, and Wales concerned devolved powers. As the UK leaves the EU, powers that were exercised by the EU return to the UK, being exercised by Westminster, or the devolved legislatures and executives, according to the various devolution settlements.

The EU(W)B originally placed all of these powers in the hands of the Westminster Parliament on a temporary basis. This led both Wales and Scotland to initiate their own version of the European Union (Withdrawal) Bill – the [Welsh Continuity Bill](#) and the [Scottish Continuity Bill](#).

The EU(W)B was then modified. Powers would be transferred to the devolved nations. But ministers in Westminster could make orders to return specific areas of power to Westminster on a temporary basis. Scotland did not accept this change. The Scottish parliament voted against giving its consent to the EU(W)B.

What happened?

The UK government used the special procedure found in [section 33 of the Scotland Act 1998](#) to challenge the Continuity Bill after its enactment in the Scottish parliament, but before it had received royal assent. The UK Supreme Court concluded that the Scottish Continuity Bill as a whole was not beyond the competence of the Scottish parliament. However, it ruled that section 17 – which required that UK ministers must obtain the consent of Scotland when enacting delegated legislation altering the powers of Scotland – fell outside the powers of the Scottish parliament. This modified [section 28\(7\) of the Scotland Act 1998](#). However, the Scottish parliament does not have the power to modify the Scotland Act 1998.

The Supreme Court also concluded that provisions of the Continuity Bill would be beyond the powers of the Scottish parliament at the time the Bill would come into force. After the challenge was initiated before the Supreme Court, the EU(W)B received royal assent. The [European Union \(Withdrawal\) Act 1998](#) (EU(W)A) amended the Scotland Act 1998. It added itself to the list of legislation that the Scottish parliament was unable to modify. The Scottish Continuity Bill contained provisions which contradicted the European Union (Withdrawal) Act 1998. These provisions were ruled to be beyond the powers of the Scottish parliament.

The decision reinforced the power of Westminster over the Scottish parliament. Scotland was unable to incorporate EU law into Scottish law in a manner different from that in the UK, where this would modify the EU(W)A.

The final key case was *Wightman*. Andy Wightman MSP and others asked the Scottish courts to make a reference to the ECJ. They wanted to ask if it was legally possible for a member state to unilaterally revoke its notification to withdraw from the EU.

The Outer House – the first instance court of the Scottish Court of Session – [refused](#) to make a reference, concluding that it was for Parliament to decide what information it needed to exercise its powers, not the courts. [The Inner House, an appeal level court of the Court of Session, overturned this decision, agreeing to make a reference.](#)

The ECJ concluded that it was [legally possible to unilaterally revoke Article 50](#). This would need to be in a clear and unequivocal statement, communicated prior to the end of the Article 50 negotiation period (including possible extensions). It is likely that this [would require legislation](#) to empower the Prime Minister to revoke Article 50. This knowledge changed the tenor of the debate in Parliament. The choice now includes leaving the EU with a deal, leaving with no deal, or revoking Article 50 and remaining in the EU.

Each of these decisions influenced the Brexit debate. Yet they did not increase the powers of the court. They reinforced the powers of Parliament. They also illustrate the limits of the courts. Miller shows that courts will not enforce conventions, which assumes there is sufficient political pressure to ensure the Sewell Convention is followed. The [European Union \(Withdrawal\) Act 2018](#) was enacted without Scotland's consent, in breach of the Sewell convention. The *Scottish Continuity Bill Reference* reinforces Westminster's legal dominance over Scotland.

Brexit has taught us that the courts and Parliament can work together. But this needs Parliament as well as the courts to play their full constitutional role. It also requires Parliament to understand and support the proper constitutional role of the courts.



Public opinion

By John Curtice

From the moment it was unveiled in mid-November, the deal the government negotiated with the EU proved to be rather unpopular with voters. According to YouGov, at least twice as many said they opposed the deal as indicated that they supported it. Opinion reported that around three times as many thought the deal would represent a bad deal for the UK as reckoned it would be a good one. Neither set of figures shifted much in the weeks and months of intense debate that followed.

Nevertheless, the Prime Minister continued to insist that her deal represented the only way of implementing, in an orderly fashion, the voters' instruction of June 2016 that the UK should leave the EU. Yet an alternative vision of what Brexit might mean has always been on offer. The Labour Party has long argued that the UK should form 'a' customs union with the EU and should be closely aligned with – though not members of – the EU single market. Meanwhile others, such as an informal cross-party alliance formed by Nick Boles MP (Conservative) and Stephen Kinnock MP (Labour), argue that not only should the UK agree a customs arrangement with the EU but should also be a full member of the single market, a stance that they have dubbed 'Common Market 2.0'.

Both visions provide for a relationship with the EU not dissimilar to that of Norway, which, while not a member of the EU, is inside the single market though not the EU's customs union. But how popular is this stance? Would it be more attractive to voters than the relationship promised – though yet to be negotiated – by Mrs May, who envisages that the UK should be outside both the single market and the customs union? Might it even be a compromise that both those who voted Remain and those who backed Leave might be willing to back?

Among voters as a whole, a Norway-style Brexit certainly appears to be more attractive than the government's Brexit deal has been. For example, when in December BMG required its respondents to choose one or the other, 60% backed the Norway option while only 40% preferred the government's deal. A similar picture was obtained by Survation in March in response to a question that also allowed people to say 'Don't Know' (an answer given by no less than a quarter). While 30% backed the deal that had been negotiated with the EU, 45% supported a deal that would keep Britain in the single market and the customs union.

However, given how unpopular the government's deal has proven to be, this might be thought too easy a test for the Norway-style Brexit to pass. Is there any evidence that it is popular when voters are simply asked whether or not they like it? In four polls the company conducted between July and November last year, YouGov found on average that 34% thought that a Norway-style Brexit (the meaning of which was spelt out in some detail) would be a 'good for Britain' while 40% reckoned it would be bad. Meanwhile, when in September the same company asked whether it would be acceptable for the UK to remain in the single market and the customs union, the 38% who said that it would were balanced by 38% who indicated that it would not. All in all, it looks as though supporters and opponents of the idea may be roughly evenly balanced.

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This is far from a ringing endorsement. Perhaps of greater encouragement to the advocates of 'Common Market 2.0' are the responses that YouGov have obtained when, on a number of occasions, it has asked people whether a deal that involved membership of the single market and the customs union would be a 'good' or a 'bad' outcome, while also offering the response that it was an 'acceptable compromise'. On average slightly more said that it would be a bad outcome (29%) than a good one (26%). However, another 23% indicated that it would be 'an acceptable compromise'. In other words, almost half of voters say that single market and customs union membership would be at least an acceptable compromise.

However, it is a compromise that is more acceptable to some than to others. For Remainers it has some appeal. On average, YouGov have found that as many as 38% of those who voted Remain think that being in the single market and the customs union would be a good outcome, while another 30% state that it would be an acceptable compromise. Just 16% view the prospect negatively. However, Leave supporters regard the idea very differently. Only one in three of them think it would either be a good outcome (15%) or an acceptable compromise (19%), while almost half (48%) feel it would be a bad outcome. It seems that for many on the Leave side, Common Market 2.0 looks too much like Remain 2.0.

Moreover, even among those who express some support for the idea, it is very much a second choice. This is evident when voters are invited to choose among a range of possible Brexit outcomes, including a relationship something like Norway's. For example, in September last year, BMG pitted a Norway-style Brexit against four other options: leaving the EU without a deal, a Canada-style free trade agreement, the proposals that Mrs May had unveiled at Chequers in July, and remaining in the EU. Only just over one in ten (11%) of voters said that a Norway-style Brexit was their preference, leaving it equal bottom with the Chequers proposals.

Meanwhile more recently, in March YouGov invited people to choose between four options: leaving without a deal, the deal negotiated by the government, staying in the customs union and the single market, and holding a referendum with a view to staying in the EU. Only 15% picked staying in the single market and the customs union. This was just enough to put the idea one point ahead of the government's deal, but left it well behind the other two options.

The problem facing those who have been arguing for a Common Market 2.0 Brexit is that what most Remain voters want above all is for the Brexit decision to be reversed, while for many Leave supporters it looks all too much like still being part of the EU. As a result, a Norway-style Brexit could find itself in much the same position as Mrs May's deal proved to be – with few friends who are willing to take it to heart. Bridging the divide between Remainers and Leavers is very hard to do.

A composite image featuring Theresa May in the foreground, looking slightly to the right with a serious expression. The background is a night-time view of the Houses of Parliament in London, with the Big Ben clock tower illuminated and the River Thames visible in the lower left.

Parliament

By Meg Russell

It now seems curious to think back to the time, immediately after the 2016 referendum, when Theresa May suggested that Parliament would play little role in the Brexit process. Her preference was for the government to trigger Article 50, and then negotiate a Withdrawal Agreement for presentation to the Commons on a ‘take it or leave it’ basis – with only limited space for parliamentary oversight.

In the months that followed, Parliament increasingly asserted its rights. From select committees holding hearings, demanding government documents and publishing reports, to the requirement for a ‘meaningful vote’ on the Withdrawal Agreement inserted via a backbench amendment to the European Union (Withdrawal) Bill, to the Commons voting that the government was ‘in contempt of parliament’: the legislature has become ever more central to shaping the process. Government defeats in the House of Commons have been commonplace, and Parliament’s role has frequently led the news. How different that feels to the Prime Minister’s original plan.

This shifting power balance can be traced to various factors. In one sense, they reflect a longer-term dynamic of growing parliamentary assertiveness and backbench independence. It is notable, for example, that several of the most visible protagonists (such as Hilary Benn and Yvette Cooper) have been select committee chairs – who enjoy enhanced legitimacy thanks to the introduction of chamber-wide elections in 2010.

But a configuration of more contingent factors is also crucial. First, Brexit is hugely divisive in both main political parties, meaning leaders have much reduced ability to assert control. Second, that is hugely exacerbated by the context of minority government – meaning that, even if the Prime Minister could rely on her own troops, her majority would not be assured. Hanging over all this is the fact of the referendum. The principle of parliamentary sovereignty is central to the UK constitution, but a referendum challenges that. MPs have not felt able straightforwardly to indicate their own preferences, and the usual conflicts they face between conscience, constituency, party and nation have been heightened as never before.

All of these factors will remain key to the parliamentary context in the coming period, making decision making complex and unpredictable. Following the Commons’ vote to extend Article 50, and its repeated rejection of both May’s deal and ‘no deal’, the ball remains firmly in Parliament’s court. MPs seem set to become more assertive still, and must now navigate the alternatives – including a significantly revised deal of some kind, and possibly a further referendum. Some may also advocate a deliberative citizens’ assembly to take the heat out of the Brexit issue, if a longer extension can be agreed.

Events to date have shown some of Parliament’s strengths, but also some of its weaknesses. For those who believed that the government controls Parliament, the truth has become increasingly apparent – the real relationship is the other way around. The usual default of Commons’ agreement with government depends on factors currently absent: cohesive parties with agreed policy objectives, and a partisan majority. In the absence of those things the institution itself has struggled. In particular, unlike many

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overseas parliaments, there is no cross-party mechanism in the Commons for agreeing the parliamentary agenda. To gain control, MPs have needed imaginative use of amendments and motions, coupled with coercion of the government through threats of ministerial resignation – both of them distinctly crude instruments.

In the period ahead, this lack of coordinated parliamentary decision making may remain problematic. With a bit of breathing space, it might be possible to devise more innovative procedures, for example to allow MPs to vote on multiple options, but achieving that is technically challenging. And using unfamiliar ‘procedural tricks’ on this crucial issue could risk undermining public legitimacy. The challenge both for the government and for parliamentary procedural specialists is to find a way of flushing out MPs’ views – to achieve a majority vote for something, rather than just against the options on the table. The challenge for MPs, in the absence of the kind of stable party blocs which are usually the norm, is to find the leadership and organisation to organise and deliver a majority solution.

In thinking all this through, it is worth remembering that Parliament has struggled so far merely in choosing between ‘in principle’ solutions. But if a solution is finally agreed, legislation will be needed to put that into effect – be it a revised deal, and/or arrangements for a referendum. Holding a coalition of MPs together to support a bill containing all the detail of any such move, with other MPs intent on breaking it through amendments of numerous kinds, would be significantly more difficult than gaining simple, in principle support.

When the dust finally settles, there may be appetite for reviewing whether parliamentary procedures can be strengthened to avoid future stand-offs such as those seen in the Brexit process. That would require the development of genuine parliamentary leadership, independent of the government machine. But if the outcome of the next stage is a more decisive move to Brexit, Parliament will soon be faced with numerous other urgent challenges.

These include developing robust mechanisms to scrutinise the next phase of negotiations with the EU, plus the promised international trade deals. In addition, Parliament would need to think ahead to the post-transition phase, and develop greater capacity to deal with policy fields, such as agriculture and environment, currently handled at EU level.

This last task opens up a further set of complex questions, including how to manage parliamentary oversight of UK-wide frameworks, including appropriate coordination with legislatures at the devolved level.

