Brexit: what next?

The UK in a Changing Europe

Foreword

The UK has finally left the European Union. Brexit has happened. However, what promises to be a long and complex process of dealing with its implications is only just beginning.

Given this, we thought it was worth trying to take stock of where we've got to, and to look forward to the challenges that confront us moving forward. Social science has as much, if not more, to offer in phase two as it did in phase one.

As ever, I'm delighted that we've been able to call on some of the best social scientists to shed some light on these questions. And I'd like to thank all contributors for their patience and good humour in dealing with repeated rounds of comments, edits, and queries.

Talking of which, I'm particularly indebted to Jill Rutter, who spent an inordinate amount of time coming up with these comments, edits and queries and generally helping to turn what follows into something more or less coherent. Navjyot Lehl has co-ordinated the whole process and managed the design of the report with her customary professionalism, good humour and sharp tongue.

I hope you find what follows an interesting and insightful guide.

Anand Menon,
Director, The UK in a Changing Europe

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What next?

Anand Menon

So Brexit is done. The UK is no longer a member state of the European Union, so in this sense at least – a very significant if not historic one – the outcome of the 2016 referendum has finally been honoured.

But how done is done? And what happens next? While Brexit to date has hardly been a walk in the park, our new report makes it clear that much of the real work – and hard decisions – lie ahead.

In the first place, there are the negotiations. And these will require trade-offs to be made. Credit where credit is due, this government has gone further than its predecessor in acknowledging that things cannot stay the same when we leave the EU. But, even so, they've been less than straightforward with us.

The Chancellor's comment that, even outside the single market, the Japanese manage to sell cars in the EU, overlooked the minor details that they comply with EU standards to do so, and felt they needed a manufacturing base within the UK to help them sell more effectively to that market. In other words, there is a choice to be made between alignment, which will facilitate more trade; and autonomy, which allows for national control but makes trade harder.

Early signs are that, given the government's preference for autonomy, and its unwillingness to countenance any extension, it is hard to see anything more than the barest of bare bones deal being agreed by the end of the year. Even this might prove problematic, given the red lines of the two sides. This will, of course, have consequences, to which I will return in a moment.

Before those consequences really kick in, however, indeed while we are negotiating with Brussels, the government will also need to start putting in place policies in those areas where the EU has, to date, played a significant role. Amongst the most obvious are agriculture, environment and immigration. Under Michael Gove's leadership, The Department for Environment, Food and Rural Affairs (DEFRA) developed radical policies on the first two, which it falls to his successor to implement and which could create major change – in the long run. And the EU will be looking on anxiously to see what this legislation signals on the UK's commitment to maintain and enforce high standards. But on immigration change could happen quite rapidly as the government puts in place its 'Australian style' points-based system. Devising one and making it work in time will be, to put it mildly, challenging and potentially disruptive to sectors which have come to depend on a steady supply of labour from the EU.

Simultaneously, there will be economic fallout to cope with. Brexit has already affected manufacturing output and investment, and a bare bones trade deal will have significant impact on a sector dependent on just-in-time supply chains. Meanwhile, the decision by the UK government to prioritise regulatory autonomy means that even a free trade agreement would mean significant new barriers to services and trade. Tariff and quota free trade alone offers nothing for these sectors where the UK runs a surplus on trade with the EU now.

And this will impact on other aspects of the government's programme. The government's solid majority will end the legislative stalemate of the last two and a half years. And phase two of the Brexit process might be less all-consuming in Westminster than phase one. But Brexit will still absorb a lot of ministerial and civil service time and attention. And the fiscal impact of leaving the customs union and single market will constrain its ability to 'level up' the United Kingdom.

Added to that, there are a number of problems standing in the way of successfully 'levelling up'. For one thing, Brexit risks 'unlevelling' us still further. While the UK suffers some of the largest interregional inequalities in the developed world, these might be exacerbated if, as some economists expect, the more prosperous parts of the country prove to be less affected by and/or more resilient to, any economic impacts of Brexit.

More broadly, there is little evidence of a coherent strategy to reshape the British economy after Brexit – the emphasis seems to be on damage limitation on the one hand, and largely symbolic gestures on the other. And if reshaping the economy promises to be a complex and long-term undertaking, so too does the redefinition of the UK's role in the world. As in trade, there are trade-offs involved here between the desire for autonomy and the desire for participation. And it might be, given the at least declaratory progress the EU has made post-Brexit with its defence policy aspirations, that the UK is not as welcome as many here perhaps might assume.

Brexit has also raised questions about the institutional structures of our politics. Parliament will need to decide if – and how – to scrutinise what the EU is doing post transition, while structures will need to be put in place to allow the civil service to deal with the next phase of the Brexit process (not to mention that some in government seem keen to bring about far more profound and wide-ranging reforms to the civil service). And at the same time, the apparent determination of the government to hold a review into constitutional issues heralds potential reforms of the relationship between politics and the judiciary.

Outside of the state the media, too, have serious questions to ask themselves. Perhaps phase two of Brexit is the time when the details of what it might mean start to be discussed in detail as opposed to the partisan disposition of political claims made.

And then there's the territorial constitution. The events of the last three years have placed significant strain on the devolution settlement, partly because of well-publicised arguments about the Northern Ireland border, partly too because of their impact on the independence debate in Scotland. In Wales, too, Brexit and its aftermath will weigh heavily. As for Northern Ireland, there remains the real prospect of the need for a border in the Irish Sea which will have both political and economic consequences. Meanwhile, the newly restored Northern Ireland executive will have its work cut out in terms of ensuring the implementation of the NI protocol is, as far as possible, consistent with the pledges made in New Decade, New Approach Agreement.

And all this in the context of a politics that has changed, and continues to change. We live in a country where social values as well as social class drive the electorate. And their interaction will be crucial both for the individual parties (can the Lib Dems successfully target remainers, now Remain is no longer an option; what does Labour do about the values division at its heart; will the Conservatives be able to maintain their new 'Red Wall' while winning back more traditional pro-business pro-European Tories who abandoned them over Brexit) and for the competition for votes between them.

Finally, of course, Brexit or not we will continue to be close neighbour to a European Union whose own future is far from clear. Whilst Brexit will – indeed already has – ceased to be a major agenda item in

Brussels, the EU faces struggles of its own in dealing with issues ranging from its future financing, to migration, to the Eurozone. Like it or not, these debates will impact, however indirectly, on the UK.

So there is awful lot to be done and an awful lot to consider. Just because something is difficult, however, does not mean it does not provide opportunities. We are arguably better placed than we have been in some time to have a serious debate about the kind and levels of immigration we want. Non-participation in the Common Agriculture Policy has the potential to allow for positive change when it comes to both environmental protection and also agricultural policy. Brexit might be the fillip we needed to get us to address constitutional issues that we for too long completely overlooked. Finally, the referendum and its aftermath prompted us – and not before time – to think seriously about profound problems with our economy including a lack of skills, and profound regional inequality.

Clearly, there are issues of both capacity and attention span. Government will need to prioritise what it does and plan it carefully. I hope it does not sound too self-interested to say that confronted with the kinds of choices they face, they might want to think about engaging more systematically with experts. Above all else, however, we may be out of the European Union, but Brexit is not, by a long stretch, out of our system.

Trade

Meredith Crowley

In 2018, UK exports of goods and services totalled £650 billion and imports close to £700 billion. Combined, this equates to two-thirds of UK GDP. So getting trade policy right matters. The government has announced its intention to complete a trade deal with the EU before the end of 2020 while starting trade talks with the US.

Both sets of negotiations will need to tackle three issues: trade in goods, trade in services, and domestic regulation and government support for domestic industry. On the third, trade agreements often work to ensure a 'level playing field' for competition among businesses by including rules covering regulation and government subsidies.

Trade deals with the EU and the US are important because they are the UK's top trading partners for goods and services: roughly half of total UK trade is with the EU. The US is next in line, accounting for around 14% of British exports in the last five years. Important products include vehicles, machinery and pharmaceuticals – though only 8% of British imports originate in the US.

Since 2016, doubts over the question of whether the UK would remain in the EU customs union for goods forestalled much substantive discussion over future UK domestic policy. Now, however, Boris Johnson's Withdrawal Agreement clarified that Northern Ireland would remain aligned with the EU in many areas (customs, VAT, regulation) while the rest of the UK would be free to proceed with a free trade agreement that allows for greater divergence from EU policies.

Both the UK and the EU have expressed their desire to secure an extensive free trade agreement: the UK has insisted it would like free trade in goods and services while the EU has been more coy – it desires free trade in goods, is less clear about the extent of services trade, and has made it clear that any deal will require British commitments to a 'level playing field.'

In principle, under an EU-UK free trade agreement, the UK would have regulatory autonomy – and be able to decide its own policies on foods standards, environment, and labour market laws. In practice, the EU will ask the UK align its policies with some EU norms in exchange for greater access to the EU market. If the UK wanted to relax consumer product or food safety standards, the EU might be reluctant to offer zero tariffs or expedited customs clearance to British goods. For financial services, free cross-border trade would require a deep level of regulatory alignment or regulatory equivalence arrangements.

Negotiating tariffs for manufacturers in most sectors will be most straightforward. More difficult will be agricultural products, many of which are subject to quotas. The trickiest areas relate to the extent to which producers receive state support/subsidies and the stringency of various regulatory standards.

