

Is Brexit working? An audit of UK-EU relations

By Peter Norman and David Barker
23 April 2023

Anand Menon, director of UK in a Changing Europe, predicted that Prime Minister Rishi Sunak's Windsor Framework agreement resetting trade rules for the island of Ireland will remain the template for the UK's relations with the European Union for the "medium term".

This is likely under the current Conservative government and probably under the next government even if it is led by Labour after elections expected late in 2024. Neither Prime Minister Sunak nor Labour leader Sir Keir Starmer will want to negotiate big changes with the EU, Professor Menon predicted. Although far from optimistic on such matters, he did not rule out separate agreements in specific areas such as scientific research and security.

Anand Menon teaches European politics and foreign affairs at King's College London and was appointed in January 2014 as director of UK in a Changing Europe, a think tank funded by the Economic and Social Research Council (ESRC) – the UK's largest organisation for funding research on economic and social issues.

At an AEJ UK lunch meeting on April 18 he was asked: "*Where are we now and what next between the UK and EU?*" In reply, he presented a comprehensive, detailed and even-handed analysis of the current state of Brexit and answered questions from members and guest journalists. He warned that outside the formal relationship of the Windsor Framework, Brexit would "drag on" in UK political and economic life and in many ways.

Prof Menon signalled immediate potential problems with the government's plans to scrap thousands of EU laws in areas from food standards to airline safety through the "Retained EU Law (Revocation and Reform) Bill". The REUL bill is currently due for detailed examination in the House of Lords and, if passed, would, at the end of 2023, terminate legislation and regulation inherited and retained from the EU which has not yet been assimilated into UK law.

Commenting that it is "hard to be polite" about the REUL bill, Prof Menon said it would put the UK civil service under "massive pressure". Problems could arise from:

- not knowing if all pieces of retained EU law have yet been identified
- wholesale deregulation in a number of sectors without consultation with stakeholders
- lack of clarity on the role of government departments and the civil service in deciding which rules to save or scrap
- potential divergence of rules in the UK internal market as many regulations are now in areas of devolved competence.

The government delayed further consideration of the proposed law in the House of Lords until mid-May – after local elections in England and Wales and after wide opposition from business, environmental groups and unions. The legislation was originally championed by

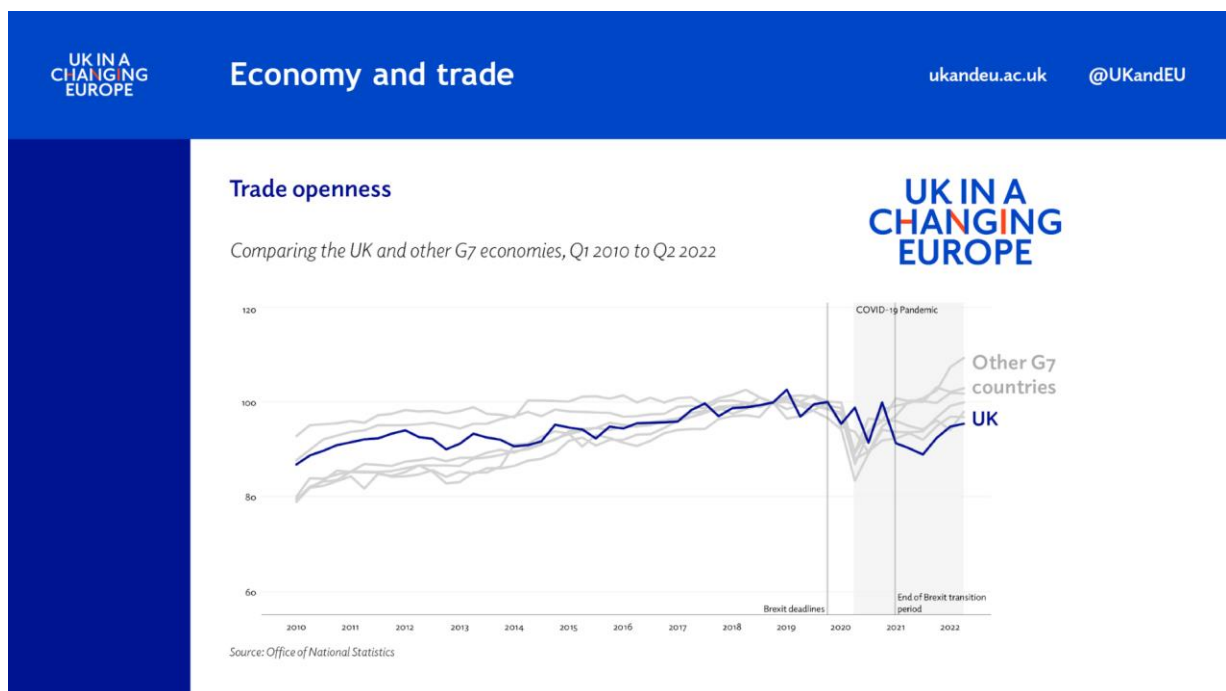
Jacob Rees-Mogg and other hardline Tory Brexiters. Prof Menon noted how they would have an opportunity to cry “betrayal” should the bill eventually be dropped.