Politics in the UK

By Anand Menon and Alan Wager

What constitutes a political crisis? And when, and how, does a crisis of politics evolve into a crisis of the constitution? This might sound like an argument over semantics. Yet, for political scientists, the distinction is an important one. This is because it can tell us what might happen next: a political crisis is solvable by politicians as gridlock – slowly – works its way through to a resolution. A constitutional crisis, on the other hand, suggests something more fundamental. A deeper contradiction in the system requiring an altogether different solution. One is (more or less) temporary, the other (potentially) permanent.

The case for Brexit as a temporary bug in the Westminster system can be made via counterfactuals. If the general election had not been held in 2017, Theresa May would be operating with a slim majority rather than as head of minority government. If different decisions on the direction of Brexit had been made at various forks in the road – particularly following the loss of this governing majority – then it is at least plausible to think the present situation might look very different. Reaching out in June 2017 to secure broader support for a softer Brexit than she had laid out before her ill-fated popular poll might have made all the difference. The point is that these are questions of statecraft, not a system failure.

Indeed, retrospective analysis of the legislative politics of the last two years shows that the minority government has, on the whole, managed to fumble along – up to now – as well as one might reasonably have expected. The last period of minority government in the 1970s led to an equivalent number of defeats and many of the same political tactics: pulling votes at the last minute, mass abstentions from the government and the politicisation of the whip's office.

However, you have to reach further back, to 1924, for anywhere near comparable defeats as those suffered by Mrs May on her Brexit deal. But again, these defeats were the result of political parties realigning and the party system coming to terms with the rise of the Labour Party. They were a matter of the party system, not the political system.

There is also a problem in assessing the functioning of Westminster through its capacity to manage the issue of Europe. The last period of comparable governing turbulence to now was during John Major's premiership. Then, as now, the issue of Europe and tight parliamentary arithmetic disrupted the normal flow of relations between government and Parliament.

The difference now is that the EU issue has, as Paula Surridge points out in this report, underlined and heightened a political cleavage in the electorate based on social values. The new post-Brexit politics is something that the Independent Group, and undoubtedly any future project headed by Nigel Farage, hope represents a political sea change.

Yet, they may be disappointed. The result of the Brexit brouhaha might yet be a recreated political coalition on the centre-left that looks a lot like the pre-coalition Liberal Democrats, and the latest iteration of British euroscepticism on the right. This would begin to look a lot more like the ebb and flow of conventional

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British politics than a dramatic reformulation. And the surest bet in British politics is that, when politicians attempt to redefine the political system, the electoral system reasserts itself.

It is when we look more closely at the rhetoric and actions of MPs that things become more worrying. Unworkable and unsustainable contradictions are the symptoms of a constitutional crisis. A breakdown of collective cabinet responsibility, which leads to cabinet ministers saying one thing to the House of Commons and then doing another. A Prime Minister who, at crunch time, decides to pit the office of Prime Minister against the Parliament from which she derives her political power. A Parliament, as David Runciman has described in this report, made up of MPs unable to reconcile a desire to act as both delegate and representative.

Theresa May's speech on 20 March appeared to be moving the politics of Brexit on from crisis management to a political blame game. The Prime Minister's theme of anti-politics outraged MPs, but these rhetorical themes of collective failure and systematic breakdown are shared – one way or another – by Jeremy Corbyn, Chuka Umunna and Nigel Farage.

The realities of complex modern democracy sit uneasily alongside the idea of simple solutions. This friction creates a different type of constitutional crisis: a long-term undermining of political legitimacy among voters. And what all the polling shows is that the one thing that seems to unite voters is a sense that politicians are failing. Moreover, and for what it's worth, surprisingly resistant to this blame game on the Brexit impasse so far is the EU: voters blame the government, followed by Parliament, with the EU a distant third.

Perhaps the key determinant of whether the current crisis is political or constitutional is whether it can be resolved through an electoral event. If so, it is ephemeral. And a general election could, in theory, break the deadlock. A small swing towards the Labour Party could lead to a different minority government and another referendum. A Conservative leader advocating a different deal or no deal at all may get the numbers they need. However, any general election or referendum campaign is likely to be driven by recrimination. The danger is that we could, in trying to resolve a temporary political deadlock, talk ourselves into some longer term damage.





Politics in the EU

By Sara Hagemann

The Brexit negotiations have been testing for the EU. From the British media coverage, one could be led to believe that Brussels has had a cunning plan ever since the referendum of June 2016 to derail the UK's separation from the Union. Some UK politicians and commentators have even suggested that the remaining EU member states fully intended to 'punish' the Brits during negotiations. The truth, however, is very different. Seen from the EU side, it has since the very beginning been the political infighting *within* the UK, rather than unreasonable or unpredictable demands by the EU, which has marred the negotiation process.

The reality for EU governments is that Brexit represents a significant political and economic loss, at a time where they cannot afford vulnerability. Several other challenges confront the Union: looming global trade wars, eurozone woes, security threats, illiberal politics within the EU, energy policy disputes, and migration pressures, to name but the most pressing problems. Meanwhile, governments have to continue to play their parts in the day-to-day activities of the Union such as in consumer protection, environmental standards, agricultural and fishery policies, or research and innovation.

It is within this broader political context that the EU27 have had to safeguard the core principles of the Union and unity of its member states during the Brexit negotiations. This means standing up for the 'four freedoms' and the interests of small member states such as Ireland. But it has never been an objective to impose any losses on the UK as a result of its decision to leave.

Indeed, the EU27 had hoped for a much closer relationship with the UK than that implied by the Withdrawal Agreement negotiated with the British government. Few expected the UK to adopt a position where it would reject membership of the EU's single market and customs union, as proposed by Mrs May. Nor did they expect the situation to get to the current cliff-edge moment, where the risk of a no deal Brexit is very real.

To the EU, the Brexit negotiations have therefore in many ways been a disappointment. The hard-fought compromise set out in the Withdrawal Agreement was certainly not portrayed in Brussels as a 'win' for either the UK nor the EU. To most, it seems instead as if both sides are set to lose.

And so this is the state of play for the EU: the governments and EU negotiators are waiting to see what will emerge from the infighting in the UK, having been assured by Theresa May that she would be able to secure a majority for the deal in parliament. After these most recent votes, her government's credibility is running low in Brussels. Therefore, whatever comes next, the UK Parliament should keep in mind that, for the EU, the Withdrawal Agreement will likely remain the starting point for any negotiations going forward: it is what they have been able to find agreement for amongst the 27 remaining EU governments, and they are not interested in prolonging negotiations much longer.

This is not to suggest that the EU feels comfortable with the looming 'no deal Brexit' scenario. On the EU side, there is a shared concern about the legal vacuum that would ensue under such circumstances.

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EU businesses and financial markets are set to face significant economic losses – although not, to the same extent as the UK.

While the no deal scenario is not desirable for EU27, nor is it in their interest to continue to extend negotiations over the UK's withdrawal without a plan. Many commentators have said this is mainly due to the short-term hurdle of the European Parliament elections in May, which would require the UK to hold elections alongside all other EU member states. This would no doubt be disruptive – and rather chaotic – not least as British candidates to the European Parliament election may effectively run their campaigns based on Brexit/Remain platforms rather than on political proposals for EU's agenda and policies going forward.

But the real concerns by the EU27 regarding any continued negotiations of the withdrawal arrangements relate to two other issues: first, the UK's role during an extended Article 50 period. The EU27 will be preparing negotiations for the next EU multi-annual budget (for 2021-2027) and other important policy initiatives during the autumn of 2019 and into 2020. The UK government would have to honour its commitments but also have full voting power if it remains a member during these negotiations. This would be hugely controversial both in London and Brussels, and EU negotiators are worried about a potentially disruptive participation by a British government.

The second concern relates to whether EU governments are confident they can contain any effects of the Brexit debate from 'spilling over' into their own domestic debates. Several incumbent governments face strong eurosceptic political forces at home, and so far the Brexit debate has worked to dissuade such scepticism to develop any further; it is clear from the current situation that exiting the EU is costly both economically and politically. However, if the UK succeeds in getting a 'fudged' exit, the EU will lose credibility and pressures may increase for other governments to consider their commitments too. This is particularly important in countries where national or regional elections are coming up, such as Spain, Poland, Finland, Portugal, Belgium, Denmark, Bulgaria, Latvia and Greece. In France, the *Gillet Jaunes* also continue their pressure on President Macron, and Germany is concerned about the prospects of Chancellor Merkel's departure after their next elections.

In short: as things stand, the political context will be no less demanding for EU governments going forward, and the EU simply cannot afford prolonging the uncertainty surrounding Britain's position as it seeks to exit the EU. Having pushed the boundaries both in terms of content and negotiation tactics during this exit phase, the UK will be welcomed in whichever discussions come next - but it should not expect any favours from its European neighbours!

The economy

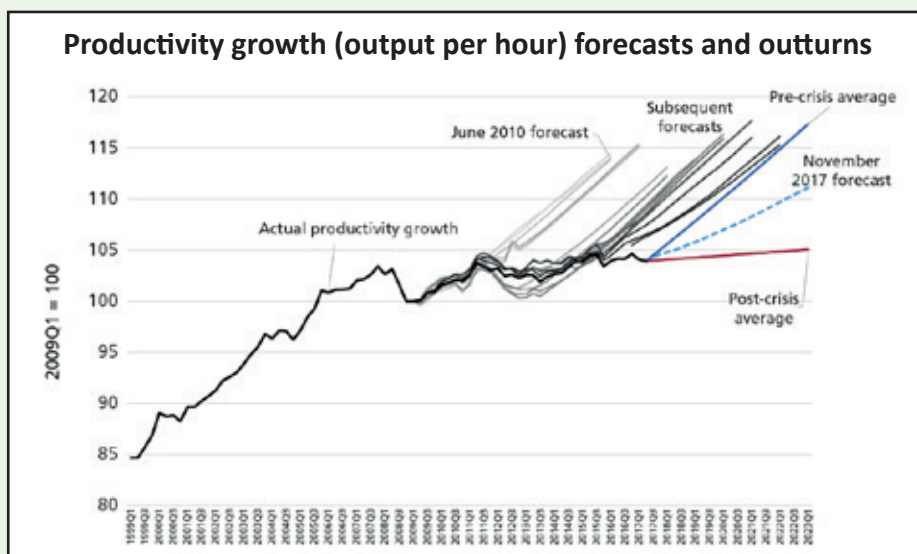
By Jonathan Portes

In his recent Spring Statement, the Chancellor claimed that “the government’s efforts to build a stronger, fairer economy are paying off.” And it is correct that, as the Treasury points out, “the UK economy continues to grow, with wages increasing and unemployment at historic lows.”

But there is no avoiding the fact that the performance of the UK economy over the last ten years has been, by historical standards, dreadful. In the three decades up to the financial crisis, GDP per capita – the best proxy for overall growth of average living standards – rose by about [2 per cent per year](#). But from the post-crisis low point, growth has been about half that. And, astonishingly, real wages are still below the level of 2008. The last ten years have seen by far the weakest performance for wage growth in recorded economic history.

We do not have to look far for the explanation – productivity growth, or rather the lack of it. As Paul Krugman puts it: ‘Productivity isn’t everything, but, in the long run, it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.’ During the 1980s, 1990s and early 2000s, UK productivity growth was robust and compared well to other industrialised countries. But since then it has been extremely weak. Although the Office of Budget Responsibility has repeatedly forecast returns to more ‘normal’ levels, they have consistently failed to materialise.

But while we know that the UK has a productivity problem, we don’t know why or, still less, what to do about it. The UK does have high-performing and high productivity firms in sectors such as pharmaceuticals or the automotive sector and the creative industries. We also have high-performing cities and regions, especially – but not only – London.



Source: OBR Economic and Fiscal Outlook, November 2017, Chart 1.2

But the overall picture is stark. There has been a lack of investment, both public and private. The UK’s housing market is dysfunctional, which inhibits labour mobility. There has been consistent weakness in education, training and skills provision for much of the population. There is an over-reliance on the financial sector, which

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saw high measured – but partly illusory – growth in the run-up to the crisis. And, finally, there has been weak management, with a long tail of low-performing firms.

All have probably played a part, although since all are relatively long standing none can in itself explain the post-2008 experience. And the one plausible explanation that is directly related to EU migration – the growth in low-waged employment of EU nationals – does not appear to be supported by the empirical evidence, which suggests immigration overall has, if anything, been positive for UK productivity.

It is also highly probable that macroeconomic policy mistakes have damaged growth. The unnecessary ‘pivot’ to aggressive fiscal consolidation – relying in large part on sharp cuts in public investment – in 2010, driven by now entirely discredited claims that the UK was facing a debt crisis, may well have led to a permanent fall in the sustainable level of output.

However, it is true that, as the Treasury says, the fiscal position has improved considerably. While the government has, sensibly, in practice abandoned its target of balancing the budget, the debt-to-GDP ratio is forecast to fall significantly over the next few years.

But this has been at the price of very large cuts to public services and welfare benefits, resulting in obvious pressures, from the growth in homelessness and the use of food banks to broader stresses on schools, the NHS, social care and the police. Historical experience suggests that this will not be politically sustainable. Ending austerity, not just in the sense of not making further spending cuts, but repairing the damage that has been done, will require not just a little more money now, but significant real-terms increases in spending for public services over the medium and long term, particularly as population ageing increases demand for health and social care. More borrowing, and, ultimately, higher taxes, will be required.