UK farmers may be concerned if European subsidies to farmers undercut their competitiveness while their European counterparts will balk at any prospect of lower standards conferring a cost advantage. The EU for its part will fret about what the UK may need to agree to secure a trade deal with the US – and will want assurances of domestic enforcement of EU standards as well.

While services make up four-fifths of the UK economy, they are less than half of total trade. They represented only about 44% of total UK exports and just more than one-quarter of total UK imports in 2018. More than 40% of services exports head to the EU, while, as with goods exports, the US is the next most important destination, receiving more than one-fifth of British services exports in 2018.

About half of the UK's services exports in recent years have been 'other business services' such as management consulting or engineering services (around 30%) and financial services (around 20%). Recently released experimental statistics from the Office for National Statistics found that two-thirds of all services exports and 89% of financial services were sold via cross-border supply (i.e. an entity in Britain selling the service abroad without sending a person to the foreign country).

Negotiating a trade deal for cross-border services such as these is more complicated than a deal for goods because assessing and/or regulating the safety and quality of a service provided by a foreign entity can be difficult and there is no border checkpoint. This means the methods and procedures for ensuring the service satisfies the importing country's standards (e.g. equivalence arrangements) must be carefully laid out in the agreement.

Many UK firms that provide a service to the EU through cross-border supply have already set up the necessary commercial presence a subsidiary in the EU to ensure they can continue to deliver services regardless of the outcome of the trade negotiations. While this makes sense for the individual businesses, the UK economy will lose the tax revenue generated by this activity. Without a deal to facilitate cross-border services exports, Britain will lose these service-sector jobs as corporations move more of their workers to Europe.

An additional challenge for British service providers relates to the recognition of professional qualifications. As a member of the EU, UK professional qualifications were subject to mutual recognition agreements that allowed UK professionals to provide services across the EU. To continue, an agreement over the recognition of professional services is necessary.

In sum, the future UK-EU relationship will entail a series of trade-offs: more alignment with EU regulations and standards will facilitate more trade because alignment itself can reduce the cost of trading internationally for UK and EU firms and because the EU will be willing to provide lower tariffs for goods and freer access to more sub-sectors within services.

However, in some sectors more alignment with the EU might be undesirable to British businesses and citizens who see greater autonomy over specific policy areas as more valuable than a deeper trading relationship.

Relations with the EU

Hussein Kassim

Although prominent figures on both sides have emphasised that they want the future partnership between the UK and the EU to be close and special, considerable uncertainty surrounds the next phase of the negotiations. This is despite the greater clarity brought by the December 2019 general election. As well as the challenge of identifying a landing zone that is acceptable to both the UK and the EU, the climate within which the negotiations take place, the continuing reluctance of the UK government to spell out the trade-offs, and, potentially, a greater spread of views among the EU27 than in the first phase, could cause difficulties.

The government's majority gives control over the choice of future options. The Withdrawal Act lays the groundwork for regulatory autonomy, while its solution to the Irish border question allows the UK to make the trade deals with partners across the globe that were ruled out under the backstop.

But the majority and the Johnson version of the withdrawal deal also carry potential difficulties. The magnitude of Boris Johnson's victory has convinced some Brexiters that the UK's hand has been strengthened in the negotiations with the EU, not least because they believe the credibility of the no deal threat is even greater. However, the government has yet to explain to the British public the trade-offs that leaving the EU entails and especially the economic impact, the likely increase in 'red tape', and a growth rather than a contraction of the machinery of government.

Talk of the UK and the EU negotiating as one sovereign power to another, meanwhile, fails to recognise the asymmetry of the negotiations. The government is again pinning hopes on its ability to divide and conquer in the second phase, and not afraid to go public on this view. The Prime Minister has also ruled out the possibility of an extension to the transition period beyond December 2020, despite warnings that 11 months is too little even to reach anything more than the barest of trade agreements which would lead to maximum differentiation between Great Britain and Northern Ireland. Downing Street does not exclude a piecemeal agreement, which leaves some issues unresolved, but allows the UK to depart the EU.

Moreover, even that sort of deal would be complex. The EU will demand assurances on fair competition as the price for agreement to zero tariffs and zero quotas on goods, potentially at odds with the government's aim of regulatory autonomy. The Prime Minister's insistence that a free trade agreement must cover services as well will be difficult to deliver (see the contributions by Sam Lowe and Sarah Hall). The UK is likely to put future rights for UK citizens in the EU, which the EU said could not be discussed in the first phase, back on the agenda.

On the EU side, Commission President Ursula von der Leyen, EU negotiator Michel Barnier and other leaders have stated their desire and willingness to reach an agreement with the UK, but have also been clear about the EU's red lines – any rights must be balanced by obligations and a third country cannot enjoy the benefits of membership. They have also expressed doubts that it will be possible to reach an agreement covering all the areas where the UK says it wants to negotiate before December 2020. The short timeframe will compel the EU27, who themselves have differing priorities, to agree the issues on which agreement has to be found. However, efforts on the EU side to impose sequencing are likely to be resisted by London.

There are many other potential minefields. The negotiations will cover a range of sensitive substantive issues – fish, data protection, intellectual property, energy, transport – and procedural questions such as the role of joint committees, where the UK and the EU are unlikely to see eye-to-eye. And the mood music will be affected too by how the UK is seen to be treating EU citizens in the UK under the settled status scheme.

A no trade deal outcome is a possibility in December 2020. But unlike leaving with no Withdrawal Agreement, citizens' rights, Ireland and the financial settlement would be settled – and the less close a relationship the Johnson government seeks, the less difference not having a deal in place would make.

The UK and the EU have also stated that they want a strong security relationship in the future. But although co-operation on security issues and the exchange of intelligence is likely to continue, and the UK will of course remain part of NATO alongside other EU member states, it seems likely that the UK's involvement in EU policies will be looser than currently.

The EU has indicated that it will not allow the UK access to tools in law enforcement and judicial co-operation that are restricted to member states and Schengen countries – the European Arrest Warrant, the Schengen Information System, and the European Criminal Record Information System – but that it is open to the development of alternative arrangements. The two sides will need to negotiate alternative provisions for access to passenger name record (PNR) data.

In defence, member states have still yet to agree a legal framework for third-country participation in the European Defence Fund, covering nearly 50 collaborative projects in defence research and technology, or Permanent Structured Co-operation (PESCO), which develops and deploys armed forces at the EU level. Any UK participation would require a financial contribution.

Foreign policy is the area where change is least likely, partly because the Common Security and Defence Policy's is itself a loose framework and does not formally constrain EU member states in policy making, and partly because co-operation often takes place outside EU structures. Although the UK has insisted on the primacy of NATO, downplayed the role of the EU, and been a strong opponent of institutionalising EU foreign policy, it has co-operated closely with France and Germany, and supported EU actions, such as the imposition of sanctions on Russia following its annexation of the Crimea, that further UK policies. UK co-operation with the EU or individual member states where interests coincide is likely to continue after Brexit.

Despite the stated desire on both sides for a close and special relationship, it is not at all clear what the negotiations can or will deliver. It is unclear how far the UK has worked through the full implications of being a third country, nor how far the EU is prepared to give the UK a special third country deal.

Food and agriculture

Tim Lang

In launching the consultation on a new National Food Strategy, Environment, Food and Rural Affairs secretary, Theresa Villiers, set out the government's post-Brexit ambition: 'As we leave the EU and seek to capitalise on the opportunities this can provide for the UK's farmers and food producers, we have the chance to reshape our food system from farm to fork to ensure it is ready to deal with these 21st century pressures'. The pressures she noted were: 'The threats from climate change, loss of biodiversity and the need to deliver safe and affordable food.'

Leaving the CAP represents a big opportunity for change – but disrupting the UKs food supply system brings risks too.

The Common Agricultural Policy (CAP) is the sole large-scale survivor of early hopes to forge cross-border industrial infrastructure for the new Common Market. CAP still dwarfs EU budgets despite being cut back from 73% of the entire EU budget in 1985. Today it's a mere 36%.

The UK had no say in the initial design of the CAP and this was a major driver of the UK's early disproportionate contribution to the EU budget. Since membership, successive UK governments have supported CAP reform – but even so, most people think leaving the EU presents an opportunity to move beyond even the reformed CAP.

The government's proposed Agriculture Bill sets out a transition to a system where farmers in England are no longer paid for holding land (a reform the UK promoted to end the subsidies that led to butter mountains and wine lakes) and ties payments instead to public goods. This will be the way in which the government – through 'environmental land management' will seek to incentivise farmers to contribute to the goals in its 25 year environment strategy. The first version of the Bill represented a complete victory for environmental critics of the CAP but there was no mention of the public benefits of food production or food security. The Johnson version now promises regular food security audits and to improve supply chain 'unfairness', for example, both long overdue.

Scotland, Wales and Northern Ireland in theory can all have their own systems, unsurprising given how significant their rural economies are. There is some scepticism about what a 'pure' public goods approach might be and who would define it, and thus the payments. Farmers' leverage might well drop when the level of farm support is set through UK spending rounds in London rather than EU budget negotiations in Brussels. Although the government has committed to maintaining support at current levels to the end of the Parliament, it will then be a Treasury target. That will impact on farm incomes – around a third of which come from subsidy. Plans to taper the total subsidy system is anticipated to lead to big reductions in profitability for the bulk of farmers by the mid-2020s. Whether the role of farms in post-Brexit Britain is to produce cheap commodities from which off-farm industries profit or to provide views and ecosystems looks set to be a test case for how the Johnson Conservatism balances old Shire interests with new blue Northern areas.