Moving on from the REUL bill, Prof Menon turned to other ways in which Brexit would continue to impact life in Britain.

Economy

On the economy, Prof Menon said it was virtually impossible to summarise Brexit's economic impact on the UK in a single number: the Covid pandemic and the war in Ukraine were also important factors behind its present weakness. He also described as “ridiculous” claims that Brexit was the sole cause of the UK's current economic problems.

But it was not “rocket science” to conclude that if trade with the EU was made more difficult, as happened with Brexit, this would have an impact on UK trade and economic performance. And this negative impact dwarfed any positive contribution to economic growth from new agreements with other trading partners. Citing official UK statistics, Prof Menon said the UK had moved from having the economy most open to trade of the Group of Seven leading industrial nations in 2019 to the least open today.



While goods imports and exports had recovered to pre-Covid levels in Britain, other G7 countries had performed better. And in terms of long-term impact, Brexit would be a bigger shock to the UK economy than Covid.

Goods Exports

The UK's goods export performance worst in G7

Goods export volumes, rebased

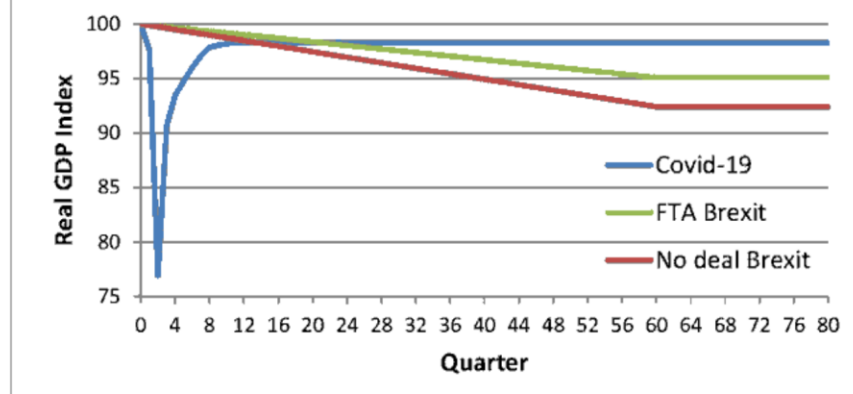
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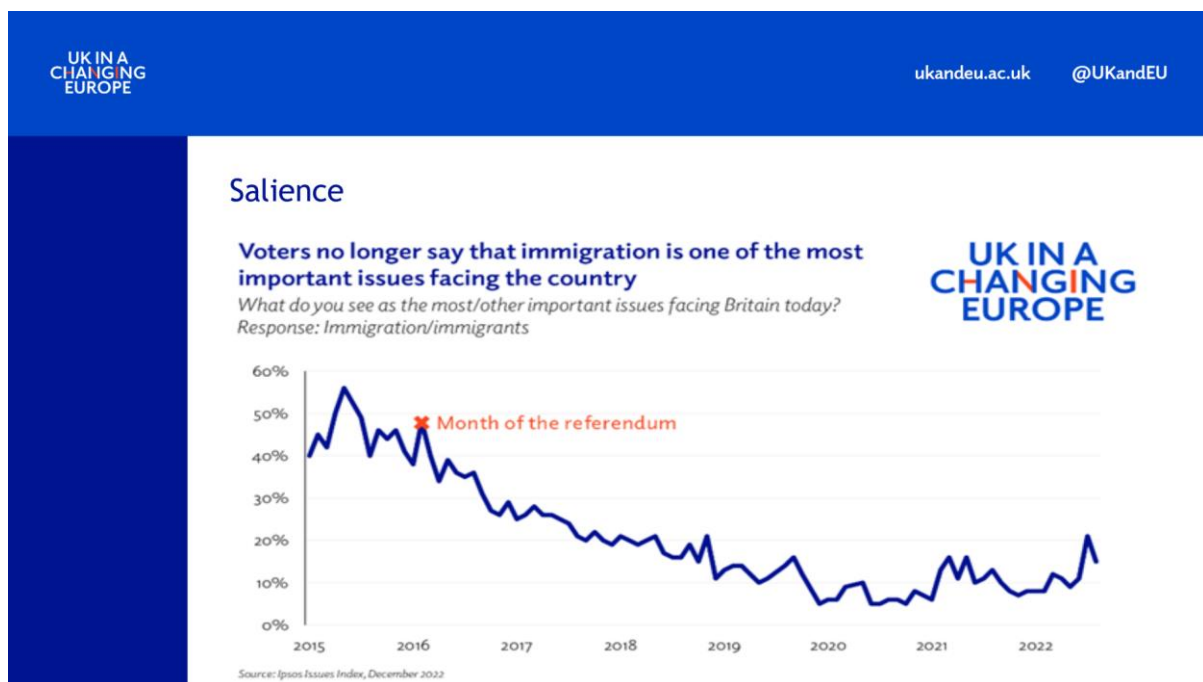