The clear bright spot is the labour market. Structural changes over the last three decades mean that the UK economy is remarkably good at creating jobs, even when growth is mediocre. While it is true that the flipside of a ‘flexible’ labour market is the growth of a ‘precariat’ – people on zero-hours contracts, in low-paid self-employment and those in the gig economy – this is still hugely preferable to mass unemployment. Moreover, the UK has performed particularly well in increasing employment for groups with historically low labour market participation, including especially lone parents and older workers. Large rises in the National Minimum Wage have also helped low earners.

Increasing employment and the higher minimum wage meant that, in the first few years after the crisis, inequality and poverty remained stable – albeit at high levels – instead of rising, as might have been expected given the very large cuts to welfare benefits. However, this appears to be changing, and not for the better. Analysis by the Institute for Fiscal Studies (IFS) shows that recent wage growth has been almost entirely driven by the very highest earners. Recent figures from the Office for National Statistics (ONS) confirmed that, after a period during which inequality was relatively stable, it now appears to be rising.

The flipside of the rich getting richer is likely to be the poor getting poorer. The child poverty statistics, to be published later this month at the time of writing, are expected to show a further increase, driven by another year of benefit cuts. And there’s more in the pipeline. The continued benefit freeze and the three-child limit in Universal Credit will continue to push up poverty.

So, on the eve of Brexit, the UK economy confronts a number of long-standing structural problems – underinvestment, housing and skills – while at the same time facing rising inequality and inadequately funded public services. In this context, perhaps the most striking feature of this list is that it is hard to see how any of these issues relates, except peripherally, to our membership of the EU. Brexit will not do anything directly to improve the education system or increase housing supply, still less to boost productivity.

However, in the broader political context, does Brexit provide the opportunity for a ‘reset moment’? Will politicians and policy-makers respond to the very real discontent with the UK economy revealed by the Brexit vote by focusing on the difficult and often unpopular trade-offs that will be required to address the underlying causes? On the basis of the last two years, it is hard to be optimistic.



The constitution

By Vernon Bogdanor

Brexit involves something quite unprecedented in the constitutional history of the modern world. In effect, it shifts a country from a protected constitution into an unprotected one.

The EU is a protected constitutional system, its institutions enjoying only the powers given to them by the Treaties. This constitutional system is based upon a separation of powers between its institutions – the Council of Ministers, the Commission, the Parliament and the European Court of Justice – as well as territorially between the EU and the member states. It is, moreover, a constitutional system based on the judicial review of primary legislation, since the European Court of Justice, as well as national courts, are required to disapply or annul legislation incompatible with EU law. Since December 2009, this includes the European Charter of Fundamental Rights. The constitutional system of the EU is, in contrast with that of Britain, protected against the abuse of legislative power.

With Brexit, however, we are seemingly to return from the codified and protected constitutional system of the EU to an uncodified and unprotected one based on the sovereignty of Parliament. We are also moving from a system in which our rights, when enacting legislation on EU matters, were protected by the European Charter, to one where our rights will become dependent upon a sovereign Parliament. As Andrew Langdon, QC, Chair of the Bar Council, declared in September 2017, ‘Rights are not being brought home, they are being abolished’. There is currently a debate on how to protect the rights of EU citizens and of workers after Brexit. But, under a system of parliamentary sovereignty, there is no way of binding a future Parliament against repeal or alteration.

It is rare if not unprecedented for a democracy to exit from a major international human rights regime. Such a process raises profound constitutional questions. The remaining 27 member states of the European Union all continue to believe that their rights are best protected by the judiciary. Only in Britain will they be dependent upon MPs. We have to ask ourselves, therefore, whether our MPs are so much more sensitive to human rights than the legislators of the 27 remaining member states that they can be entrusted with this vital function. What is clear is that Brexit leaves a gap in our constitution in terms of the protection of human rights.

Brexit has also highlighted the uncertainties of our devolution settlement. The European Union provided part of the glue which held together the multinational state that the United Kingdom has become since 1998 when the devolution legislation was enacted. That was because the EU ensured a UK-wide single market deriving from EU rules. European Union law and its interpretation by the European Court of Justice would ensure consistency of legal and regulatory standards in all parts of the United Kingdom, including devolved policy areas, such as food safety, environmental protection, agricultural subsidies and fisheries.

With Brexit, it is the UK government which has to ensure consistency of standards, involving, for example, limits on the degree of variation of state aid, business support and agricultural protection. It would, for instance, make little sense to have four entirely different systems of agricultural protection in the four

What now?

parts of the UK. In addition, the UK government may wish to use the level of agricultural subsidies as a bargaining chip in trade negotiations. Indeed, a trade agreement could hardly avoid concerning itself with agriculture. But the British government would have to convince the country with which it was negotiating that it was actually able to implement the agreement across the whole of its territory.

Therefore a common framework is needed. So the government decided that some parts of the devolved powers being returned from Brussels in areas such as agriculture, fisheries and environmental protection should be retained by Westminster so as to preserve the internal market of the United Kingdom. Alison Young describes the conflict that arose with the Scottish government and parliament elsewhere in this report.

The National Assembly of Wales, for its part, argued for a constitutional Charter, establishing a quasi-federal system in which the government would need the consent of at least one of the devolved bodies to alter the devolution settlement. But that, of course, is hardly compatible with the principle of the sovereignty of Parliament. In addition, it raises the question of who would represent England, the only part of the United Kingdom without a national devolved body. England is currently represented by the British government, whose ministers for subjects devolved to the non-English parts of the United Kingdom – such as education and health – are in practice ministers for England. The UK government, then, would represent both the UK and England. Such an arrangement might come under pressure in the sensitive intergovernmental negotiations necessary in a quasi-federal system.

Our entry into the EU transformed the British constitution. Brexit, far from returning us to the *status quo ante*, could transform it even more. For Brexit, by revealing the nakedness of our unprotected constitution, might strengthen the case for the UK following nearly every other democracy in the world by developing a codified constitution providing for the proper protection of human rights, and regulating the relationship between central government and the devolved bodies.

Even before Brexit, the late Lord Bingham, regarded by many as the greatest judge of his generation, declared that ‘constitutionally speaking, we now find ourselves in a trackless desert without any map or compass’. That will be even more true after Brexit. A constitution, Lord Bingham believed, would enable ‘any citizen to ascertain the cardinal rules regulating the government of the state of which he or she is a member’. It is just possible, therefore, that Brexit could prove to be Britain’s constitutional moment.



Political and social divisions

By Paula Surridge

At the end of the two-year period of Article 50, all eyes have been on Westminster and the meaningful (and less meaningful) votes, amendments and delays to the process. As Patrick Diamond has [written](#), the issue of Europe has divided our political parties over time, and perhaps this time sundered them beyond repair. But is the same true of the electorate? Can the divides revealed by the vote in June 2016 be healed?

Since the vote to leave the European Union, there has been a steady stream of publications considering [new divides](#) and [new identities](#) among the [British electorate](#). What unites these divides is a set of value positions, variously referred to as the ‘second dimension’, the ‘other dimension’, ‘open vs closed’ and – as here – the label applied when [it was first measured in the British context](#), the ‘liberal-authoritarian’ dimension. This dimension is strongly related to [education level](#) and has repeatedly [been shown](#) to be one of the strongest predictors of whether an individual voted Leave or Remain in the referendum.

Data from the [British Social Attitudes Survey](#) allow us to look at the extent to which these value positions have changed over time. Generally, they are relatively stable, enduring reflections of the electorate’s orientation toward economic and social freedom, justice and equality. Where changes occur, we expect these to be relatively slow and reflect structural changes in the electorate (such as the increasing proportion of people going to university rather than short-term responses to political circumstances). Over the last thirty years, the British public have on average held positions on these scales that were a little to the ‘left’ on economic issues and to the ‘authoritarian’ end of the social dimension.

The value positions are derived from answers to a series of questions:

Liberal-authoritarian scale

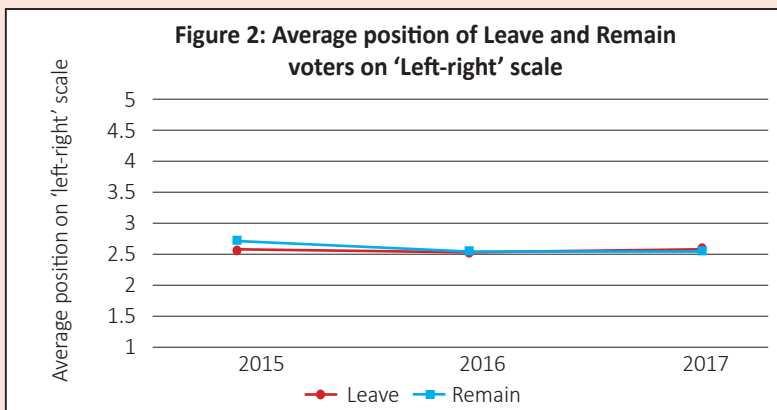
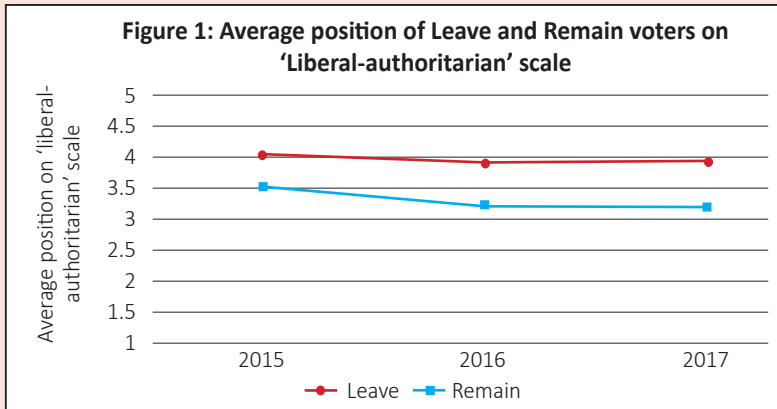
- Young people today don’t have enough respect for traditional British values
- People who break the law should be given stiffer sentences
- For some crimes, the death penalty is the most appropriate sentence
- Schools should teach children to obey authority
- Censorship of films and magazines is necessary to uphold moral standards.

Left-right scale

- Government should redistribute income from the better off to those who are less well off
- Big business benefits owners at the expense of workers
- Ordinary working people do not get their fair share of the nation’s wealth
- There is one law for the rich and one for the poor
- Management will always try to get the better of employees if it gets the chance

People are asked to express how much they agree or disagree with each statement on a five-point scale from strongly agree to strongly disagree. The average of the items is taken to form a scale (running from one to five) with low values representing the ‘left’ and ‘liberal’ ends respectively, with a value of three being a neutral point on the scale resulting from giving the ‘neither agree nor disagree’ response to all items.

Differences between Leave and Remain voters on this value divide are clear. Those who voted Leave are significantly less liberal than those who voted Remain. This is not a [new finding](#), but these data also reveal that this gap widened after the referendum. After the referendum, those who voted Remain moved further



toward the 'liberal' end of this scale, while those who voted Leave stayed in their more authoritarian positions, resulting in a larger gap between the groups in 2016 and 2017 than was the case in 2015. This suggests that the referendum, in throwing this divide into the spotlight and keeping it there, has exacerbated pre-existing divisions.

But not everything has changed. As figure 2 shows, not only is there no difference between the values of Leave and Remain voters on economic issues, there is also no equivalent 'shock' to these values after the referendum. In this sense, there is substantial continuity and the electorate of 2017 looks much the same as that of 2015.

While these left-right values divide the electorate, they do not follow along the lines of the referendum vote. Instead they are most closely related

to the divide between the two main Westminster parties. Labour voters are more left leaning while Conservative voters are further to the right. The referendum result cuts across party lines, and we find Leave and Remain voters among both Labour and Conservative voters. Similarly, economic values cross-cut the referendum result; we cannot label either Leave or Remain as being the more 'left-wing' position on these issues.

Constantly portrayed as at loggerheads, it may be tempting to think 'Remain voters are from Mars and Leave voters are from Venus', but there are areas of commonality. Large majorities (four out of five) of both sides think the gap between those on high incomes and those on low incomes is too large. Around half of each side say that health should be the highest priority for extra government spending. However, neither side trusts the government to put the needs of the country over party interests (only around one in five of both sides trust the government 'most of the time' or 'just about always').

What might this mean in terms of the possibility of healing the Brexit divides almost three years after the votes were cast? It seems likely that while the focus is on Brexit itself, these divides will only deepen. The Brexit divides now awakened are unlikely to disappear. The shuffle of Remain voters to (even) more liberal positions after the election may open space for parties based on these value divides. The Liberal Democrats have performed well in more liberal groups (most notably in 2010); and it is likely the newly formed 'Independent Group' will also align with these voters. But this is not the only divide, should a new election campaign be fought on a broader range of issues, there is a suggestion here that they might take a back seat. Where focus is on the economy, inequality, big business and health, the old logic of the two-party system could reassert itself. There are signs here of some areas of agreement between Leave and Remain voters on these issues. It seems possible that these old divides of economics may be able to at least provide a sticking plaster, if not heal, the 'new' social divides, perhaps holding together electoral coalitions for Labour and the Conservatives as in the 2017 election.