All of this will accompany a dramatic change in the UK's food economy and the new relationship with the EU. A consequence of 47 years of EU membership is that the UK's food supply is now enmeshed with that of the EU. The UK currently produces only about half of its food. It receives 30% from EU member states and a further 11% via trade deals negotiated as a EU member. Home production has steadily dropped since the mid 1980s.

That import dependence means agriculture and food will be at the centre of new trade deals and food governance is a critical issue. The US has already made clear its demand that the UK accepts its food safety standards if it wants a deal. Which way the government jumps on that might bring out which matters most, City of London finance interests or farming. The aim of tariff free, quota free trade with the EU is particularly important for agriculture because this is the area with the highest 'no deal' tariffs – and therefore the area most prone to rupture in the absence of a deal. It also matters vitally to UK food manufacturers desperately trying to export foods, urged by government to narrow the food trade gap – £24.4bn in deficit in 2018.

Other countries also have ambitions for freer access to the UK market after Brexit. The UK's inexperienced trade teams will come face to face with seasoned negotiators – from the US and beyond – offering cheaper food but at the price of accepting their production standards. There will be huge pressure on ministers to decide whether to prioritise EU access – meaning agreeing to stick with EU standards – or a deal with the US which could then see British producers shut out of European markets.

Domestic food production – growing and processing, and the whole of food service (catering and hospitality) – will also be affected by the ending of free movement of labour. The sector is one of the UK's major employers with over 4 million jobs, but it is also a sector with a huge dependence on non-UK labour. Even before Brexit there were already signs that the EU labour supply was drying up. Defra has been forced to reintroduce a small version of the Seasonal Agricultural Workers Scheme but allowing 2,500 seasonal workers in will not replace the 80,000 or so used until recently. Nor will it help food processing; some firms have labour forces of up to 30% migrant labour. These sectors are being asked to become more 'efficient' but automation is long term, while short-term they face rising labour costs. Some may respond by simply scaling down.

That supply will in any case become more precarious as climate change impacts increase and rising global demand and trade are 'weaponised' in geopolitics. Ministers will need to decide the extent to which they add UK food security to their other priorities.

But what of the other side of the coin – how to cope with the twin challenges of food poverty and obesity, both of which contribute to unacceptable health inequalities across the UK? If the ultimate Brexit deal leads to higher food prices, either because the UK faces EU tariffs, or there is a further devaluation, this could worsen poverty. There has already been a dramatic rise in foodbank use.

The impact on government efforts to combat obesity, which is a major source of pressure on the NHS, is even less clear. The UK has a poor diet, with a heavier reliance on over-processed food than any other EU country. The prime minister has in the past rejected nannying approaches, such as the sugar tax, even where the evidence suggests they work and are relatively popular.

In an ideal post-Brexit world, better production and consumption would improve national health, regenerate the environment, make people happy and provide decent work. The current state of affairs leaves much to be desired, but supermarket shelves are full. Restructuring all this is complicated but the consequences of getting it wrong are immense.

Environment and climate

Charlotte Burns

The environment did not feature significantly in the referendum, but emerged as a major issue in its aftermath. In the past year in particular it has achieved extraordinary political prominence. Floods, bushfires and drought, along with the School Strike for Climate, tireless campaigning by Greta Thunberg, and (occasionally misplaced) campaigning by Extinction Rebellion, have kept the environment and climate change in the headlines.

The environment was included in a significant way in all the major party manifestos in 2019 and a televised election debate on climate change was held for the first time. Moreover, the environment and climate emerged as a top three issue for approximately a quarter of the voting public, being especially significant for 18-24 year olds in polling. Boris Johnson pledged in his victory speech 'to make this country the cleanest, greenest on earth, with the most far-reaching environment programme'.

Brexit offers an opportunity for the government to deliver on this promise: while the EU did not prevent the development of more ambitious environmental policies, the government can still use Brexit as a spur to develop world-leading and ambitious policies tailored to accommodate local environmental issues and concerns. It should also be easier to update policies in a more reactive and flexible manner than is possible within the EU. On agriculture and fisheries, there is clear scope to develop more environmentally effective and ambitious policies than those embedded in the EU's suboptimal common policies on agriculture and fisheries.

However, Brexit also presents risks. Since the referendum commentators and campaigners have highlighted that Brexit could lead to an environmental governance gap. The EU is not only involved in environmental policy creation. It is also central to monitoring environmental quality via the European Commission and European Environment Agency, and to securing the effective implementation and enforcement of EU law. In the event that a state fails to implement or enforce environmental law properly, the government can be taken to the European Court of Justice and ultimately fined if found guilty of implementation failures. For example, the UK government has been taken to court several times by campaigning legal firm Client Earth for its persistent failure to bring down air pollution in line with the requirements of the EU's air quality directive.

Moreover, in the absence of EU membership the UK government may choose to pursue lower environmental standards, seeking to develop the UK as a 'Singapore on Thames' – a deregulated, low tax economy. There are three main reasons why it may choose to do so. First, despite the rhetoric in Johnson's victory speech, the governing party has generally expressed an ideological predisposition in favour of deregulation and has advanced Brexit as a way of cutting red tape. The environment has been a long-term target of such discourse. Second, and relatedly, some businesses see high standards as too costly and argue that they make UK goods and services uncompetitive. Third, in order to reach trade deal with the US and other countries, the UK may come under pressure to weaken its own standards. Alternatively, the UK may be asked as a condition of a trade deal to allow onto its market products produced more cheaply to lower standards, which will make UK products less competitive and lead to pressure to water down existing standards and laws.

Whilst these concerns remain, thanks in part to effective campaigning by environmental NGOs and businesses keen to see ambitious environmental standards, the government has moved to address some of the key concerns. The environment bill was included in the Queen's Speech in December 2019. It will, at least in part, seek to address some of the governance gaps that leaving the EU has opened by, for example, creating an Office for Environmental Protection (OEP). However, the initial draft of the bill brought forward by the last government was criticised for failing to give sufficient powers to the new OEP to secure effective implementation of policy; for lacking detail; and crucially for failing to make the OEP sufficiently independent. There will also be new agriculture and fisheries bills, which should go some way to developing positive approaches to post-Brexit policy, although the initial iterations were again characterised by a lack of detail about how policies will develop in concrete terms.

The lack of detail is understandable, as a key issue for the development of these policies is future UK trade deals. It remains to be seen whether the UK will diverge from EU standards. The Withdrawal Agreement includes no mention of the environment, but it is likely to feature in trade talks.

From the EU's perspective there are reasons to encourage the UK to live up to its claim to want to be a green leader. New Commission President Ursula von der Leyen appears more committed to the environmental agenda than her predecessor and has made environmental protection a key part of her mandate via the Green Deal for Europe. The government may consequently find itself under pressure from the EU to deliver on its manifesto promise not to 'compromise on our high environmental protection, animal welfare and food standards'. Many businesses are also likely to prefer remaining aligned on product standards to ease their access to the single market. It remains uncertain whether that EU will be happy with a simple commitment to environmental non-regression, as for example in recent trade agreements with Japan and Canada.

The UK's forthcoming hosting of the Climate Change Conference of the Parties (COP 26) in Glasgow in November 2020 provides a potential test for the government's commitment to its 2050 zero carbon target. It will also be a crucial litmus test for the future of environmental diplomacy between the UK and the EU. The UK has historically played a key role in bolstering EU climate ambition and supporting the EU's international climate diplomacy. There is every reason to maintain good relations and the forthcoming COP provides an opportunity to forge a constructive post-Brexit environmental partnership.

Even without Brexit, the government faces a range of important challenges in the field of environment and climate policy. Achieving net zero carbon will require a step change in activity and hosting a major international climate conference at a time of mounting public concern presents both opportunities and challenges. Add to this the need to develop a new domestic environmental governance regime and new policies and instruments to deliver on the pledge to be a green leader the government has a lot to do – most of it at speed.

Immigration

Jonathan Portes

In most policy areas where the EU has major influence, policy change after Brexit is likely to be slow and incremental: UK law and policy on consumer protection or the regulation of product safety are very unlikely to be hugely different at the end of this Parliament than at the start. Immediate changes will mostly be symbolic – blue passports and the like. Immigration is the big exception. The next Parliament will see the biggest shake-up in UK immigration policy in 40 years.

Moreover, this will happen quickly. The government's commitment to maintaining regulatory flexibility after Brexit, and the accelerated timetable for negotiating a trade deal with the EU, means that there is little prospect that there will be any significant provisions on labour mobility between the UK and the EU in any post-Brexit deal. Leaving aside the political constraints on the UK side, EU trade deals – such as the Canada-EU trade agreement – have not in the past included significant provisions relating to immigration, particularly given the complex division of competences between the EU institutions and member states on such issues, although there will probably be some arrangements to facilitate short-term business visits.