Source: Refinitiv

Forecast Shocks to UK GDP



Immigration

Immigration is another area where Brexit has had a large impact. Freedom of movement and the consequent influx of workers from the EU played a big role in the success of the Leave campaign. Although the present influx of migrants in small boats across the English Channel could change matters, Prof Menon said survey evidence indicated that immigration has lost its salience among UK voters since Brexit despite continuing at a high level.



The reason, Prof Menon suggested, lay in changes to UK immigration rules made possible by Brexit. The UK was now attracting more highly paid immigrants taking up guaranteed job offers who tended to settle in the larger cities. These urban areas are culturally more liberal than the rural areas and small towns where many EU migrants settled and triggered social tensions through their willingness to do poorly paid jobs rejected by UK workers and through

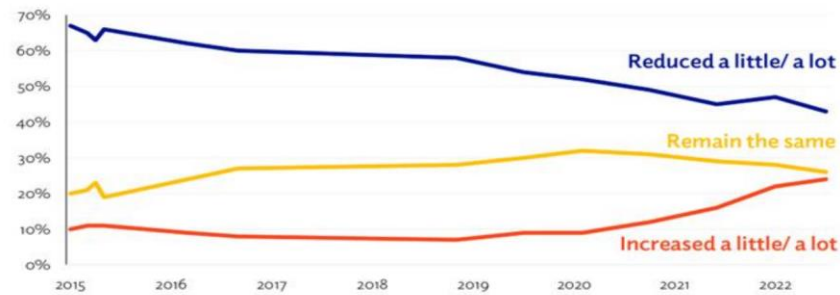
the pressure their arrival put on public services such as health and education.

Should immigration go up or down?

Voters have become less likely to say immigration should be reduced since the referendum

Do you think the number of immigrants coming to Britain nowadays should be increased a lot, increased a little, remain the same, reduced a little, or reduced a lot?