Party politics

By Tim Bale

Brexit threatens to blow the British party system apart. Differences over the UK's relationship with the EU have never been deeper, more salient and more entrenched than they are now. Europe has become a fundamental cleavage, rivalling those which have traditionally helped determine, and continue to help determine this country's party politics (see also Paula Surrudge's contribution to this report).

Tectonic shifts like this are rare. But when they do occur, they throw up the possibility of profound change and realignment. Inasmuch as voters ever identified with the programmes and the parties on offer, they may forget any loyalties and any preferences they once had. New contenders for their support may emerge, and indeed already have. Existing parties may split – or at the very least reconfigure themselves, and their appeals to the electorate, in order to try and cope. All that seemed solid may melt into air, with profound consequences for electoral competition.

We know that Remain and Leave now seem to constitute political identities as powerful as those once created by, say, class and partisan loyalties. It is those identities which, along with sociological change and electoral systems, help to determine a country's party system – the pattern of interaction between political parties in a society, most commonly characterised according to the number of parties and their ideological spread.

Cleavages – profound splits in society, some of which are rooted in economics (such as differences between owners and workers), some of which are attitudinal (such as differences over the extent to which a country should be open or closed, cosmopolitan or parochial) – often find expression in politics, with parties positioning themselves on either side of the split.

New cleavages don't come along every day. However, when they do, they can reshape party systems by bringing forth new parties that mobilise along them. But they can also prompt existing parties either to adapt and/or to break apart. The introduction of democracy at the start of the twentieth century, for instance, made the UK's latent owner-worker cleavage manifest, leading the Conservatives to transform themselves from the party of the landed aristocracy and agricultural interests to the party of business, low taxation and a smaller state. Meanwhile the Liberals, pulled apart by war and hobbled by their reluctance to take on working people as candidates, fragmented and floundered and were soon overtaken by Labour, and left out of government for almost a century.

Later on, European integration, the failure of corporatism and industrial decline drove a further wedge into cracks between left and right in the Labour Party, resulting in the formation of the Social Democratic Party (SDP) – and later the Lib Dems – which eventually forced Labour to adapt in order to stay competitive. Meanwhile on the right, concerns about cultural change and immigration in particular, combined with the media's hunger for controversy and novelty, helped to put rocket boosters under UKIP, which then pushed the Conservative Party towards a more eurosceptic position that eventually resulted in the holding of the EU referendum in 2016.

The question is whether that referendum, and its result, will produce tensions – socio-economic and cultural – that can no longer be contained by the UK’s party system in its existing form?

Will the Conservatives, for example, become a party dominated (even more than is already the case) by antipathy to the European Union and supported by older, less highly-educated people alarmed by the UK’s increasingly multi-ethnic character and longing for a return to a country they recognise as their own?

Will Labour, for its part, see its electorate become more like its membership – overwhelmingly middle-class, university-educated and socially-liberal? And is that (admittedly growing) segment of society yet big enough to win it elections in our current electoral system, even presuming Labour holds on to its predominant position among ethnic minority voters?

And how will all this impact on the geographical reach of both parties: will Labour become even more urban and the Tories ever more rural and small-town? Will the north-south divide in support begin to break down? Or will Labour’s cautious ambivalence on Brexit eventually see Remainers flood to the Lib Dems?

Alternatively, perhaps will we see the new centrist formation, currently known as The Independent Group, displace the Lib Dems. Could success on its part eventually persuade the Conservatives to change course and veer off the right-wing, nationalist road they have been travelling down since Theresa May took over? Would this, in turn, open up space for a new, more populist radical right insurgency on their flank, whether it be led by Nigel Farage and friends or a UKIP 2.0 prepared to tap more directly into widespread Islamophobia than they were ever prepared to? Or could an end to PR elections for the European Parliament spell doom for minor parties like the UKIP and the Greens, who have since the early eighties benefited from the opportunity the European elections have given their supporters not to, for once, cast a ‘wasted vote’?

As for the Scottish National Party (SNP), Plaid Cymru and the Democratic Unionist Party (DUP), all of which are more fortunate in that they enjoy more geographically concentrated support, will their very different stances on Brexit hinder or help them? And will Brexit mean that the party systems of the constituent parts of the UK become even more dissimilar than they already are?

There are, it is clear, more questions – far more questions – than answers. So much so that anyone who claims they know what’s going to happen to the UK’s party system in the next few years is either a knave or a fool. Educated guesses, on the other hand, are permitted. So here goes.

If Brexit goes ahead and continues to structure political identities as strongly as it seems to be doing right now, then Labour could well be in big trouble since large numbers of its voters will feel badly let down and could jump ship if a new centrist party can displace the Lib Dems and develop not just a coherent post-Brexit platform but an organizational infrastructure. Meanwhile the Tories, contrary to much conventional wisdom, will probably hang together – partly for fear of hanging separately and partly because we’ve forgotten, absent Europe, how much they all agree on.

And if Brexit doesn’t happen, the polarities are reversed: the UK remaining in the EU would almost certainly make things far more difficult for the Conservatives than for Labour. As to whether Labour, or any other party, would then be capable of winning a comfortable majority in the Commons, well watch this space...



Economics

By Jonathan Portes

Economic forecasting is difficult enough in normal times. When the range of possible outcomes – from no deal to remaining in the EU – is as wide as it is at the time of writing, it is close to impossible. Nevertheless, we can look at the main scenarios.

Scenario A: If the Withdrawal Agreement is passed

While the government claims that the deal offers businesses certainty, that is only true only in the short-term, and only by comparison to the chaos of no deal. A transition period will guarantee the status quo until at least the end of 2020, but we still know little about what happens after that. The deal sets out a broad framework – the ‘Political Declaration’ for the future economic relationship between the UK and the EU – which is not binding on either side. And it is unclear how much potential political instability, both in the UK and continental Europe, will constrain negotiations. Just as in the Article 50 negotiations, the UK will have the weaker hand, and will need to make big concessions on issues from fish to financial services.

Sterling would consolidate its recent rise and confidence would recover to more normal levels, but the long-term question marks over the UK economy and its access to European markets would remain. For these reasons forecasts of a ‘Brexit boom’ after a deal seem misplaced; it’s more likely to be a ‘dead cat bounce.’ Particularly given that – for reasons that have nothing to do with Brexit – world trade growth is already slowing, UK growth seems likely to remain fairly disappointing this year.

What about the long-term impacts? Assuming the future relationship is based on the customs backstop written into the Withdrawal Agreement, there will be no tariffs on UK-EU trade, no checks at the border and no need for firms to satisfy rules of origin requirements. This will minimise damage to the manufacturing sector. However, for the UK’s dominant service sector – 80% of the economy, nearly half of exports to the EU, and almost certainly the main driver of future export growth – the news is much worse. Leaving the single market will mean substantial new barriers to UK companies, and there is little or nothing in the Political Declaration to suggest we will get much in the way of special treatment. This includes not just the City and financial services, but a whole range of sectors from broadcasting to transport.

Nor are trade deals with non-EU countries likely to make up the difference. Recent events have shown how large the obstacles will be to any UK-US trade deal, which would inevitably involve major concessions by the UK in politically difficult areas – not just chlorinated chicken. Indeed, the UK is likely to be in a considerably weaker position in negotiating such deals than it would be within the EU.

So the overall impact of May’s deal, while considerably smaller than no deal, will still be negative – the government’s estimates, which may be optimistic, forecast a hit to GDP of 2% to 4%; our own [estimates](#) are 2% to 5.5%. And if Theresa May is replaced by a more hardline Brexiter, who seeks to negotiate his or her way out of the backstop, and hence a customs union, the prognosis will be considerably worse. So, while the Withdrawal Agreement is clearly preferable for the economy to no deal, there are big negatives.

Scenario B: No deal

A no deal Brexit, whenever it may happen, would lead to a further significant fall in sterling, pushing up import prices and inflation, and reducing real wages. Considerably more worrying would be the impacts

on consumer and business confidence, and hence spending. Businesses would be hit by rising input prices, resulting both from the fall in sterling and the need to replace EU imports with more expensive ones sourced from outside the EU. Consumers would face rising inflation at a time when they will be trying to reduce discretionary spending, and with little prospect of large pay rises. Any actual disruption to business activities, through the disruption of supply chains or cutting off access to EU export markets, would come on top of this – and could be very severe.

To some extent, these could and would be mitigated by policy actions from the UK government. The Bank of England would be likely to raise interest rates more slowly than it otherwise would have, and although the deficit will widen if the economy slows, the government will – very sensibly – respond to that as Gordon Brown did in 2008 by spending more, not less. The government has learned from George Osborne’s mistakes.

Nevertheless, a recession would be likely, but its severity would depend crucially on political developments. If the UK and the EU keep talking and try to minimise the damage, we might get away with a relatively limited downturn. If things spiral out of control with tit-for-tat measures, then it could be very grim indeed.

It will be the future trading arrangements between the UK and the EU27 (and, to a lesser extent, the rest of the world) that determines the long-term economic impacts of Brexit. Under no deal, the UK and the EU would revert to trading under rules governed by World Trade Organisation (WTO) agreements, although the default assumption must be that when the dust settles, various bilateral agreements to facilitate trade within the WTO framework would likely be agreed. Unlike the inherently unpredictable short-term consequences of a ‘chaotic Brexit’, the long-term impact on the UK economy can be modelled quantitatively using standard economic models. Credible estimates, including the government’s own analysis, suggest a reduction in output of up to 10%. Of course, whatever happens with Brexit, many other factors – including UK domestic economic policy – will drive economic growth between 2018 and 2033. The expectation is still that the UK economy will continue to grow. Nevertheless, there is little doubt that a ‘hard’ Brexit would prove a significant drag on growth over the medium to long term.

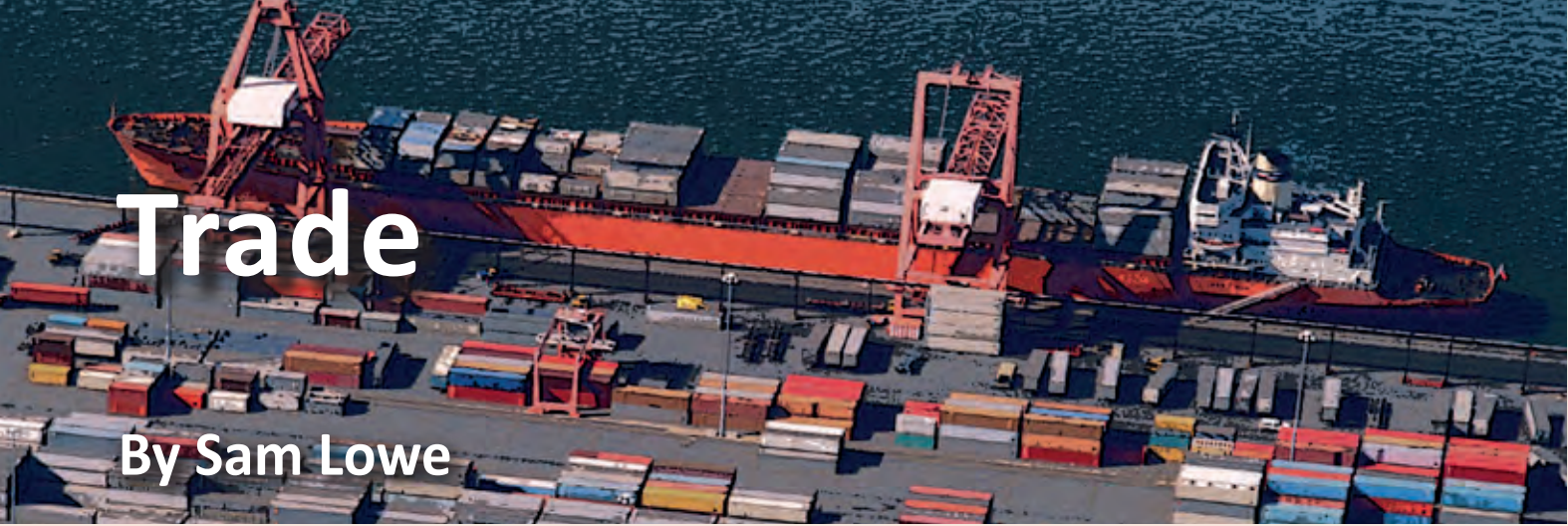
Scenario C: A long extension to Article 50

In the short term, a lengthy extension of the Article 50 process is the outcome which maximises uncertainty, since nothing will be resolved. Most businesses would nevertheless prefer it to the certain downsides of no deal, but it clearly is not a solution. During the period of extension, businesses would still have to plan for the possibility of No Deal, even while hoping for something better.

It is also possible that an extension, especially a long extension, might lead to a softer Brexit, which at least left open the possibility of continued customs union and single market membership, or indeed to no Brexit at all. These scenarios would largely eliminate the quantifiable long-term economic downsides of Brexit, since there would be few or no new barriers to trade either in goods or services.

However, there would be significant political (and, potentially, economic) downsides to the UK becoming a ‘rule-taker’ in important areas of economic and regulatory policy, including financial services, a position the Bank of England regards as unsustainable.

It is also possible that the political and economic uncertainty resulting from the UK changing its mind, again, about the economics of EU membership would have a permanent impact on perceptions of the UK among foreign investors. So, while some scenarios are likely to be more economically damaging than others, none will resolve the cloud of uncertainty that hangs over the UK economy any time soon, and none which can credibly claim to avert the risk of substantial long-term damage.