This in turn will enable the government to keep its manifesto promise to end free movement and to introduce a new 'Australian-style' system that by and large (Irish citizens will remain an exception) treats EU and non-EU migrants similarly. But this commitment leaves many important questions unanswered:

- The existing UK system for non-EU migrants has been notionally 'points based' since the late 2000s. However, unlike the Australian system, those coming to the UK to work in most cases require a job offer. Will there be a new, genuinely Australian-style route for highly qualified migrants without a job offer (as there was from 2002-08)?
- Notwithstanding the answer to this question, the majority of migrants coming to work are likely to enter, as proposed in the 2018 white paper, under a new version of the Tier 2 route, which applies to skilled workers with a job offer. The white paper proposed that the main criterion for entry would be a job offer with a salary greater than £30,000; business, however, would prefer a much lower threshold, perhaps £20,000 or £22,000, since many medium-skilled workers earn less than £30,000, especially outside London. A high threshold will also make the task of delivering improvements in key public services much harder. The difference in economic impacts between the two approaches is significant.
- What, if any, flexibility will there be in the system for Scotland, Wales, and perhaps the regions? The Home Office has long opposed even the most marginal differentiation, but the Home Secretary has suggested that immigration could – as it is in Australia and Canada – be used as a regional policy tool, by giving preference (perhaps a lower salary threshold) to migrants who move to less prosperous regions.
- What will be the approach to sectors which might suffer from the end of free movement, combined with a relatively high salary threshold? The government has already proposed special visas for NHS workers and a new, expanded seasonal scheme for agricultural workers. Many other sectors, from social care to higher education, will be looking for similar treatment.

In answering all these questions, the government will have to balance both political and economic considerations, and take account of the report of the Migration Advisory Committee due to be published at the end of January. There are still immigration restrictionists both in the Conservative Party and the country as a whole; there will certainly be cries of betrayal if the government opts for a more liberal approach. But immigration is a less salient issue among the electorate than it was in 2016, and public perceptions of the economic and social impact of immigration are far more positive than they were at the time of the referendum. For at least some people, ending freedom of movement – and hence restoring 'control' over immigration – may be more important than the actual numbers.

A flexible approach, including a lower salary threshold, and some sector-specific schemes, would allow the government to extend an olive branch to business while, at the same time, showing that radical policy change after Brexit does not mean protectionism or a less open economy. Moreover, it would mitigate the negative economic impacts of Brexit on trade; our analysis suggests that the net effect of removing free movement combined with a relatively liberal approach might reduce net migration by about 35,000 a year while having only a modest negative impact on GDP, and a broadly neutral one on GDP per capita.

So, there are significant opportunities. But implementation will be a huge challenge. Moving to a new system in less than a year would be daunting even if policy decisions on all the issues set out above had already been taken. However, the arguments, in Cabinet and the country, have not even really begun yet. There will need to be consultation, if not on the big decisions then on a host of second-order questions; and then there will need to be time for employers to get used to the new system, which – even for EU migrants who qualify under the new rules and their employers – will become considerably more costly and burdensome than freedom of movement. Indeed, given that many employers who are currently dependent on immigrant workers from the EU – but do not employ non-EU workers – do not currently need to interact with the immigration system at all, this is not simply a matter of extending and tweaking existing processes and procedures. Time is short – by summer, employers will want to know what to say when making job offers to EU nationals that could begin in 2021.

A further administrative challenge for the Home Office will be the 'settled status' scheme for EU and EEA nationals already resident here. So far, despite some hiccups, and the understandable concern of those affected, this has gone as well as could be expected, with over 2.5 million applications so far; the overwhelming majority of these will get settled or 'pre-settled' status. But the deadline for applications is June 2021; and inevitably, as with any scheme of such magnitude, a proportion of the 3.5 million or more people who are eligible will simply fail to apply, or to provide the correct documentation in time. In principle, they will be subject to enforcement action, up to and including deportation – in practice, it seems highly unlikely the government will create a Windrush scandal mark 2, and the government appears to have given at least informal assurances on this score to the European Parliament. So some form of moratorium or amnesty is likely.

So, one way or another the UK immigration system will look very different within a couple of years. Free movement will have ended and upward of 3 million EU nationals will have been given the right to remain here permanently. And we will know if Brexit means a decisive turn towards immigration restrictions or – consistent with our history - just a different form of openness.

The economy

Jonathan Portes

In the 2017 election, both main parties promised to address the social and economic divisions highlighted by the Brexit vote. The Conservatives promised to 'forge an economy that works for everyone in every part of this country'. Few – including the current Prime Minister – would claim that they had kept this promise. Instead, pressure on key public services – health, education and the police – has grown, cuts to welfare benefits have continued, while inequality and child poverty (which were relatively stable under the Coalition government) appear to be rising.

Meanwhile, the complete absorption of government time and energy by Brexit has meant that little or no progress has been made on long-standing public policy challenges, most notably the chronic underfunding of social care. Policy paralysis combined with continued austerity has meant that there is widespread dissatisfaction with the state of both the economy and public services.

Recent economic performance has also been mediocre. Most independent estimates suggest that Brexit has reduced cumulative UK GDP growth by about 1.5% to 2.5% since the referendum, and in the last year in particular Brexit-related uncertainty has depressed business and consumer confidence, and hence business investment.

So the centrepiece of the Conservative election campaign was the claim that 'getting Brexit done' would yield a double dividend. First, removing uncertainty about the timing of Brexit – and indeed whether it would happen at all – would provide an immediate economic boost, as pent-up investment, both foreign and domestic, was unleashed. Second, with Whitehall and Westminster no long obsessively focused on Brexit, the government would have time and space to focus on its economic priorities – improving public services, investing in infrastructure, and 'levelling up' the economic performance of those UK regions perceived to have been 'left behind' over the past few decades.

How realistic are these ambitions? It is too early to say whether there will indeed be a 'Brexit bounce' – but a 'Brexit boom' seems unlikely. While there have been some signs of a modest rebound in business and consumer confidence, from relatively low levels, it is hard to see this translating into rapid growth. Crucially, as outlined elsewhere in this report, while the election result means that Brexit will indeed happen on 31 January, uncertainty over the UK's future trading relationship will continue for at least most of this year.

When businesses trading with the EU do not know if they will face tariffs, and what new regulatory barriers and checks will be in place, it is hard to see why that should make long-term investments that are dependent in whole or in part on 'frictionless trade' or something close to it. This is particularly relevant for sectors such as automotive and pharmaceuticals (see the section by David Bailey). Currency markets appear to share this analysis – after rising immediately after the election, the pound fell sharply when the Prime Minister reaffirmed that he would under no circumstances extend the transition period.

So economic prospects in the short term appear to be more of the same. The Chancellor recently expressed his desire to see GDP growth return to the post-war – but pre-financial crisis and austerity – average of 2.7% to 2.8% per year. Few economists think this is realistic – those polled by the Financial Times expected growth in 2020 to be relatively slow, with Brexit-related uncertainty continuing to weigh on investment, although the labour market will remain buoyant and wages will continue to grow.

But there is some truth to the second argument. With the immediate threat of no deal lifted, and a secure parliamentary majority, there should be considerably more bandwidth for other policies. This is not primarily about taking advantage of new post-Brexit opportunities. Indeed, as we pointed out in our analysis, the Conservative manifesto was striking for its failure to present a convincing economic case for Brexit: the more substantive Brexit-related pledges – that the NHS is not 'on the table' in any trade deal, that the UK will not roll back environmental or labour regulations, or that there will be special new visas for NHS workers and seasonal agricultural workers – were directed at eliminating the (real or perceived) downsides of Brexit, not of taking advantage of the (real or perceived) opportunities.

The first chance for the government to demonstrate where its priorities lie will be the Budget on 11 March. Sluggish growth will worsen the fiscal arithmetic. So even with the government (once again) rewriting its fiscal targets to make them easier to meet, choices will have to be made. Under current plans, austerity – in the sense of funding for key public services either being cut in real terms, or failing to keep up with demand, will largely be over. But that may well not be enough to meet public expectations, given pressures on demand and how far some services have been run down over the last decade; it means continued benefit cuts for the poorest families, and it certainly won't address the social care crisis.

The picture is clearer on public investment, where Sajid Javid has explicitly repudiated the Treasury's early reluctance to borrow to invest even at negative real interest rates. The government appears to have belatedly accepted the consensus view that the UK has underinvested for decades – particularly in recent years, and particularly in the north of England – and that the unprecedently low level of interest rates offers a historic opportunity to remedy that, as well as addressing the challenges of decarbonisation. Treasury rules will be changed to favour these new priorities, with a new focus on 'people and place'.

But the crucial challenge here will be delivery. Simply allocating more money is likely to be the easy bit. Spending it – let alone doing so effectively – will be far more challenging, given the numerous capacity constraints that will tend to slow things down and make them more expensive. These include the shortage of project management skills in the public sector, planning issues, and growing shortages of skilled construction workers.

None of this adds up to a new economic model for the UK. Indeed, in many respects much of this programme looks like New Labour revisited. When ministers talk of 'levelling up', civil servants with long memories will be dusting off the files from the Treasury's Public Service Agreement target (in the mid-2000s) to do precisely that. And the painful, and often wasteful, process of reversing a long period of underfunding of key public services (while tinkering fitfully with reform) is precisely the challenge Labour faced in 1997 – albeit in a much more benign economic environment.

It is easy to take a pessimistic view of the UK economy after Brexit. As Duncan Weldon writes:

> 'For all the talk of a radical change in the economic policy set-up, it is just as likely that the end result is a very British attempt to 'muddle through' with a model which itself is not working and of which one of the key props (EU membership) has just been kicked away. The implication of this is that Brexit will not generate a new model for the UK, but simply an inferior version of the existing one.'