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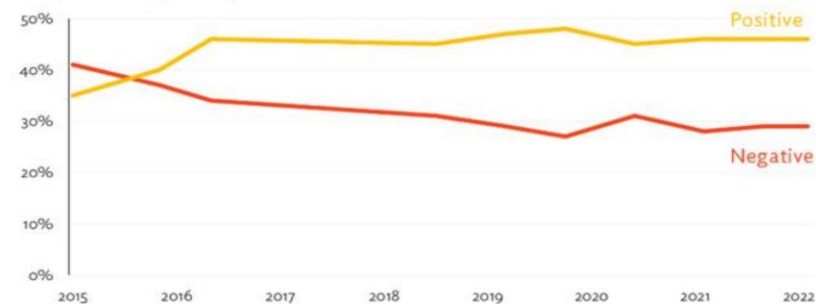
Source: Ipsos and British Future, Attitudes towards Immigration survey wave 14, August 2022

Positive / Negative impact of immigration

Voters are now more likely to say that immigration has had a positive impact on the UK than a negative one

On a scale of 0 to 10, where 0 is 'very negative' and 10 is 'very positive', has migration had a positive or negative impact on Britain?

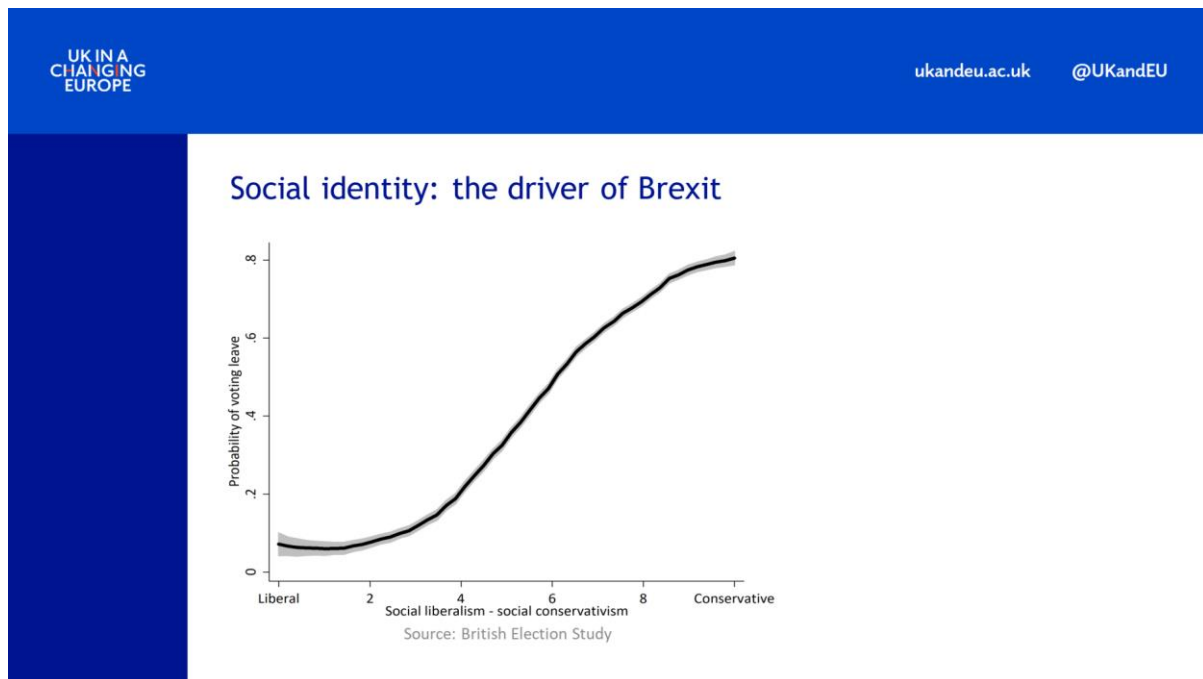
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Source: Ipsos and British Future, Attitudes Towards Immigration survey, wave 14 August 2022. Responses 0-4 are classed as 'negative', responses 6-10 are classed as 'positive'