Trade

By Sam Lowe

The UK's ability to strike new trade deals has increasingly defined the Westminster Brexit discussion. Whether these deals should be prioritised over a deep economic relationship with the EU, or indeed an all-UK approach to Northern Ireland, has been the central conundrum for a government still unwilling to nail its flag to the mast. Instead it has attempted to square the circle via a Chequers proposal that would, if implemented, allow the UK to benefit from both new trade deals and continued integration with the EU in respect of goods and agri-food. Such notions of a halfway house that allows the UK to have the best of all worlds have been rejected by the EU.

As such, it is difficult to predict with any great certainty what any future UK trade policy will look like. Much of the Department of International Trade's focus and capacity to date has been consumed by its colossal task: not only has it had to re-establish the UK as an independent actor at the WTO, create its own trade remedies regime and authority, and accede to the WTO government procurement agreement. It also is tasked with replacing the 40 trade agreements the UK is already party to by virtue of its EU membership.

While continuity agreements have been agreed with a small number of countries, including Switzerland, Israel and Chile, there is still much to be done. Larger economies, such as Japan and Canada, have already indicated that they will treat the replication as a fresh negotiation, and for others, such as Turkey, the question as to whether the UK can fully replicate what already exists is entirely dependent on the nature of the future UK-EU relationship. This replication process will remain the UK's overriding trade priority well into the transition period and, perhaps, beyond.

During that transition, if it has one, the UK can also begin negotiations with potential new free trade agreement partners. It has already identified New Zealand, Australia, the US and accession to the Comprehensive and Progressive Transpacific Partnership (CPTPP—a plurilateral trade agreement made up of 11 countries) as a priority. While Australia and New Zealand will be happy to begin negotiations—knowing that it will buy political goodwill with the UK—nothing will be concluded until there is certainty over the UK's future relationship with the EU, particularly whether the UK will be in a customs union with the EU and, if so, for how long.

Negotiations with the US will prove trickier. Washington is unlikely to play the role of a disinterested observer, and a comprehensive trade deal with the US requires the UK not only gain control of its tariffs, but also fully extricate itself from the EU's regulatory orbit in areas such as food hygiene. While the US is also pressuring the EU to budge on the 'chlorinated chicken' issue, it is unlikely to succeed. This leaves the UK in the awkward position of having to choose between prioritising frictionless trade in products of animal origin with its most important trading partner (with implications for Northern Ireland) or reduced friction with the US. However, if and when the UK decides to accept additional friction between the UK and the EU, or it becomes unavoidable due to UK and EU red lines, Britain may decide that the additional marginal cost of further divergence from the EU in order to accommodate American demands is a price worth paying.

CPTPP will remain a long-term ambition. Putting aside jokes about whether the Pitcairn Islands qualify the UK as a Pacific power, the accession process is still unclear, and there are other more viable accession candidates such as Thailand and South Korea. Furthermore, there are differences in opinion between the UK and some existing members as to how much leeway the UK would have to negotiate opt-outs. Failure to accede to CPTPP in the short term is not in and of itself an issue for the UK. The gains of CPTPP are predominantly political—the UK will be replicating EU agreements or negotiating new ones with the main economic players of CPTPP anyway—in that attempted accession is designed to signal the UK’s continued commitment to the international rules-based order, something which has been placed in doubt by Brexit, and even merely placing ourselves in a queue partially achieves this.

Ultimately, the question of what role the UK will play in the global trading system cannot be fully settled until the UK clarifies the depth and scope of future relationship with the EU. And until and unless it does, Britain’s future trade policy will remain disjointed, and its global role ill-defined.





Immigration and the labour force

By Jonathan Portes

Under the Withdrawal Agreement, free movement will continue during a transition period, which will end in December 2020 (although it can be extended, by mutual agreement, for one to two years). The Withdrawal Agreement, although it contains extensive provisions relating to EU citizens currently resident in the UK (and Britons resident elsewhere in the EU), does not contain any provisions directly relating to UK immigration policy after the end of the transition period, although it confirms that the Common Travel Area between the UK and Ireland will continue as now.

The Political Declaration, which provides a (non-binding and high-level) outline of the future relationship—that is, the period after the end of the transition period—states clearly that the UK will end free movement of people. It also refers to short-term business visits and visas, but although both the UK, in its Chequers white paper, and the EU27 have previously referred to ‘ambitious provisions’ on labour mobility there is no reason at this stage to think this means anything more ambitious than those contained in the Canada-EU free trade agreement, which have had little or no impact on immigration policy.

This suggests that, if the Withdrawal Agreement is passed, free movement of people with the EU will come to an end and the UK will largely be free to set its own immigration policy after the end of the transition period, with little if any constraint imposed by any agreements with the EU. Of course, this could change if there are material changes to the government’s approach to Brexit and/or to the negotiations over the future relationship.

Assuming that government policy remains broadly as now, immigration policy after the end of the transition period will be based on the government’s white paper, ‘The UK’s future skills-based immigration system’, which incorporates the key recommendations from the Migration Advisory Committee (MAC):

- a) Unless a future trade agreement with the EU provides otherwise, there should be no European preference for EU or EEA citizens seeking to move to the UK for work purposes after Brexit. In other words, after the end of free movement, there should be no intermediate position where EU or EEA citizens still find it easier to move to the UK than non-EU ones.
- b) EU/EEA citizens would therefore have to apply for permission to live and work in the UK in the same way as non-EU citizens do at present. In practice, for most of those seeking to move here to work this will mean applying for a Tier 2 (‘skilled worker’) visa, which requires the applicant to satisfy a number of criteria relating, depending on the job, to salary, occupation, skill level, and the non-availability of workers from within the UK. Various fees and charges are also payable.
- c) The MAC recommended that the existing salary threshold of £30,000 for most Tier 2 visas should be maintained. However, while the white paper takes this as the starting point, it is explicitly subject to consultation, and business has argued for a lower threshold. Applying for a Tier 2 visa would involve considerable costs both to employers and migrants, including the Immigration Skills charge and the NHS charge, although the government has promised to make the system less bureaucratic and more user-friendly.
- d) The white paper also proposes the introduction of a temporary work visa for migrants earning less than the salary cap coming from ‘low-risk’ countries (that is, those whose nationals are viewed as unlikely to

overstay). This would be valid for a year, and on expiry the holder would have to leave the UK for at least a year. The white paper has very little detail on how this would operate in practice.

The most important effect of these proposals would be to exclude future migration for work by low-paid EU nationals to the UK, although in practice many might still be eligible by other routes, as well as via the new temporary visas. But high-paid and high-skilled EU migrants would also find the UK much less attractive. It would be more bureaucratic and costly for them to come here than under free movement, and they and their families would have fewer rights – certainly not the long-term security offered by free movement. By contrast, skilled workers from outside the EU might well find it easier, particularly if the Home Office follows through on its promises to make the system more user friendly.

Overall, plausible – although highly uncertain – estimates are that this would reduce net work-related migration by approximately 50,000 a year, with – as outlined above – the bulk of the reduction falling on lower-paid EU nationals.

Table 1: Impacts of proposed policy change on future net migration flows over ten years, £30,000 salary threshold

	Net migration (no policy change)	Change over 10 years (%)	Change over 10 years (numbers)	Median Yearly earnings (£)
EU <£30k	643,897	-75%	-482,923	19,188
EU >=£30k	231,249	-50%	-115,625	42,016
ROW <£30k	249,267	0	0	19,916
EOW >=£30k	226,206	20%	45,241	44,980
Total	1,350,620.9	-41%	-552,307	

[Source: Annual Population Survey, author's calculations]

We can also estimate the economic impact, direct and indirect, of these reductions, both on overall GDP and GDP per capita, assuming that the contribution of an individual worker to GDP (migrant or native) is proportional to her earnings. As with trade, the economic evidence also suggests that migration has indirect impacts on productivity. These are subject to considerable uncertainty, so we show the impact estimates with and without a productivity assumption.

Table 2: Modelled impact of migration changes on GDP over ten years

	Without productivity	With productivity assumption
GDP impact	-1.40%	-1.90%
GDP per capita	-0.40%	-0.90%

[Source: author's calculations]

These results are consistent with both economic theory and the empirical literature that suggest a less open and more restrictive migration policy would have a negative impact on output and productivity.

Both the MAC report and the government's white paper argue that restricting EU migration of lower-skilled or lower-paid workers will improve the prospects of native workers, particularly those with lower skills, in particular since it will increase the incentive of employers to invest in training or other measures to

boost productivity. However, the empirical evidence set out in the MAC report does not provide much support for these propositions. The research commissioned by the MAC found no clear links between migration and training, and a positive one between migration and productivity, while there was little to suggest that reductions in migration would result in significant wage rises for low-paid workers. The distributional consequences of reduced immigration are therefore likely to be small, although it is possible that there might be bigger impacts in particular sectors.

Overall, then, the central scenario is that proposed changes to immigration policy after Brexit are likely to reduce immigration, but certainly not eliminate it. This will result in a small but significant drag on economic growth. While the government's white paper sets out a clear framework, the devil is in the detail, and future policy decisions—as well as how the proposals are implemented in practice—could significantly change this picture.

Devolution



By Nicola McEwen

The Brexit process has undoubtedly brought about an upswing in engagement between the UK and devolved governments. Leaving aside the Joint Ministerial Committee (Europe) which since 1999 has met ahead of European Council meetings, there have been considerably more formal meetings between Scottish, Welsh and UK ministers in the 32 months since the 2016 referendum than in the 17 years of devolution that preceded it. In 2016, a Joint Ministerial Committee for EU Negotiations—JMC (EN)—was set up to foster intergovernmental collaboration and provide oversight of EU negotiations. Last year, a Ministerial Forum for EU Negotiations was set up to consider more detailed Brexit effects in particular policy spheres.

For most of the time since the referendum, Northern Ireland has not had a governing executive and so it hasn't had a voice in inter-ministerial meetings. Ministers from the Scottish and Welsh governments, by contrast, have had ample opportunity to make their voices heard. Whether the UK government is listening is another matter.

The devolved governments have had most difficulty in influencing the UK's negotiating position with the EU. The Scottish government opposes Brexit in all forms – a position reflecting the big Remain vote in Scotland in 2016. The next best thing is continued membership in the EU single market and customs union. While respecting the narrow Leave majority in Wales, the Welsh government, too, has favoured continued membership in the single market and customs union. But, despite the JMC (EN) terms of reference committing the governments to seek 'a common UK approach' to Brexit, the devolved governments have had little impact in shifting the Prime Minister's red lines. The UK approach to Brexit, it seems, is the UK government's approach alone.

Under the terms of the devolution settlement, international relations, including relations with the EU, are reserved to the Westminster Parliament. However, from the outset of devolution, a Concordat on Co-ordination of European Union Policy Issues recognised the legitimate interest of the devolved administrations in 'processes of policy formulation, negotiation and implementation' where EU issues touched on devolved matters. Putting these commitments into practice in the context of divergent Brexit perspectives has proven difficult, to say the least.

The devolved governments are more directly engaged in shaping how Brexit might affect the UK's own system of multi-level government. The European Union (Withdrawal) Bill was enacted in the face of the Scottish parliament's refusal to give its consent to the changes it makes to devolution. But the Act imposes less of a constraint on devolution than was originally envisaged. That is in no small measure down to the combined efforts of the Welsh and Scottish governments and legislatures in persuading the UK government and parliament to alter course.

The issue at stake remains whether new UK legislative common frameworks might be needed to replace EU frameworks to avoid barriers to trade and competition emerging within the UK's internal market once

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outside the EU. The European Union (Withdrawal) Act still gives the UK government the legal authority to introduce regulations that would 'freeze' temporarily devolved powers, even if the devolved legislatures withheld their consent, but so far these powers have not been used. Instead, the UK government has chosen a collaborative approach. Civil servants from each of the UK's four administrations have been working intensively to agree when common frameworks may be necessary and how the UK internal market can be preserved.

This work has been proceeding apace, without politicians in the room. If nothing else, it may contribute to generating better understanding of devolution among UK civil servants, and to building familiarity and trust among officials from across the administrations. This may bode well for intergovernmental relations in the testing times of the coming months and years, at least among officials. But, at some point, these discussions will graduate to ministerial level, where relationships are already strained, and when different perspectives on Brexit, devolution, and the role and status of the devolved governments are more likely to be exposed.

There is a disjuncture between discussions on common frameworks and the UK internal market, on the one hand, and EU negotiations on the other. The rationale for new devolution constraints is predicated on the UK leaving the EU single market and, as a consequence, the ambit of EU regulations. Yet, we still have no idea what Brexit will entail. We cannot say, with any certainty, that the UK will leave the EU single market. We can't even say, with absolute certainty, that the UK is leaving the EU! Even if the UK does leave both, close alignment with EU regulations remains highly probable. This could make redundant the case for new mechanisms or laws designed to constrain divergences between the policies pursued by the UK's four governments.

Yet, the UK government may nonetheless want its own devolution backstop just in case, in order to avoid new internal barriers to trade and mobility emerging in the future. There is, of course, the opportunity for Brexit to herald a new model of collaborative governance, where the UK and devolved governments make decisions together on matters of shared concern. That is certainly the aspiration of the Welsh government. Conversely, any new UK constraints on devolved competence would alter the balance of power between Westminster and the devolved institutions to the detriment of the latter.