However, as the decade dawns, we should look on the bright side. Many of us thought Brexit could be a 'reset moment', with new policies to address those numerous structural issues that have been neglected in the past. Those hopes, so far, have been dashed. Up to now the government has simply not had the space, time or capability to develop the domestic policy proposals and instruments – on investment (public and private), skills, regional policy and so on – that would be needed. Now it does. Let's hope they make good use of it.

Manufacturing

David Bailey

The period since the referendum has been a turbulent one for UK manufacturing and especially the automotive industry. By 2018-19 something of a perfect storm had hit. The auto industry faced a triple whammy of declining sales in China (as the world's largest car market contracted after 20 years of breakneck growth), a massive shift away from diesels across Europe in the wake of the Volkswagen 'Dieselgate' scandal, and Brexit uncertainty slowing the UK market and investment.

It was in this context that over 2018-19 Jaguar Land Rover (JLR) announced nearly 6,000 job cuts. Other bad news in this period included confirmation that Honda was shutting its Swindon plant and Ford its Bridgend plant, while Nissan reversed its decision to build the XTrail model at Sunderland from 2020, citing Brexit as a complicating factor.

Both auto output and sales fell last year. More broadly, while manufacturing underwent something of a stockpiling boost ahead of the March Brexit deadline, output then stagnated. By year-end manufacturing was contracting at its fastest rate in seven years as new orders fell and Brexit buffer stocks were run down.

A few investments, by the likes of JLR and Aston Martin, stood out as positive stories, but investment in the auto industry in particular fell amidst uncertainty over the nature of the future trading relationship with the EU, being down by 80% over the last three years.

The uncertainty also had an impact on output. Major auto assemblers shut down assembly operations in both April and October to avoid disruption around the time of the UK's scheduled departure dates from the EU.

JLR's Chief Executive Ralf Speth said the firm had no choice but to stop production lines at its four UK plants, stating that the firm needed 20 million parts a day; every part had to be available when needed and just in time.

The latter point illustrates the vulnerability of manufacturing (and not just auto) that relies on just-in-time (JIT) supply chains. Disruption arising either from a no-deal Brexit at the end of 2020 or even a 'bare bones' Canada style free trade agreement could throw a major spanner in the works of JIT systems commonly used across UK and EU manufacturing.

No trade deal at the end of 2020 would be especially damaging, as tariffs of 10% would apply on exported cars. It could add around £3 billion a year to UK auto's costs through tariffs alone, with additional non-tariff barrier costs (such as form filling, customs delays and stockpiling costs) on top.

Analysts have forecast a short-term production hit of at least 175,000 cars a year (on top of the Honda closure) if there is no trade deal - over 10% of UK car output. Longer term, there is the risk that firms will consider shifting production outside the UK, meaning the loss of output could be much higher.

In such a scenario there could be considerable job losses in the Midlands and North. To what extent newly elected Conservative MPs in such areas listen to the views of manufacturing could make for an interesting dynamic in Parliament.

Even a limited trade deal that eliminates most tariffs could still cause severe headaches for industry given issues of regulatory divergence and through the UK being outside the EU customs union.

As uncertainty will characterise the next 11 months for big auto assemblers in the UK, a bounce back in investment is unlikely. It was little surprise that Tesla CEO Elon Musk cited Brexit uncertainty as a factor in the firm's decision to build its European factory in Germany rather than in the UK.

The risks remain high. Peugeot stated this year that investment at Vauxhall at Ellesmere Port where the Astra model is due to be replaced in 2021 is 'contingent on the terms of the future trading relationship between the UK and the EU, and ensuring that PSA can make a profitable investment.' The firm is especially keen to see tariffs avoided, and stressed that investment would be switched to Southern Europe in the event of no deal.

Trade bodies have also expressed concern. Last Autumn, aerospace, automotive, chemicals, food and drink, and pharmaceutical industry bodies came together to warn the government that a bare-bones trade relationship could pose a 'serious risk to manufacturing competitiveness'.

The letter stressed the need for regulatory alignment. Such industries want to see such alignment in order to avoid border checks. The point here is that such checks try to ensure that any differences between imported goods and domestic standards don't introduce risk to the market or supply chain. In simple terms, the more standards and regulations vary across two countries, the more checks will take place on goods being traded between them.

So 'taking back control' means the ability for the UK to set new regulations and standards after Brexit but the knock-on effect will likely mean more checks and possible delays to, say, manufacturing components moving across borders, bringing challenges for manufacturers.

The key point is that manufacturing is highly exposed to the form of trade deal that is pursued.

In addition, while a free trade agreement would make exported cars free of tariffs into the EU, to benefit from it the cars need to meet 'rules of origin' that require 60% of the value of a car's parts and components to be 'local' (from the UK), unless there is an agreement that counted parts from the UK and EU together. This would also require some sort of agreement on 'conformity assessment' (the process used to demonstrate that products such as cars meet specified requirements).

All of which means that exiting the EU in an orderly way with a trade deal and minimal trade friction beyond the transition period remains vital for UK manufacturing and the auto industry. While no deal at the end of 2020 would be highly damaging to output, jobs and investment, even a bare bones trade agreement that just eliminates tariffs could be costly for manufacturing to live with given how tightly entwined manufacturing value chains are across the UK and the EU.

Financial services

Sarah Hall

Although growth in financial services has been subdued following the referendum, the sector is still an important component of the UK's economy, contributing 6.9% of the UK's GDP in 2019. The tax revenue from finance is particularly important – making up 11.5% of the total employment tax take in the UK.

However, the sector remains concentrated in London and the South East of England. This distinctive economic geography does not sit easily with the Chancellor's aim to 'level up' economic performance in northern England and the Midlands. The trade negotiations for financial services in 2020 will therefore provide an early illustration of the trade-offs between domestic policy concerns and the negotiation of a new trading relationship with the EU, the choice between regulatory autonomy in a critical area of the economy and maintaining high quality access to EU markets.

Following the referendum, preparations focused on the possibility of a no deal Brexit, particularly in terms of protecting financial system stability in both the UK and the EU. Contingency planning, led by the Bank of England, ensured that, by September 2019, UK banks held enough capital to continue serving UK households and firms in a disorderly 'no deal, no transition' Brexit scenario.

These preparations were necessary because the current size and shape of the UK's financial services sector has been determined to a large extent by its relationship with the EU. The liberalisation of cross border trade in financial services paved the way for 'passporting' arrangements between EU member states. Passporting means that a financial services firm authorised to undertake activity by the regulator of one EU member state can apply for a passport that allows it to conduct the same business throughout the EU without the need for further authorisation.

Using passporting arrangements, it is estimated that 67% of UK financial services (not including insurance) supplied to the EU are delivered cross border from a UK base. As a result, London has developed into the EU's leading financial centre.

The possibility of passporting continuing after Brexit appeared to end in January 2017 when the then Prime Minister, Theresa May, ruled out continued single market access after Brexit. Following this, representatives of the City of London lobbied for a model whereby the EU and the UK would accept each other's divergent regulatory regimes – so-called 'mutual recognition'. However, this was not acceptable to the EU. There were also differing views within the government regarding whether the UK should become a rule taker – agreeing to follow EU rules over which it had no say – in such a key sector where EU ambitions were known to depart from what UK regulators wanted.

The Political Declaration agreed by Johnson in October means that current passporting arrangements will cease at the end of the transition period – currently the end of December 2020. From then, the UK's relationship with the EU in financial services will be based on equivalence arrangements. Under these, the EU permits foreign financial firms market access if it believes that their home country's regulatory arrangements are equivalent to, or closely aligned with, those of the EU.

There are three potential problems with this. First, the Political Declaration sets an ambitious timetable to complete equivalence assessments before the end of June 2020. Equivalence decisions can be taken rapidly but some have taken several years to conclude.

Second, there are 40 areas in which equivalence needs to be assessed and it has not been granted in all areas to any country to date. However, because the UK is a member state, logic suggests its regulatory arrangements will satisfy the assessors.

Third, equivalence can be revoked by the EU with 30 days' notice. Consequently, reliance on equivalence will not end uncertainty about the relationship between the UK and the EU. Any hint that the UK was about to diverge from the EU regime could lead to revoking the equivalence assessment.

It is hard to assess what the impact of relying on equivalence arrangements will be. Not least, this is because the financial services sector is diverse. It includes not only multinational investment banks but also domestically focused insurance companies and a range of growing challenger banks in fintech. Each of these relies on exports to the rest of the EU to different extents.

Those parts of the financial services sector which are more reliant on trade with the EU have begun to relocate activities to other EU countries in order to maintain single market access. Investment banks have moved staff and assets to Frankfurt and Paris in particular. Asset management firms have more typically relocated parts of their operations to Dublin. Institutions that facilitate cross-border transactions, known as financial market infrastructures, have concentrated their early relocations in Amsterdam. However, parts of the financial services sector that are less exposed to EU-UK transactions or hope to benefit from UK divergence, such as hedge funds, have seen new office openings in London since the referendum.

These relocations provide early indications as to how financial firms will protect their interests during the transition period, gradually transforming the sectoral focus and size of the UK's financial services sector as they do so. However, they raise important questions about how the financial services sector will contribute to the renewed focus on regional economic development in the UK after Brexit. Any contraction in financial services activity would result in lower tax revenue, reducing the domestic funds available to support investment elsewhere in the country. It also risks contributing to a 'levelling down' of the economy as financial services growth is negatively impacted most significantly in London and the South East, rather than the 'levelling up' aspirations of the government.