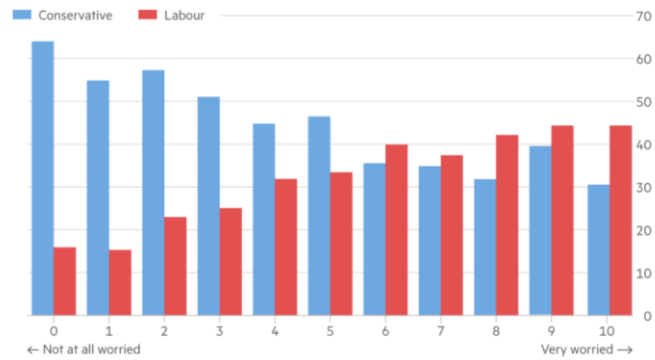
Politics

Another area where Brexit is having a lasting impact is politics. The Brexit campaign exposed a division in the UK between social conservatives, who tended to support Leave, and social liberals who voted Remain. The Tory party under Boris Johnson successfully overcame the old Left versus Right tribal divide in the British electorate by shifting the debate from economics to values and mobilising the Labour Party's socially conservative supporters behind Brexit.



With a cost of living crisis currently eclipsing Brexit in the pecking order of voter concerns (only around 8 per cent of the public now consider Brexit to be their main worry), Prof Menon argued that the Conservative party faces problems holding Johnson's socially conservative coalition together.

Economic insecurity (how worried about personal finances) and vote choice

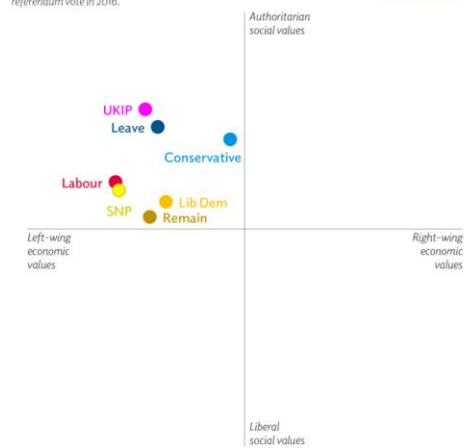


Source: Professor Jane Green from the British Election Study © FT

While Labour MPs and voters have a shared approach to economic policy, today’s Conservative MPs and voters do not.

Voter Realignment: Social vs Economic values

The values of leave and remain voters differ more for social issues than economic ones
Position of the average voter in the value space, by political party in 2015 and referendum vote in 2016.



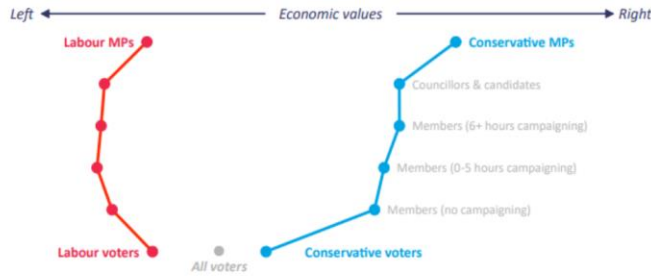
Source: British Election Study Internet Panel.

Divided parties

Figure 2: Labour MPs and voters have similar economic values, but Conservative MPs and voters do not



Economic values of Conservative and Labour MPs, councillors and candidates, members, and voters, 2020.



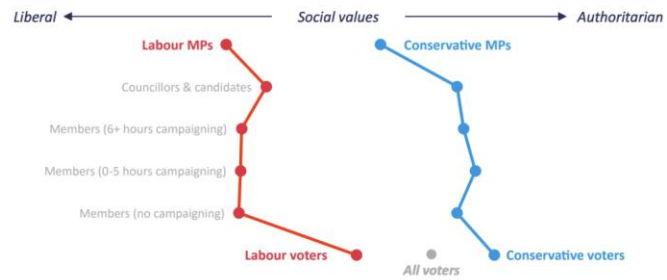
Source: ESRC Party Members Project survey, YouGov, fieldwork Dec 2019; UK in a Changing Europe MPs survey, Ipsos Mori, fieldwork Jan-Feb 2020; BES Internet Panel Wave 17, fieldwork Nov 2019, and Wave 19, fieldwork Dec 2019.