Devolution was the result of long, hard-fought campaigns and legitimised by popular referenda. Were Brexit to weaken the autonomy of the devolved institutions without increasing their influence over UK policies, relationships between the UK's territories may become ever more strained.



Northern Ireland

By Katy Hayward

The course of Northern Irish politics in recent years would tend to suggest that the safest predictions err on the side of caution, if not outright pessimism.

There are certainly signs that little will change in Northern Irish politics for the foreseeable future. Although restoring devolution has been listed as a ‘top priority’ by the Secretary of State since she came into office a year ago, there is no evidence that this is bearing fruit. Even the [‘talks about talks’](#) to reconvene the Executive have been dogged by false starts and disappointment.

Thickening layers of dust on seats in the Stormont Assembly don’t yet temper the confidence of the two largest political parties that they retain the support of their voter bases. Happily for them (if not for wider society), they can easily blame each other for the intransigence that is blocking progress on talks to restore devolved government. According to the terms of the [1998 Good Friday \(Belfast\) Agreement](#), devolved governance has to entail power sharing between unionists and nationalists, which means that both Sinn Féin and the DUP effectively hold a veto over the decision to reconvene the Northern Ireland Assembly and Executive. This has led to a disproportionate focus on what each of these parties wish to do. And the Brexit process has made both parties even more cautious about rushing back into sharing power with each other.

For a start, the prospect of taking responsibility for difficult decisions is one that few politicians would ever wish to run towards. In the context of Brexit, a restored Executive and Assembly would face very difficult challenges in finding agreement, let alone in managing the new legal and economic environment. Brexit has exacerbated the centrifugal forces at work within Northern Irish politics.

Not only have unionist and nationalist parties taken opposing views on Brexit, they also have opposing views on Northern Ireland’s priorities post-Brexit. As unionist parties have stressed the importance of Northern Ireland being treated the same as Great Britain, so nationalist parties have stressed the importance of Northern Ireland’s close relationship with Ireland. The familiar tensions are very much in the foreground, and few politicians are talking about compromise or shoring up the centre ground.

Such continuity, however, should not be misread as a sign of stability. Be in no doubt, Northern Irish politics and society are in flux. There are several indications of this. For one thing, a huge burden is being placed on the Northern Irish civil service. On 5 March the head of the civil service, David Sterling, [wrote a letter](#) to the political parties in Stormont regarding a no deal Brexit that could be but three weeks away. He set out the urgent and profound risks facing Northern Ireland and for which there was, in effect, ‘no mitigation available’. Rather than spurring political action, however, the letter generated with mutual finger-pointing between the DUP and Sinn Féin, and [‘raised eyebrows’](#) from the Northern Ireland Office.

Indeed, the main contributions from political parties on what should be done in the event of a no deal Brexit has been disappointingly predictable and unimaginative. Sinn Féin want a [border poll](#) on Irish unity while the Ulster Unionist Party (UUP) want the [reintroduction of direct rule](#) from Westminster. If there was

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ever a clear indication of how polarised opinion is, this surely is it. And the directions of polarisation are all too familiar.

The UUP's call to locate political decision making for Northern Ireland solely in Westminster might be classed as an effort to 'out-orange' the DUP, and a slightly surprising one given that the UUP currently has no MPs. Meanwhile, in an effort to counter the green tide of Sinn Féin as an all-Ireland nationalist party, the nationalist Social Democratic and Labour Party (SDLP) in Northern Ireland has entered an arrangement just short of a merger with Fianna Fáil – the second largest party in the Republic of Ireland and one proud of its Irish nationalist credentials. This decision led to some high profile resignations in the SDLP on the grounds that it betrays the social democratic roots of the party in favour of a more explicitly nationalist agenda. The fact that these centrist parties are becoming more boldly 'orange' and 'green' is some indication of the uneasy situation for 'moderates' in Northern Ireland at the moment.

If the constitutional question is back front and centre in Northern Irish politics, does this mean that there is growing momentum towards a border poll on Irish unity? The fact that application forms for Irish passports are flying off post office shelves in unionist heartlands is a sign of pragmatism rather than an (agonised or intemperate) change in people's cultural or political identity. There are few indications of a surge of movement among Protestants towards a wish for Irish unity.

That said, social media has created a space for [new forums](#) for discussion and ideas about a '[future Ireland](#)' that includes voices not traditionally heard in public discussions of Irish unity. And, unsurprisingly, reliable surveys suggest that the desire and demand for [Irish unification](#) is growing among Catholic respondents. The harder the Brexit, the stronger and louder such demands are likely to be.

The perfect storm that has hit Northern Ireland these past two years only seems to be growing in speed and scale as we approach Brexit day.

The Good Friday (Belfast) Agreement is at last gaining attention but for opposing purposes: some claiming it makes the 'backstop' in the Withdrawal Agreement illegal (as per Lord Trimble's [legal challenge](#)); others claiming it makes the backstop [essential](#). The public relationship between the British and Irish governments is kept civil at the moment mainly through key figures biting their tongues rather than by sincerely warm words and deeds. [Paramilitary activity](#) and influence on vulnerable communities continues on both sides. Civil servants, business leaders, academics and civic leaders who do speak out on matters of urgent concern relating to Brexit are criticised for being 'politically charged' or '[politically exploited](#)'.

Meanwhile, the confidence and supply arrangement between the DUP and the Conservative Party appears to have had a hugely disproportionate impact on government policy towards Northern Ireland, including on [sensitive matters](#) under legal investigation.

In a period of such profound uncertainty in Northern Ireland, the traditional ballasts of stability are being thrown away and damaged. Few people, with perhaps the exception of those on the extreme fringes of politics, are looking forward to what comes next for Northern Ireland.

A photograph of the Tower Bridge in London, showing its two stone towers and the suspension cables. The sky is overcast with grey clouds. The bridge is the central focus of the image.

England

By Daniel Wincott, Ailsa Henderson,
Charlie Jeffery and Richard Wyn Jones

England is the largest part of the UK, bigger in economic size and population than all its other parts put together. However, England has rarely surfaced in Brexit debates at Westminster. There, the nation is imagined as ‘Anglo-Britain’. Its Celtic peripheries sometimes seem indistinct as they are viewed from the centre. The politics of these peripheries appear as particularly ‘territorial’ – and are [not always well understood](#). Perhaps this is why the focus on these peripheries in the politics of Brexit – notably the ‘Irish’ backstop but also the contested position of the devolved authorities – has proven so startling and unsettling at Westminster.

Mutual misunderstanding may resonate beyond Westminster. The [2018 Future of England Survey](#) suggests that the Union is characterised by widespread ignorance and grievance. It offers little evidence for the ‘precious Union’ of political rhetoric.

The English are, however, frequently mentioned in the Brexit blame game. Some observers [blame](#) English nationalism for the referendum result. Here, Englishness, characterized as an exclusive, deeply-rooted ethno-nationalism, is contrasted with Britishness, viewed as an open, multi-cultural identity.

This analysis taps into deep assumptions about geographical scale, which frame much research and public debate. [Leading social theorists](#) associate social and political life organised in larger scale units with more open or liberal values. Yet the relationship between scale and values is more complex than they suggest. The ethno-nationalist interpretation of English identity is [contested](#). Equally, the essence of Britishness cannot be an open multiculturalism and opposition to Brexit. Outside England, support for Brexit is strongest among those who identify as British. Consider British identifiers in London and Belfast: they are unlikely to share either social and political values or views on Brexit.

Brexit has led to renewed – or in some cases simply new – [attention](#) to differences and divisions within England itself. Post referendum, unprecedented attention has been paid, both by academics and the media, to, *inter alia*, divisions between cities and towns, intergenerational politics, and local devolution to city-regions. Yet even here, it is not always clear what is the ‘national’ for these debates: is it England or perhaps Britain, or even the geo-legal entity of [‘England and Wales’](#). Practically speaking, it is rarely the UK as a whole.

Previously neglected challenges facing England’s towns illustrate something broader. Brexit has unveiled social, economic and political realities that were previously hidden or [poorly understood](#). Many difficult questions had either been swept under the carpet or simply failed to surface in political, policy, media – and academic – debates. Several of them are now, at least, receiving an airing. As Vernon Bogdanor outlines in this report, the constitutional implications of England’s anomalous situation have become stark.

How did we get here? England tends to be hidden in Anglo-British discourse. England has not had national devolution, being mostly ruled through British/UK institutions. Westminster politicians rarely mention

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England. Even as previously neglected issues come into focus, as a nation England remains a blurred presence, at best, in Westminster politics. Politicians' references to 'our country' or 'the nation' are unclear. Which territory are they discussing? Perhaps unsurprisingly, this lack of clarity irritates many in Northern Ireland, Scotland and Wales, as well as some in England.

At the end of the 1990s, when power was devolved to the UK's celtic nations and jurisdictions, psephologists watched for an upsurge of English national identity. It didn't come, at least in the short term. Even today, some see no clear evidence of a [distinctly English political community](#). Yet Englishness has been politically mobilised, with important consequences. Brexit was mostly ['Made in England'](#) and largely made by the English. Even before Brexit, Englishness also had significant political effects, some of which helped to set that process in motion. David Cameron mobilised 'the English' in the [2015 general election](#) – and arguably helped to generate the SNP landslide in Scotland and an unexpected Conservative majority UK government.

Crucially, Englishness lacks institutionalised political outlets – England has no party equivalent to the national parties in Scotland and Wales. As a political identity, Englishness is both potentially powerful and protean – capable of being mobilised in various ways.

Nearly three years after the referendum, work is needed to make sense of the UK's complex identities. We should move beyond the assumption that larger scale polities necessarily engender more open social values. Analysing the politics of England is important in its own right. Indeed, to understand British politics or the future of the UK, we need to make sense of England.

Politically, Brexit poses territorial challenges to the UK. Northern Ireland may have a [Catholic-background majority as soon as 2021](#) – which might make Brexiters who have asked for the backstop to [end by 2025](#) pause. Neither can Scottish independence be excluded. England might, then, emerge as a political nation by default, behind the backs of Anglo-British politicians. Even absent such dramatic developments, Brexit processes could turn Englishness into a force that further reshapes this northwest Atlantic archipelago.





UK regions

By Philip McCann and Raquel Ortega-Argilés

Brexit poses four [direct challenges](#) that relate to sub-national, regional and urban issues. First, it leads to an economic challenge in that the UK's interregional inequalities are likely to become even greater than they currently are. Second, and consequent upon the first, is that Brexit also leads to a political challenge in that the expectations of voters in many Leave-voting regions, and especially those in the Midlands and northern regions of England along with Wales, are almost certainly going to be thwarted.

Third, the first two challenges lead directly to a governance challenge, in that Brexit is forcing national government to move against its own devolution agenda, which was aimed at giving local communities more power and control over their own futures. Fourth, on the basis of the first three challenges, there is also an institutional challenge, because the UK's national and sub-national institutional set-up is wholly ill-designed and ill-equipped to deal with the local and regional implications of Brexit.

The UK's interregional inequalities are already amongst the worst in the industrialised world. Most published studies [suggest](#) that after Brexit these disparities will [grow](#). London and its hinterland regions (the south east, plus parts of the east and south west), along with Scotland, display markedly higher levels of prosperity than the rest of the country on many different indicators. Indeed, almost half of the UK population today live in areas where prosperity levels are no better than the poorer parts of the former East Germany, and equivalent to parts of Slovakia and the Czech Republic. People's awareness of the loss of prosperity and viability of their local communities was reflected in a profound ['geography of discontent'](#) which led to people voting against the perceived status quo.

Yet most of these Leave-voting regions are actually more dependent on EU markets for their trade, prosperity and viability than [Remain-voting regions](#), and as such they are likely to face more severe (rapid or slow-burning) post-Brexit economic shocks than Remain-voting regions. While the proposed UK-EU deal, which includes a customs union, will partially protect manufacturing industry supply chains, ultimately the loss of single market access is likely to impact more on manufacturing and agriculture than services because the single market for services is still very incomplete. The impacts on UK services may primarily be felt via UK-mediated value-chains in non-service industries. Given all of this, the UK's interregional inequalities will probably increase.

The second challenge is political. Most people voted as they did hoping to improve the conditions in which they lived. However, most Leave-voting regions are not only more exposed to Brexit, but are less prosperous and resilient to economic shocks than the UK's more prosperous Remain-voting regions. This mismatch will lead to a profound long-term [political challenge](#). One of the key narratives of the referendum was that of the 'metropolitan elite', which implies that the rich, elite networks of London are those which primarily benefit from membership of the EU, while others do not. However, the evidence suggests that the opposite is the case. The hyper-globalised economy of London is, overall, less dependent on the EU for its prosperity than any other part of the UK. One exception is that London is very dependent

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on flows of highly skilled immigration from the EU; if these are significantly reduced then London could be disproportionately affected.

Moreover, most other parts of the country are not only more dependent on EU markets for their prosperity but – in contrast to London - they have actually become more dependent on these markets during the last [two decades](#). As such, attempts to ‘rebalance’ the UK economy are likely to be undermined simply due to the scale of the post-Brexit trade-related market forces which will be working against it.