Services

Sam Lowe

In 2018, services accounted for 46 per cent of UK exports, or £297 billion. The EU received 40 per cent of British services exports, and was the origin of 48 per cent of British services imports, the highest proportion of any UK trading partner. Unlike goods trade, where the UK runs a deficit, the UK ran a total trade surplus in services with the EU of £28 billion.

Yet services trade has played second fiddle to talk of trade in goods and manufacturing supply chains in the Brexit debate. This is understandable, in that trade in services is complicated – barriers to trade do not take the form of readily quantifiable tariffs (taxes levied on imports), but are often a convoluted mix of trade and investment policy, domestic regulation, procurement policies and issues surrounding the movement of people.

The EU's single market in services is not as developed as its single market in goods. It does, however, exist. The OECD estimates that restrictions on services trade between EU member states are around four times smaller than restrictions on selling services into the single market from outside. Indeed, in some areas the EU has liberalised services trade between its members further than some countries have managed internally. For example, the EU has been more successful in developing a framework for the mutual recognition of professional qualifications than the US.

After Brexit, the EU and the UK have committed to concluding 'ambitious, comprehensive and balanced arrangements on trade in services and investment in services and non-services sectors, respecting each Party's right to regulate'. Their stated intention is to 'deliver a level of liberalisation in trade in services well beyond the Parties' World Trade Organization (WTO) commitments and building on recent Union free trade agreements.'

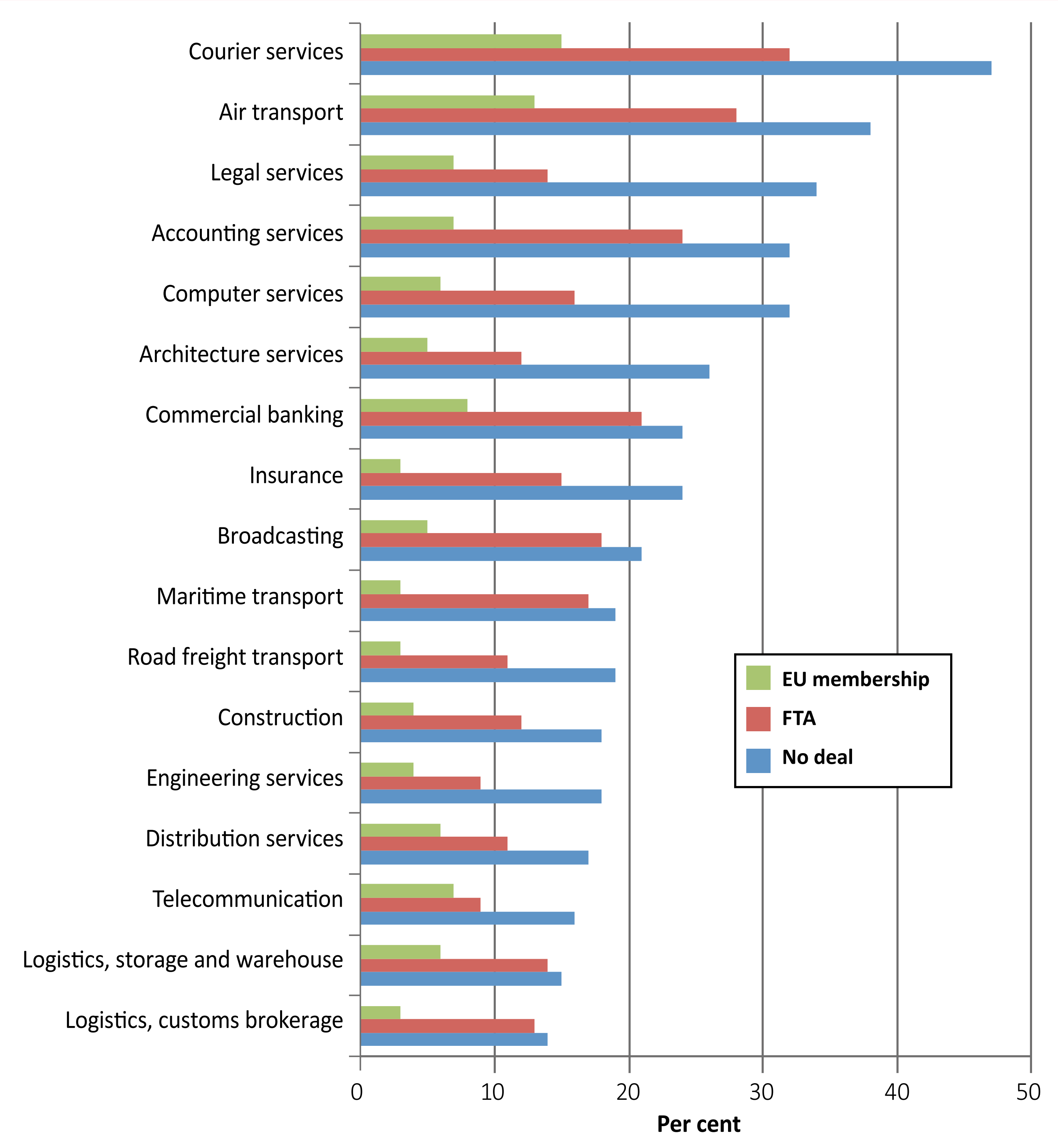
However, the British government has been clear in its intention to leave the EU's single market. This desire to be free of the EU's rulebook, regulatory bodies and oversight means there are limits on what the EU is able to offer in terms of services market access. While EU free trade agreements certainly do cover most services sectors, and tackle issues such as the number of foreign services providers allowed to operate within its territory, they have little to say about issues like licensing and comprehensive regulatory recognition.

Crudely speaking, the EU's approach when it comes to services trade is to make it relatively easy for companies to invest and set up offices within its territory while at the same time making it difficult for regulated services to be sold into the EU from outside. And in its free trade agreements, the EU does little more than lock in existing levels of access for third countries, rather than pulling down additional barriers to trade.

For example, while the UK is an EU member state, a law firm operating out of the UK can sell and provide legal services cross-border to clients in any other member state. In contrast, under the terms of a EU-UK free trade agreement, most member states would not let the same law firm sell to clients in their territory unless it has a commercial presence within the EU.

The impact of exiting the single market and moving to a free trade agreement will vary by sector, with highly regulated sectors being more affected. Northern Ireland's Department for the Economy calculated the tariff value equivalent of the barriers to trade facing different services sectors under three different scenarios: EU membership; a free trade agreement and no deal (Chart 1). The sectors facing the biggest increase in barriers to trade include accounting services, commercial banking, insurance and broadcasting. (While the study specifically focused on Northern Ireland, there is little reason to think that the figures would differ significantly were it to have focused on the whole of the UK.)

Chart 1: Average tariff value equivalents facing Northern Ireland services exporters, EU membership, FTA and no deal



Source: EU Exit and Impacts on Northern Ireland's Services Trade, Evidence from Services Trade Restrictiveness Indices, Ben Shepherd, Developing Trade Consultants, 2019.

My own estimates, which take into account how UK services providers currently sell to their EU27 based clients (directly from the UK or from EU27 local offices) finds that, compared to the status quo, an EU-UK free trade agreement would have the biggest negative impact on the financial services sector, with transport and other business services also hit to a smaller degree.

Table 1: Estimated impact on UK services exports to EU under a free trade agreement

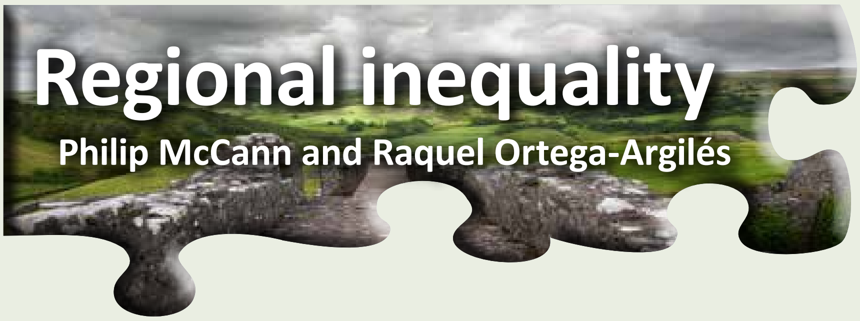
	Transport services	Insurance & pension services	Financial services	Telecommunication, computer & information services	Other business services
Total UK exports to the EU (£bn, 2015)	11.5	4.0	23.6	7.6	22.2
Total UK exports to the EU under an FTA (£bn, 2015)	9.7	3.3	9.8	7.9	20.0
Total change (£bn, 2015)	-1.8	-0.7	-13.8	0.2	-2.2
Percentage change (%)	-15	-19	-59	3	-10

Source: Author's calculations, ONS Pink Book.

However, some negative impacts could be mitigated if the EU and the UK succeed in reaching an ambitious agreement on transport services (including aviation, road, rail and maritime transport), as is their stated intent. The ability of companies to adapt to changes in circumstance will also vary, with larger firms likely having greater capacity when it comes to planning for post-Brexit disruption than smaller companies.

Equally, the negative impact associated with financial services would be lower if the EU allowed the UK to take advantage of its financial equivalence regime, allowing certain EU27 focused financial services activity to continue in the UK (see section by Sarah Hall). Any decline in UK-based activity would also probably be staggered over time, as individual EU member state regulators take unilateral measures to ensure an orderly shift in economic activity from the UK to within the EU, so as to avoid a cliff edge and unnecessarily triggering a potential financial shock.