Divided parties

Figure 4: For both Labour and the Conservatives, MPs and party members are more socially liberal than their voters

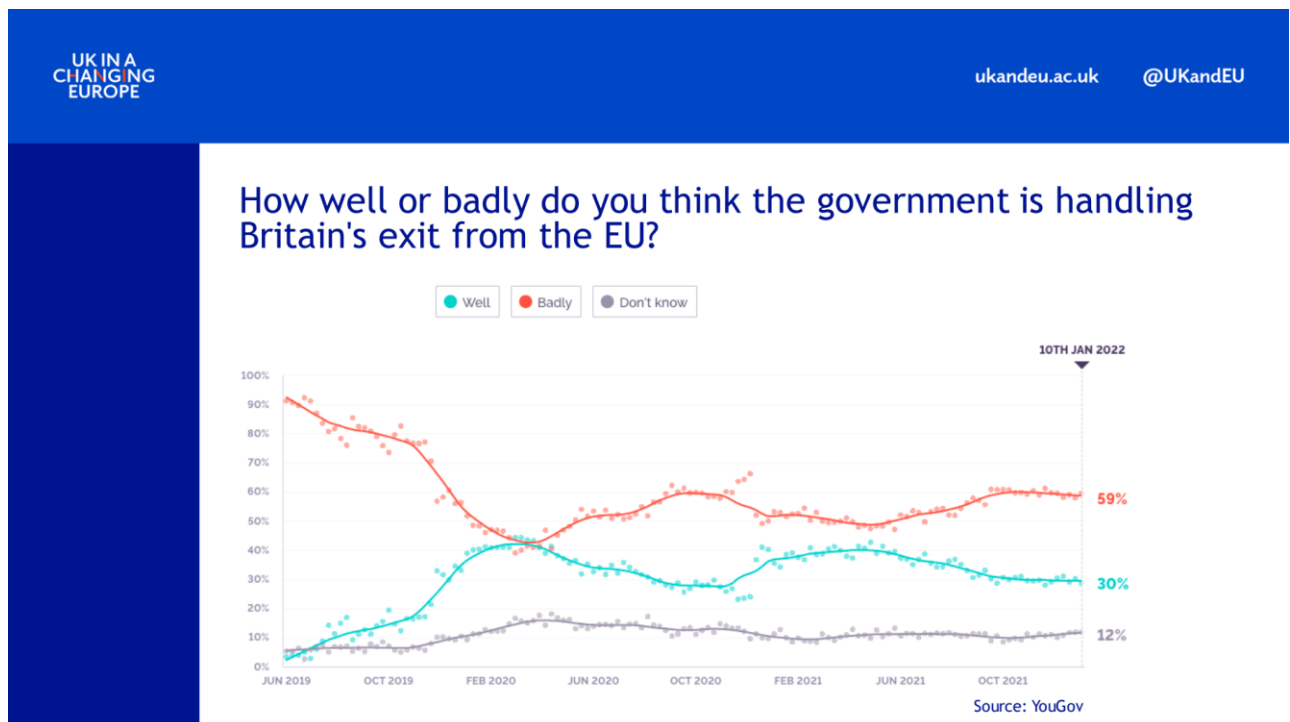
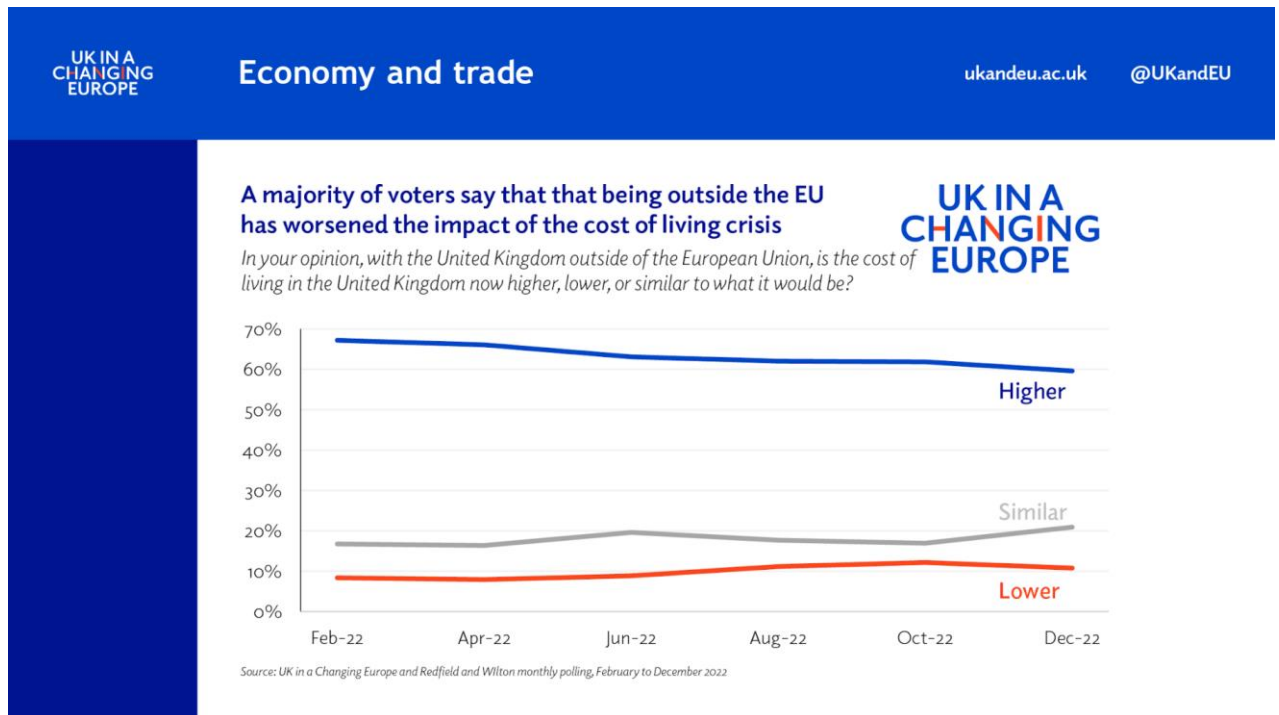