The economic and political challenges together give rise to a [governance challenge](#). The need to control the complex process of delivering Brexit has meant that the Westminster government has excluded sub-national government from almost all Brexit-related negotiations. On top of this, the government agenda aimed at enhancing sub-national devolution, which began in earnest in 2014, has almost entirely stalled. This agenda, which was explicitly aimed at helping local communities to take (back) control of their own futures, has therefore lost most of its pre-referendum momentum. The ad hoc, uncoordinated and largely powerless responses of [local government](#) to Brexit demonstrate the UK’s sub-national power vacuum in this crucial arena.

The first three challenges lead to a fourth, institutional challenge. The UK simply does not have the institutions to address the first three challenges. The top-down, over-centralised and largely space-blind nature of the UK institutional set-up means that neither national nor sub-national institutional settings have the knowledge, the capabilities or tools required to properly address these Brexit-related challenges. Steps towards Local Industrial Strategies as part of the national UK Industrial Strategy are movements in the right direction, as are the city-region Combined Authority initiatives. However, the money involved, and the local powers being made available, are tiny in comparison to what is needed. Moreover, this is exacerbated by the fact that the post-Brexit UK replacements for many of the former EU regional, urban and rural development powers, which were previously to some extent locally administered, are also being increasingly drawn back to the centre and framed as at a ‘national’ rather than regional or local.

Theresa May recently [stated](#) that “in our country prosperity has been unfairly spread. Our economy has worked well for some places but we want it to work for all communities. Communities across the country voted for Brexit as an expression of their desire to see change – that must be a change for the better, with more opportunity and greater control.” However, as it stands, the various Brexit challenges we have identified seem to work against the hopes and expectations of the majority of the people in the Leave-voting regions.



The expert view

By Matt Bevington

Faith in academic experts has risen since the referendum. When [YouGov](#) polled the public on who they trusted most when trying to understand Brexit, economists from think tanks and universities came top of all professions listed. Thomas Sampson's analysis in this report shows the pre-referendum economic forecasts of experts have been broadly validated.

We created a [Brexit Policy Panel](#) of over 100 leading social scientists working on Brexit to give us their monthly assessment on where things were heading. Based on their knowledge and expertise, the idea was to take the temperature of expert opinion to give a collective sense of what expectations were. And, in many cases, they have proven prescient.

Now that we've reached the end of the original two-year negotiating period, we can assess how accurately they predicted what happened. Their answers also help provide a route map for what is likely to come next.

The negotiations

First, the negotiations. Our panel were always sceptical about the original timetable set out for the negotiations. In August last year, we asked them whether there would be a deal by the October 2018 European Council meeting – the original deadline for a deal – and they were overwhelming pessimistic: they scored the likelihood at just 2.1 out of 10. This turned out to be accurate. A deal was not reached in principle until 14 November.

We have also asked a number of questions repeatedly since July to be able to discern the trends over time. Up to November our panel was relatively optimistic that the UK would leave the EU on 29 March 2019. However, since the Withdrawal Agreement was published and attention turned to the UK Parliament, expectations have consistently declined that the UK would leave the EU on schedule, falling below 5 out of 10 for the first time in our early March survey.

The Withdrawal Agreement

Clearly, the most contentious part of the Withdrawal Agreement has been the backstop. Over time, our academics have come to the consensus view that a border on the island of Ireland will be avoided. Mostly, this is because, since November, around half expected a regulatory border between the UK and the EU to be situated east-west, as set out in the backstop. In the same period, around a quarter expected there to be no regulatory border at all. These are significant shifts since July, when the largest share of experts thought the regulatory border would end up being north-south, on the island of Ireland.

In January, prior to what looked – and turned out to be – an inevitable defeat of Theresa May's deal, our experts' sense of what the EU would be willing to change in the deal proved largely correct. Just over 7 out of 10 of our panel thought that substantive political assurances, short of legal changes to the text of

the Withdrawal Agreement, would be forthcoming from the EU. This turned out to be the case with the publication of a Joint Interpretive Statement.

Transition

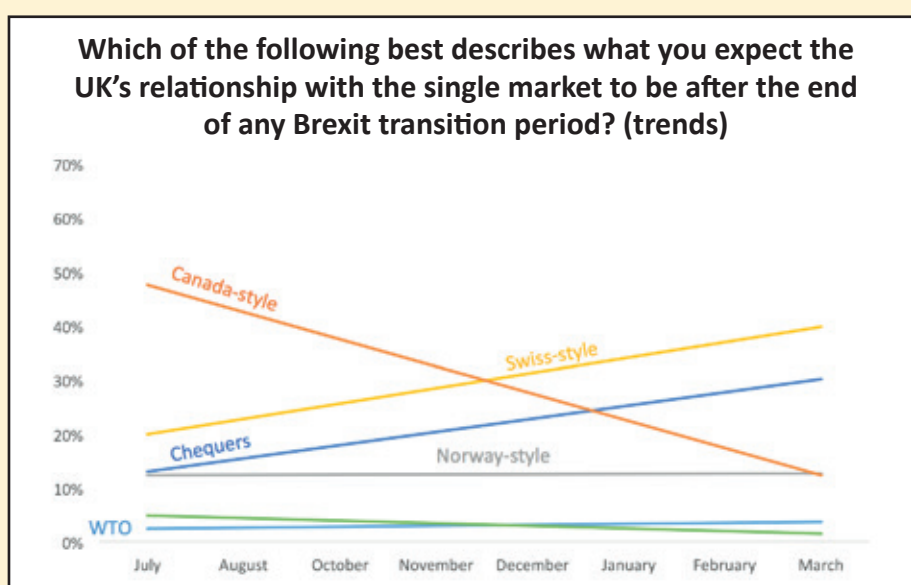
Given the Article 50 period proved insufficient to negotiate and ratify a Withdrawal Agreement, would a transition period be sufficient to complete the future relationship talks? Our academics have been sceptical to say the least. The basic transition period, running from the UK's exit date to the end of December 2020, has consistently been seen as inadequate. However, our panel think there is substantially more chance of completing the negotiations by the maximum extension of transition—to the end of 2022. On average, since December, this has scored 24 percentage points higher than 2020, with around a further third of our academics unsure whether even this would be sufficient.

The future relationship

Perhaps the most important questions we asked related to the future relationship with the EU. Each month, we asked what customs arrangements our panel expected beyond any transition period. A number of things are striking: first, according to our experts, a number of options remain in the running even now, from a free trade agreement to the backstop arrangement; second, the likelihood of a free trade agreement has diminished substantially over time – the most likely outcomes now all imply a closer customs relationship; and, third, reverting to WTO terms was never considered a realistic outcome.

We also asked our academics a similar question on the UK's future relationship with the EU single market. Again, there are some notable trends. First, as with the customs relationship, a diminishing share of our panel expect a Canada-style free trade agreement to be the eventual outcome; second, a Norway-style agreement is seen as equally unlikely; third, the most likely outcomes – a Swiss-style, bespoke agreement or a Chequers-style access for goods but not services agreement – are likely to be tailored to the UK rather than 'off-the shelf'; and, finally, again, the WTO has never been considered realistic.

Of course, our academic experts have not got everything right – that would be unrealistic. But they have generally been able to see the underlying patterns that have often been drowned elsewhere by the ongoing political drama. When it comes to Brexit, perhaps public faith in academic expertise is warranted after all.





The law

By Catherine Barnard

Those who think the UK will be able to kiss goodbye to all ties with the EU and EU law after Brexit are mistaken. Yes, the EU (Withdrawal) Act 2018 (EU(W)A) repeals the European Communities Act 1972 which gives effect to the principles of direct effect (enforceability) of EU law and supremacy of EU law. However, the EU(W)A also ensures that all EU law becomes part of UK law as ‘retained EU law’. This is done to ensure a smoother transition from the old regime to the new, in the interests of preserving as much continuity in the legal rules as possible. As a result, all the Statutory Instruments (secondary law in the UK), such as those which implemented EU law, like the Working Time Directive, will continue to apply in the UK (see s.2 of EU(W)A 2018).

It also means that EU regulations on matters such as cross border healthcare will also continue to apply in the UK (s.3 EU(W)A 2018). However, on Brexit and following any transition period, the UK will be free to change those rules. Changes are already being prepared for those rules that will not work effectively on Brexit day because, for example, they require information to be sent to the European Commission and the UK will no longer be subject to the power of the Commission. As a result, hundreds of Statutory Instruments are being passed, using so-called Henry VIII powers, getting the UK statute book ready for Brexit day. These Henry VIII powers are intended to deal with ‘deficiencies arising from withdrawal’. Various Acts of Parliament also need to be passed on issues such as trade, immigration, and agriculture, to prepare for a new legal regime. However, this legislation is making slow progress through Parliament.

The one major exception to the principle of continuity in the EU(W)A concerns the Charter of Fundamental Rights. Section 5(4) of the EU(W)A simply says that ‘The Charter of Fundamental Rights is not part of domestic law on or after exit day’. So rights such as that to data protection will disappear, though some protection will continue to be provided by so called general principles of law, which fill in the gaps left by EU legislation.

Judges, too, must continue to respect EU law. When it comes to the case law of the ECJ decided after Brexit day, British courts ‘may have regard’ to it in ‘so far as it is relevant’. In other words they have the choice whether to follow it if they think it would help them decide their case. However, following the principle of continuity, all the case law of the ECJ from before Brexit day will continue to be binding on UK courts and tribunals (s.6(7) EU (W)A). The Supreme Court is not, however, bound by this obligation and can refuse to apply previous ECJ decisions in strictly defined circumstances (s.6(7) EU (W)A).

The principle of the supremacy of EU law – that EU law takes precedence over conflicting UK law – has, at first sight, been abolished, thereby satisfying one of the key demands of the Brexiters. According to Section 5(1) EU(W)A, the ‘principle of the supremacy of EU law does not apply to any enactment or rule of law passed or made on or after exit day.’ But it’s not that simple. Section 5(2) EU(W)A goes on to say that the principle of the supremacy of EU law continues to apply after Brexit day in respect of any UK rule derived from EU law passed before Brexit.

What next for the UK and the EU?

And so the legacy effect of EU law will be felt for years, possibly decades to come. Moreover, even assuming the Withdrawal Agreement is approved, a number of the provisions in the EU(W)A will need to be put on hold until the end of the 'transition period' which might come at the end of 2020 or possibly even 2022. That Agreement resurrects the principle of direct effect and supremacy of the Withdrawal Agreement for the duration of the life of the Agreement (which in the case of citizens' rights might be a significant period of time).

Any future trade agreement with the EU will also require the UK to respect aspects of European law including, possibly environmental law and workers' rights. These rules will also need to take precedence over UK law. Because it is a truth not universally acknowledged that free trade deals inevitably involve restrictions on the parties' sovereignty.





Brexit and democracy

By David Runciman

The Brexit referendum poses a double challenge to parliamentary democracy. First, how to reconcile the brute fact of a majoritarian plebiscitary decision with the complex process of negotiating Britain's exit from the EU. Rival claims to speak for 'the people' during this ongoing process – from government, parliamentarians and unelected Brexiters – have made this question acute. Second, though, there is the problem of how to bridge the divisions between different sections of the voting public the referendum revealed and reinforced. The problem our parliamentary democracy struggles with is that these divisions cut across traditional party divides.

These divisions include those between generational cohorts – older voters were much more likely to back Brexit than younger voters – and educational cohorts – voters who had been to university were much more likely to back Remain than those who had not. Left/right politics does not capture either the generational or the educational divide. There is no conventional party of the university educated nor a party for the old. Although Labour does its best to be the former and the Tories the latter, neither can afford to present itself in those terms. Moreover, Parliament is made up overwhelmingly of university-educated and middle-aged or older representatives. So, the UK's political institutions stand on one side of these divides rather than straddling them. Who represents the less educated? Who represents the young?

This second challenge to parliamentary democracy is the deeper-seated one, because the divisions will endure long after the formal process of negotiating Brexit is complete. In that context, the relative unrepresentativeness of Parliament has been exposed in the period since the referendum. Take university education. More than 90% of current MPs went to university, so having a degree has become close to a job requirement. All the members of The Independent Group have a higher education qualification, as do all current Liberal Democrat MPs. University-educated voters favoured Remain by a 70:30 margin, which helps to explain why the Commons is a predominantly Remain-leaning body.

That does not mean, of course, that MPs have felt empowered to block Brexit. Instead, it has left them increasingly unsure about their role as representatives: do they speak for the people like them or for the people who have no one else to speak for them? More than three million individuals voted in the referendum who don't normally vote in parliamentary elections. Their participation helped decide the result – yet effectively they are unrepresented in Parliament. So how does Parliament take account of their views? Not knowing how to answer this question is one of the reasons MPs have been so unsure about how far they can push their collective sense that Brexit is a bad idea.

A number of MPs – particularly Remain-inclined Labour MPs, who represent seats that voted strongly for Leave – have tried to resolve this dilemma by claiming to speak and act on behalf of their constituents. The problem for Labour is that another group of its MPs represent many of the seats that voted most strongly for Remain, including in university towns like Brighton, Oxford, Norwich and Cambridge. In that

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sense, the divisions revealed by the referendum also divide the Labour party in Parliament. Yet Labour remains unrepresentative in a deeper sense, because the vast majority of its MPs are both university educated and middle-aged or older. They can try to channel the preferences of the less well educated or those of the young. But they cannot do both. Nor do they embody those preferences. At the moment, no one does.