By prioritising regulatory autonomy, and exiting the single market, the British government has implicitly accepted that trading services between the EU and the UK will become more difficult in future. While a free trade agreement could offer some benefits over trading without one, these will only be marginal. British services exporters will need to adjust their business models accordingly.



Regional inequality

Philip McCann and Raquel Ortega-Argilés

The crumbling of Labour's so-called 'red wall' in parts of the Midlands, the north of England and Wales was a crucial feature of the December general election. Places which had traditionally not voted Conservative now switched or 'lent' their votes to the Conservatives, and this may encourage government to give greater priority to rejuvenating many of these places.

Many of the places which switched votes are described as being 'left behind' by globalisation. They tend to be characterised by poor local employment opportunities, low wages and investment, poor health outcomes and low quality of life, and also to have suffered severe public service cutbacks during the austerity era. The 'metropolitan elites' narrative often deployed in Brexit-related discussions appears to have been persuasive in these regions, leading to a local sense that EU membership has been a fundamental cause of the weaknesses of these places, in comparison to more prosperous areas. The result has been a profound 'geography of discontent', manifested in marked shifts in electoral preferences. Indeed, their voting behaviour, allied with widespread anecdotal evidence from 'on the street' TV and radio interviews with the public, would suggest that people in these places believe that a new Conservative government is indeed likely to prioritise the enhancement of their local economic and social opportunities. Yet, the challenges faced by these places are not only immense, but are likely to be exacerbated by Brexit itself, and a great deal of re-thinking is needed as to how exactly such places may be enhanced.

The challenges are fourfold. First, *economic*. The UK exhibits some of largest inter-regional economic inequalities in the industrialised world. These are reflected primarily in terms of very large productivity and prosperity gaps between, on the one hand, London and its hinterland regions of the south and east of England along with parts of Scotland, and on the other hand the Midlands, north of England plus Wales and Northern Ireland. The 'levelling up' required to reduce these disparities will involve a major reorientation of public policy and public investment. Not least because the empirical evidence suggests that the trade-related effects of Brexit itself will make these inequalities more severe, both between prosperous and lagging regions, and also in terms of intra-regional inequalities between the prosperous cities and their hinterlands.

Second, this leads directly to a *political* and policy challenge, because the narratives regarding 'levelling-up' and perceived post-Brexit benefits mean that people in many of these places which voted Leave and which have recently switched domestic voting patterns are anticipating that Brexit will improve things for them. Responding to their hopes and expectations would appear to be a key element of the new government agenda. Yet, it is far from clear that the government has the mechanisms to quickly make a real difference in the areas where expectations have been raised. Moreover, the major local economic problems of the UK are regional problems, and not problems of towns versus cities, so exactly how an increased policy focus on enhancing the prospects for towns contributes to levelling-up in a post-Brexit context is also unclear.

Third, there is an enormous *governance* challenge in that 'levelling up' cannot be orchestrated primarily by the UK's highly-centralised and increasingly ineffective governance system because this itself is a big part of the problem of the UK's growing inter-regional inequalities. The over-centralised UK governance system has tended to prioritise the fortunes of London on many aspects of development over everywhere else, believing that this was in the national interest.

Today central government does not have the knowledge or capabilities to effectively manage the development of other parts of the country. Therefore, in order to deliver on the public's expectations, especially in the economically poorer localities which voted both Leave and Conservative, the UK's governance system itself will have to change, and in particular the relationship between national and sub-national government and economic development policy will need to be entirely reconfigured towards a much more devolved system. But devolution alone will not solve these problems, and this reconfiguring will also involve rethinking the relationships between local industrial policies, the replacements for EU regional funds, the 'Shared Prosperity Fund', and the national system of inter-regional fiscal transfers. Working out exactly how the UK governance system should change is a challenge which remains to be done.

Fourth, and on the basis of the economic, political and governance challenges, there is also an institutional challenge which remains to be addressed. The UK Industrial Strategy is regarded as being central to current policy, and local industrial strategies are a key component of this. Yet many of the Local Enterprise Partnerships lack the capabilities to deliver such policies effectively. Although the devolution agenda of recent years was intended to provide greater local control over policy design and delivery, after many decades of the hollowing out of local government, effective local control is only really possible in a minority of places.

Moreover, the lack of sub-national institutional capability is magnified by the fact that sub-national governance bodies have been almost entirely locked out of Brexit-related negotiations, such that UK local and regional governance systems are currently very ill-equipped to respond to local post-Brexit challenges. Equipping sub-national governance bodies with the skills, tools, people and decision-making autonomy to respond to the post-Brexit context is a challenge which remains to be done.

The challenges of 'levelling up' cannot be underestimated but neither can the need for a real response to such challenges.

Security and defence

Richard Whitman

The post-Brexit foreign, security and defence policy relationship between the EU and the UK has attracted far less attention than the future arrangements for trade. Both sides have stressed the need for a close relationship post-Brexit but progress on detailing future arrangements for co-operation have been hostage to the difficulties in agreeing and ratifying the Withdrawal Agreement (WA).

The UK's departure from the EU will represent a disruption in the arrangements for European security and defence co-operation. This comes at a time in which transatlantic relations have been unsettled by the unpredictability of the Trump administration, Putin's Russia presenting a challenge to European security and Europeans struggling to develop a coherent collective response to China's growing international importance. The UK will remain strongly invested in European security after Brexit. A key dilemma may be in wanting to have influence on EU security and defence policy, which would require keeping close to European policy, at the cost of reducing the scope for autonomous UK foreign policy.

The transition period arrangements covering the EU's foreign, security and defence (provided for under the Withdrawal Agreement) commit the UK to following EU foreign policy and security positions but without participating in the institutions that determine that policy. The UK will also cease to be directly involved in decisions on the EU's Common Security and Defence Policy (CSDP). It will, however, continue to contribute financing, staff and other assets to missions which are under way, including the personnel and military capabilities for EU conflict-management missions in Africa, the Balkans and the Middle East. These arrangements are probably tenable as long as there are no major transatlantic policy differences which would see the UK challenged to break ranks with EU member states to follow a policy pursued by the Trump administration.

Recent US policy on Iran is already presenting the UK with such a dilemma. It has been trying to avoid being forced to choose between the Trump administration's more hostile and policy and co-operation with the EU's more cooperative approach aimed at preventing Iran from building nuclear weapons.

Despite the ambition for a 'broad, comprehensive and balanced security partnership' set out in the Political Declaration, the status of the UK as a third country outside the EU looks set to limit the scope of co-operation. This was illustrated by the controversy over continuing UK participation in the Galileo satellite programme. Galileo is equipped with an encrypted signal for use by governments for security and defence purposes, and the UK was advised that its access to this Public Regulated Service (PRS) was to be withdrawn on leaving the EU. This was something of a watershed moment, underlining that the EU's definition of partnership would not go beyond existing third country co-operation and create a 'special' status for the UK.

The EU27 did not publicly dissent from the position adopted by the Article 50 Task Force on foreign, security and defence policy issues. A commonly articulated view was that the UK had, over the last decade, held back the development of the Common Security and Defence. This was also evident in measures such as an increase to the European Defence Agency's (EDA) budget; the development of permanent structured co-operation (PESCO) – a programme for groups of EU member states to develop military capabilities in common and then make these available for collective EU military operations;

and the creation of a permanent EU Operational Headquarters (OHQ), which would give the EU its own arrangements to plan and conduct EU military operations without relying on NATO or a headquarters being provided by one of the EU's member states. Critics of the UK drew attention to the rather meagre UK personnel contributions to CSDP missions as indicative of a lack of commitment to the EU's military security ambitions.

Since the Brexit vote, the EU27 have in fact stepped up their work, with a new implementation plan on security and defence. The EU's Global Strategy (EUGS) provided a roadmap for the future of the EU's foreign, security and defence policies. Federica Mogherini, (until November 2018) the EU's High Representative/Vice President for foreign, security and defence policy, enthusiastically embraced the EUGS as an opportunity to inject pace and purpose into the EU's security and defence policies.

Moves since 2016 include the creation of a common European Defence Fund (EDF) that allows for co-financing from the EU budget for the member states' joint development and acquisition of defence equipment and technology. The detailed objectives for delivering on the defence ambitions of the EUGS were set out in the security and defence implementation plan (ESDIP) and the European defence research programme (EDRP). All of these developments are intended to boost the European defence, technological and industrial base (EDTIB). The significance of these developments for the UK is that it hosts a major defence industrial sector which faces the prospect of exclusion from a set of initiatives designed to increase the capacity of the European defence industry base.

Alongside boosting European defence industry and technology there are also initiatives to get EU member states to collectively make more efficient use of their defence spending. One such initiative is the sharing of defence spending plans, through a process called the Coordinated Annual Review on Defence (CARD), which, alongside PESCO, is intended to get member states to work together to create defence capabilities currently lacked by European. Furthermore, and following longstanding UK opposition, they have agreed to establish a new command centre for EU military training and advisory missions (MPCC).

During transition, the UK looks set to be co-opted into the substance of the EU's foreign and security policy while also simultaneously being out of its decision-making structures. During this period the ambitions for the future EU-UK foreign, security and defence policy will also be determined. The degree to which the EU27 are divided on the value they place on a close security and defence relationship with the UK is still unclear. But there are also very difficult choices ahead for the government in the degree to which it wishes to contribute to the EU's security agenda. These are not dissimilar to discussions around whether or not the UK should diverge from EU regulations – a move which, in turn, involves sacrificing an autonomous UK foreign trade policy. Retaining a high degree of convergence with EU foreign, security and defence will greatly limit the scope of the new 'Global Britain' foreign policy that has been espoused by the Prime Minister.