Social values of Conservative and Labour MPs, councillors and candidates, members, and voters, 2020.



Source: ESRC Party Members Project survey, YouGov, fieldwork Dec 2019; UK in a Changing Europe MPs survey, Ipsos Mori, fieldwork Jan-Feb 2020; BES Internet Panel Wave 17, fieldwork Nov 2019, and Wave 19, fieldwork Dec 2019.

The Tory party is therefore threatened by a revival of the Left-Right divide as the cost of living crisis and the resulting economic insecurity drives voters back to the Labour party and (as some polls suggest) more people think that being outside the EU has worsened the UK's economic problems.



Brexit could therefore be turning into an electoral liability for the Conservative Party whereas previously it was an asset through its ability to cut through the Left-Right divide.

That said, Prof Menon cautioned against expectations that Brexit would retain its salience as a political issue with either main UK party once the cost of living crisis is over.

Questions and Answers

A lively Q&A session followed. For the sake of clarity, this summary will deviate from the actual sequence of the discussion and divide the issues covered under the umbrella of EU-UK relations into two broad categories: EU/international and UK domestic/political.

William Horsley, the AEJ-UK chairman, asked Professor Menon to comment on the impact on the EU of Brexit. Without hesitation, he declared that the EU was weaker without Britain. While the absence of British opposition allowed the EU to create the European Recovery Fund and a Defence Fund, the EU still faced four big unresolved strategic challenges which he listed as:

- Finding how to punch its weight in foreign and security policy
- Tackling migration
- Dealing with the continued structural weaknesses of the Eurozone
- Resolving the differences towards the rule of law between the EU's western and eastern members.

The UK never stood in the way of the EU resolving these problems. The UK's departure had hit members states to varying degrees, with Ireland the most affected. On the other hand, the travails of Brexit had dealt a blow to Eurosceptic populism in the EU's member states.