This points to the need for a more profound reform of how Parliament represents the people. The problem goes deeper than partisan divides: neither of the main parties is able to bridge wider social divisions because both parties are relatively uniform in their make-up. The breakaway Independent Group exemplifies the problem rather resolving it: its members are career politicians who have much more in common with the politicians they have left behind in the main parties than the disaffected voters they claim to represent.

Reform of the electoral system would help: proportional representation would at least give an opportunity for genuine outsiders – from UKIP to the Greens – to find a consistent voice in parliament. But PR systems too are liable to be co-opted by the professional classes. Any system of electoral politics under modern conditions is liable to leave the young and the non-university educated with less of a voice.

Brexit has shown that dissatisfaction with traditional forms of political representation is neither limited to this one issue, nor to one particular side: both Remain and Leave voters are deeply frustrated with how Parliament has handled the outcome of the referendum. The appetite for more direct participation has been growing, not diminishing, in its aftermath – the fact that the campaign to undo Brexit comes in the form of support for a second referendum is evidence of that. The truth is that even if a one-off referendum has only a limited claim to represent ‘the voice of the people’, parliament’s own claim to speak for the people is limited too. The political class that governs from there is too narrowly drawn, too uniform and too predictable.

Parliament needs new voices and new ways of hearing voices that are otherwise excluded, whether in the form of citizens’ assemblies, a wider range of minority parties or more direct democracy. It would be a mistake to think that the problems with parliamentary representation revealed by the Brexit referendum are simply a function of that referendum. They are also a function of the kind of Parliament we have, and a reason why it needs to change.



The future of the EU

By Helen Thompson

Brexit is an existential matter for the EU. It is losing its strongest military power, its second-largest economy, and its premier financial centre where more than half of all eurozone borrowing and equity issue occurs. It is also losing a member state with enough votes under qualified majority voting to change the balance of power within the Council of Ministers. In part, the EU's response to Brexit has reflected the nature of the EU as a political construction. The Union ultimately rests on the ongoing willingness of its member states not to threaten secession when confronted with domestic democratic difficulties about any charged policy. The core EU states must therefore demonstrate that withdrawal comes at a significant economic cost. However, Brexit and the EU's response to it have also shown that there are political questions that the EU is not well equipped to answer. Not least, what to do about the future relationship with Britain.

The EU is made up of a web of relationships. This means it often exhibits a particular system dynamic: a disruption to one part of the EU affects other parts, and ultimately the system as a whole. Internally, the initial shock of Brexit opened up the possibility the EU could confront its present political stasis. It simultaneously exists as a legal and constitutional order and a multi-currency union, with rules for the majority currency written into that legal order and intergovernmental treaties outside it. During the eurozone crisis, this disjuncture made it impossible to legitimate constitutionally, through treaty reform, the fundamental changes that have occurred at the European Central Bank since it began to operate as a lender of last resort.

In the first year or so after the British referendum, several central political actors within the EU clearly identified the opportunity to reconfigure the EU now that the state that almost certainly would never have joined the euro was leaving. In his 2017 State of the Union speech, Jean-Claude Juncker reminded his audience that the euro is supposed to be the single currency of the entire Union. If only some states were members, the currency could not unite Europe. A few weeks later, President Macron opted in his Sorbonne speech for the opposite resolution of the problem. Macron invoked the possibility of formally differentiating the Union between tiers, with an advance guard at the centre.

In practice neither vision has gone anywhere. Serious adaptation within the EU relies on the Franco-German axis. Brexit has acted as a disruptive force on the EU's internal politics around that relationship. This is at a time when Germany's structurally privileged position within the eurozone and François Hollande's presidency had already significantly weakened it. Brexit has changed the calculations of the other northern non-euro EU members. They have now allied with the non-German northern European euro members in an alliance dubbed the New Hanseatic League. This new political formation has played a significant part in derailing Macron's ambitions not just for eurozone reform but for reinventing the Franco-German axis as the engine of integration. In this sense, in its knock-on consequences, Brexit has ultimately reinforced the EU's internal political stasis.

Externally, the primary challenge facing the EU is the threat to the Atlantic relationship. The EU is operating in a geopolitical world in which the US's first priority is containing rising Chinese power and

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the threat of a China-Russia-Iran axis. Certainly, Britain has hitherto been an impediment to moving to a more autonomous European defence bloc at the same time as it has pressed hardest among the EU's long-standing NATO members for action against Russia. Successive British governments have balked at any proposal that could appear to weaken NATO. But now President Trump has taken what has been long-growing disillusionment in Washington with its European allies to crisis point, rendering an alternative to NATO ever more necessary, Brexit poses a serious constraint for the EU. In the security sphere there never has been a Franco-German axis to propel integration. Quite simply, German military capability is poor and German willingness to deploy that capability is at least as weak. At the end of 2017 Germany did not have a single submarine in operational order and a significant proportion of its tanks, helicopters and fighter aircraft were unfit for action. This is despite the fact that, after Russia's annexation of Ukraine, the German government committed to reforming the Bundeswehr.

Even President Macron, who has been the most reluctant European leader to make concessions to Britain during the withdrawal negotiations, has recognised that in the security sphere Britain cannot be just another third-country once it leaves the EU. The EU needs the British defence industry and ultimately, so long as the EU wants protection from a nuclear umbrella, it needs Britain to retain the British nuclear deterrent within a European security framework.

Encouragingly for the EU, on the most vexed immediate matter for Atlantic relations, namely US sanctions on Iran, Britain has sided with the EU and not Washington. Indeed, the British government has gone as far as to work with France and Germany on an alternative financial arrangement for conducting trade with Iran. But the Trump administration will continue to raise the stakes on Iran and threaten ever fiercer secondary sanctions against European companies. Britain is now the obvious pressure point for Washington to try to prevent the evasion of US sanctions. Already the British government has moved to proscribe all wings of Iranian-backed Hezbollah whilst the German government has made clear it will not follow suit.

At this point, the internal and external imperatives for the EU around Brexit part. The EU can make a show of the risks of secession, even though there is no evidence that any other member state has any similar incentive to leave; or, it can accommodate a special status for Britain in regard to the single market, to try to keep Britain on the EU's side as the Atlantic security relationship diminishes.

The UK's place in the world



By Lawrence Freedman

A common argument in support of Britain's membership of the Common Market during the 1975 referendum campaign was that it enabled the country to regain some of the international clout that had been lost along with the Empire. Together, the major European powers formed a formidable international bloc. The timing seemed propitious. The United States was coping with the impact of Vietnam, the Soviet military build-up, the oil shock and the aftermath of Watergate. The durability of the Atlantic Alliance was being questioned. The idea of a European bloc complementing or even competing with the US did not seem fanciful.

One of the problems with this prospect was pointed out at the time by the US Secretary of State Henry Kissinger when he asked for a single telephone number for Europe, noting the quite different policy stances adopted by the different capitals and the lack of coordination between them.

Since then, there has been a continuing effort in Brussels to demonstrate that this complaint is invalid, that Europe can now speak with a single voice in the most vital areas of policy, but performance is still patchy. It is most true in the vital area of trade because this remains one of the main jobs of the Commission. While it still normally takes a lot of effort to forge an agreed position, the central role of the EU as a single bloc in international trade is one reason why the most significant challenge facing the UK following Brexit will be to establish beneficial trading relationships without this sort of negotiating leverage and expertise.

By contrast, when it comes to international security and defence, Europe has struggled to act as a significant, autonomous body.

For its most enthusiastic supporters, progress here would mark the EU out as a true superstate and give real meaning to the ambition of an 'ever closer union'. And indeed, its detractors take the same view. The Leave campaign warned during the referendum of the likelihood that a 'European army' would be formed. The Remain campaign did not argue this would be a development to be welcomed but retorted the Leavers were exaggerating. This was a striking contrast to the mid-1970s, when the ambitious rhetoric was a positive. Now, those in favour of staying in Europe stress the limits on what the EU can become, whatever might be claimed by enthusiasts.

The record certainly supports a sceptical assessment, suggesting that Brexit may not make as much difference to the UK in the defence and foreign policy arena as it will do with trade. Other than the lingering spell of Gaullism in France, most of the original and current members of the EU prefer to depend on NATO to meet their security needs. Nobody else can match the strength of the United States. Alliance with Washington brings both nuclear deterrence and makes it possible to keep defence budgets down. EU countries might be able to work together on low level military tasks, for example dealing with piracy or providing peacekeeping, but they lack the capacity to do much more without the intelligence, logistics support and firepower of the United States. As the leader of the alliance, the US has been able

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to orchestrate common responses to the big international issues. There have only been occasional differences with its allies, for example on the Middle East.

Left to itself, the EU could easily be torn between the competing priorities of the south and the north, looking to the Mediterranean or focusing hard on Russia. If the EU really was in a position to turn itself into a genuine alternative to NATO, then the best advice for the UK might have been to stay inside in order to thwart such an effort. In practice, however, the far greater risks are of further discordance on foreign policy, especially when it comes to dealing with Russia and China, when there can be a tension between strategic and economic judgements.

The risk at the moment, however, is not that the EU will turn into an alternative to NATO but that it may increasingly be 'left to itself,' as the US fails to see why it should carry so much of the burden and risk of the alliance. President Trump's policies have highlighted this risk, and added trade tension to his lukewarm commitment to the alliance. European countries, including the UK, have failed to follow Trump's lead on such matters as climate change and Iran but they are in no way eager to use these issues to end the US role in European security. Instead they hope that Trump is an aberration and that common sense will soon return.

But whatever happens to Trump, the glue that held the alliance together is no longer as strong as before, and the glue holding the EU together as an international actor away from trade is not that strong. The prospect therefore is of international relations in and around Europe becoming more fluid, with both NATO and the EU struggling to cope with the distinctive interests and priorities of its members. If the UK wishes, it will be able to play a more or less constructive role, still a permanent member of the Security Council and a major military power.

For the moment, the government insists that this is its wish. In order to refute the idea that Brexit implies a withdrawal from the world, ambitious claims have been made about a global role and taking military responsibilities seriously. The UK has deployed forces to Estonia as part of NATO's 'enhanced forward presence'. The Defence Secretary has spoken of plans for naval task groups both east and west of Suez, bolstered by the Queen Elizabeth class aircraft carriers, and a readiness to act whenever and wherever required, suggesting that somehow Brexit is liberating the UK from past inhibitions.

Yet Brexit makes little difference to this one way or the other. At times it appears to be bound up with a belief that, without the burdens of EU membership the UK can become a more agile international actor. Yet if the idea of the 1970s that the Common Market would provide a vehicle for British influence is no longer credible, nor is the idea that it is possible to exercise significant international power acting alone. And if the US is less available then that may mean working more with Europeans when it comes to both operations and equipment programmes.

Article 50: what happened?



The **UK** in a
Changing Europe

Article 50: what happened?

2017



29 March

Theresa May sends Article 50 notification letter



18 April

Theresa May calls a general election for 8 June



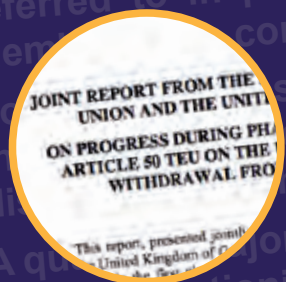
8 June

General election results in a hung Parliament



19 June

The first round of Brexit negotiations takes place



8 Dec

Joint Report published by the UK and the EU



15 Dec

European Council concludes sufficient progress has been made to move on to the second phase of the talks



28 Feb

The European Commission publishes a draft of the Withdrawal Agreement



26 June

European Union (Withdrawal) Bill becomes an Act



6 July

The prime minister holds a cabinet meeting at Chequers



8 July

David Davis resigns as Brexit secretary. Dominic Raab replaces him the next day



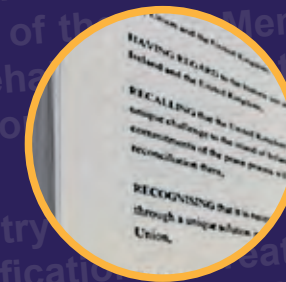
16 Nov

Stephen Barclay is appointed Brexit secretary



10 Dec

The ECJ rules that a member state can unilaterally revoke Article 50



The prime minister postpones the first meaningful vote



15 Nov

Dominic Raab resigns as Brexit secretary, along with other ministers



12 Dec

Conservative MPs trigger a no confidence vote in Theresa May, which she wins



14 Nov

The UK and EU reach agreement in principle on the Withdrawal Agreement



19-20 Sept

An informal EU summit is held in Salzburg



9 July

Boris Johnson also resigns as foreign secretary



16 January

The government wins a no confidence vote in the Commons



14 March

MPs vote to request an extension of the Article 50 period



12 April

New deadline for the end of Article 50



27 March

Indicative votes held in the Commons to find a Brexit consensus



21 March

EU agrees Article 50 extension to 12 April



20 March

Theresa May requests an extension of Article 50 to end-June



The UK in a Changing Europe

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Theresa May looking frustrated: No 10/PM makes statement/Flickr

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