Prof Menon was then asked whether the present global geopolitical situation, with the Ukraine war at its centre, could lead to gradually greater economic and political cooperation between the UK and the EU.

While accepting there was little difference between the EU and UK approaches to the war in Ukraine, Prof Menon warned against expecting any meaningful cooperation where economic relations are concerned. The EU followed France's approach of preventing participation by outsiders in EU policy initiatives. Hence the UK was pushed out of the Galileo satellite project and would not participate in the nascent European Defence Fund.

"The EU talks a good game on political cooperation", he said. But mercantilism prevailed on any policy where economics plays a role. This could put the UK in a difficult position if the EU Defence Fund takes off, he warned.

Answering another questioner, Prof Menon observed that Brexit took place at an extremely unfavourable moment. An ideal time would have been when globalisation was at its peak. Instead, Brexit unfolded against a background of reshoring, international de-risking and a feeble World Trade Organisation.

Influenced by a fear of similar departures from the Union, the EU itself approached Brexit negotiations with the UK feeling weak rather than strong. In consequence, it instructed its negotiators to take a tough line with the UK, holding to the mantra that Britain, after Brexit, should be treated "as a third country, like any other". But Britain, given its history in the EU and its role supporting the security of Europe, clearly was not a third country like any other

and outcomes would have been much better had the EU been able to meet the UK half-way on contentious issues and “stretch the rule book”.

Other factors played a role. The EU’s mindset was fostered by the “childishness” of the Johnson government. More recently, Prof Menon noted that a dispute over costs stood in the way of the UK re-joining the EU’s Horizon scientific research programme.

Looking ahead, Prof Menon asked whether in 15 years’ time there would be much support in the UK for rejoining the EU or its single market, despite the greater support in the 2016 referendum for Remain among younger voters. In 15 years’ time, there will be a generation of young people in the UK with no experience of Europe. They will have gone on exchanges to Asia or the U.S., where they will not have been faced with the difficulty of communicating in European languages.

Among comments relating to the UK domestic political and economic situation, Prof Menon noted how Prime Minister Sunak was much more a “Californian” than a European in attitude. Sunak viewed Europe as parochial. Why, Prof Menon asked, would Sunak want to invest in relations with Europe rather than the U.S. or India?

Nor should observers bank on much warmer relations between the UK and EU in the event of a Labour government coming to power in Britain. Keir Starmer was “cherry picking” projects as potential subjects for cooperation with the EU rather than having a big plan for much closer relations. A newly elected Labour government would have little to gain from a complex, detailed negotiation with the EU in its first term of office and could easily end up squabbling with Brussels, especially as its main political focus would be on securing re-election to a second term.

One participant reminded the meeting of the role that sovereignty played in the success of the Leave campaign. And Prof Menon agreed it was legitimate for an individual voter to prioritise sovereignty over a couple of percentage points of GDP if s/he so wished.

He invited the meeting to consider what might have happened had Remain won the 2016 referendum: the Cameron/Osborne Conservative government would have remained in office and would presumably have continued its policies of austerity. This would have been bad news for that section of the British population who had nothing by way of wealth and for whom Brexit had neither added-to nor subtracted-from their standard of living. Prof Menon noted how since 2016, both the Labour and Conservative parties were talking about correcting regional inequalities in Britain and this was something new.

However, he warned that by taking back control of immigration, Conservative governments may be making it more difficult to achieve the policy goal of “levelling up” poorer regions in Britain to higher standards of prosperity. Prof Menon explained that the movement of better paid immigrants to the large cities could be adding to inequality in Britain by boosting already wealthy areas at the expense of the poorer towns and countryside which previously attracted unskilled workers from the EU.

Reflecting on the challenges facing the EU, the final questioner asked whether Remainers would come to change their opposition to Brexit. Prof Menon was doubtful. We were dealing with articles of faith and the absence of calm, cool analysis was not confined to just one side of the Brexit divide, he said. Remainers would go to the grave believing Britain was wrong to leave the EU, he added.