Law and the courts

Catherine Barnard

Brexit has posed a fundamental challenge to the UK courts and legal system. Or, rather, delivering Brexit in the circumstances of a hung Parliament posed considerable challenges to the law and the courts. The challenges arose through a combination of the Fixed Term Parliaments Act 2011, which effectively prevented parliamentary gridlock from being resolved via an election, and the desire of many Remainer MPs to prevent a no deal Brexit. In short, those on the losing side wanted to challenge the delivery of Brexit, and the courts were a prime venue in which to do so.

First, there was the *Miller I* case which essentially asked whether the executive had the right to trigger Article 50 on its own or whether there needed to be authorisation from a prior Act of Parliament. The majority of the Supreme Court decided authorisation was required. The EU (Notification of Withdrawal) Act 2017 was duly passed.

Subsequently, in the *Wightman* case the Scottish courts asked the European Court of Justice about the conditions to revoke Article 50. The court ruled that revocation would be possible provided: the request was made in an unequivocal and unconditional manner, by a notice addressed to the European Council in writing, and after the UK had taken the revocation decision 'in accordance with its constitutional requirements'.

Then there were a number of cases on citizens' rights in the post-Brexit world. Various cases in the Netherlands asked whether it was lawful to remove the rights of UK citizens living in the Netherlands under EU law.

Perhaps more striking were the events of Autumn 2019, when the UK learned some profound lessons about its constitution. Not least, we learned that constitution is essentially based on good behaviour; the expectation is that the rules of the game – conventions, rules, the Cabinet handbook – will be complied with by the Prime Minister and his ministers (and their advisors). So the prorogation (suspension) of Parliament by the Queen on the recommendation of her Prime Minister between 9 September and 14 October came as a shock. No justification was actually given to the Scottish court for such a lengthy prorogation. There was no sworn evidence. For the Scottish Court in *Cherry* this was an abuse of power by the Prime Minster. However, for the High Court of England and Wales in *Miller II* the recommendation to suspend Parliament was a matter of high politics. Because the matter was political, not legal, the courts should not intervene.

The matter ended up in the Supreme Court in *Miller II and Cherry*. In essence the Supreme Court ruled that the matter was justiciable (i.e. one that could be heard by the courts) and also that the Prime Minister had acted unlawfully because the prorogation had the effect of frustrating or preventing, without reasonable justification, the ability of Parliament to carry out its constitutional functions. And for all the criticism that the Supreme Court's decision has received, the upshot of the decision was to put matters back into the hands of Parliament whose role under our constitution has been expanded expressly to include holding the executive to account.

Once the genie of justiciability is out of the bottle it is hard to put it back in, although now that majority government is resumed, it may be the courts will feel less compelled to intervene. Certainly there was a major hint that the executive will not be amused by further judicial intervention in these sensitive matters. The Conservative manifesto talked of ensuring that 'judicial review is available to protect the rights of the individuals against an overbearing state, while ensuring that it is not abused to conduct politics by another means or to create needless delays.'

The next decade will be a challenging period for the judges. They will be asked to interpret the EU (Withdrawal) Act 2018, and in particular to work out when the courts might decide not to apply pre-Brexit decisions of the EU Court of Justice. The courts will also need to interpret and give effect to the 600 or so Statutory Instruments (secondary law) that have been rushed through Parliament to give effect to Brexit.

There will be other challenges facing the judges. For example, what if the Scottish legislature were to adopt legislation in the future that were to interfere with the ability of goods from rest of the UK going into Scotland? At the moment such challenges are dealt with under EU law, as the Scotch Whisky case showed. But how will they be dealt with in the future? Will the British judges have to develop a common law principle to help deal with the problem? Or might they even invoke the Act of Union 1707 to help sort out the difficulties?

The Brexit debate so far has seen the courts caught in the political firing line. Even though the judges have argued that they are interpreting the law, not doing politics, some of the newspapers have not seen it this way. The post-Brexit period will also be demanding for the courts in terms of the volume and complexity of the Brexit-related litigation they will face. But it will be less high profile and the judges may retreat into the obscurity which many of them prefer. But politicians have the bit between their teeth. There will be constitutional reform, and an enquiry into judicial review will form the first part of the review into constitutional issues promised by the manifesto.

The civil service

Jill Rutter

The Prime Minister may say Brexit is done on 31 January – but negotiating, legislating and implementing the UK's new relationship will be a major preoccupation in 2020 and beyond. Brexit has already led to a significant rise in civil service staff numbers, and that will continue. By March it is expected that Brexit will have led to the creation of an additional 27,500 civil service jobs.

Some things will change. The process of legislating for Brexit will be much less tortuous than it was in a hung Parliament – the big Brexit bills that stalled should reach the statute book with little amendment, from the Commons at least. But the task of negotiating the UK's relationship with Europe will be a major preoccupation for Whitehall. It will draw in far more government departments than were involved in negotiating the much more limited Withdrawal Agreement. Not only will all the departments with any responsibility for individual economic sectors have a role, but the security co-operation agreement will bring in the Ministry of Defence, the Home and Justice departments as well as the FCO and the Department for International Development. There will be a massive co-ordination task to ensure that interests are properly understood and weighed against each other, and that decisions made in one negotiation take account of implications for other deals running in parallel or to follow.

That co-ordination effort will extend well beyond Whitehall. While the first phase of negotiations were characterised, (and hampered by secrecy and indecision) especially under Theresa May, success in the second phase will depend on both involving detailed expertise from the government's own delivery arms, ensuring proper input from affected sectors and meeting the political challenge of keeping the devolved governments as far on board as possible.

These are not the only negotiations Whitehall will have to handle. So far continuity trade deals have been agreed with 20 countries or trade blocs – but some really big deals remain outstanding: with Canada, Japan and Turkey. The Conservative manifesto also committed to landing some big new deals in the next three years – with countries like the US and Australia. Since the referendum there has been a programme to develop trade capacity within Whitehall – an unrequired capability while we were EU members – but that capacity has yet to be properly tested and is likely to be stretched to breaking point in the coming years.

The type of new relationship that the government is aiming for means that the UK will have to put in place many of the new systems and processes it was getting ready for no deal. Outside the single market and customs union, the UK will need to take over responsibility from EU agencies and there will have to be at least some border checks and paperwork. Civil servants assured select committees last year that the government was ready for Brexit – and that the big gap was on business readiness. But none of the new systems has yet had to be tested. Another year to prepare should mean that there are fewer glitches and there is more time to recruit and train the people that are needed.

It is still possible that some of these changes will prove nugatory. It may be that the final deal is closer to the EU than appears likely now. The planning uncertainty that bedevilled preparations under Theresa May has been reduced but not eliminated. But the civil service finally has a government committed to a hard deadline and it will need to focus efforts to ensure the country is as ready as possible for that.

In other areas the UK can decide its own timetable, but ministers will be keen to move fast and that will impose burdens and risks. The looming headache is the deadline for the settled status scheme in 2021 and the introduction of the new migration regime to follow on the ending of free movement – where crucial details have yet to be worked out. There are big risks in both: how to avoid a second Windrush for EU citizens who miss the deadline and how to get a new migration scheme up and running on a fraction of the normal timetable business is given to adapt to much less significant changes.

Ministers may still be mulling the case for splitting borders and immigration from the security and policing functions of the Home Office. That could be one of a number of post-Brexit machinery of government changes – but ministers will need to ensure that they do not prove too big a distraction from getting on with the massive policy and implementation task at hand.

One big change to Whitehall has already been announced with the decision to disband the Department for Exiting the EU at the end of the month. DExEU was set up in haste and has been repurposed and dismantled over time – underlining again the need to think through machinery of government changes. It makes sense to put co-ordinating the future relationship into the centre of government. But there is a real risk that unless the change is well managed a lot of knowledge built up over the last three years will be lost.

The Prime Minister also needs to decide who gets to make the difficult trade-offs the negotiations will require. He involved very few ministers in his EU strategy 'XS Committee'. The range of subjects under discussion means he will need expanded representation, while finding a way to retain the decisiveness that marked a break from the stasis under his predecessor.

Brexit has already put relations between ministers and civil servants under strain. Many civil servants have found the decisiveness and unity of the Johnson cabinet a welcome relief after three years of division. They know that the new government has what it believes to be civil service's shortcomings in its sights. But as with reorganisation, the real risk is adding a big reform agenda as another item onto the already massive 2020 to do list. The government now needs a plan, not for the next five months but the next five years or, as it switches from campaigning to governing, it risks wasting the opportunity it has created for itself.

Parliament

Meg Russell

For more than three years after the 2016 referendum, Parliament was a key battleground over Brexit. The drama included heavy government defeats on the floor of the House of Commons, party rebellions and splits, procedural innovations to allow backbenchers to 'seize control' of the Commons agenda (leading to heated arguments about the Speaker's impartiality), and finally a prorogation of parliament that was ruled unlawful by the Supreme Court. The growing tension was finally broken by the December general election.

That election looks set largely to end the parliamentary conflicts. The preceding tensions flowed from the unusual (in British terms) context of minority government, combined with the need for a deeply divided governing party to deliver a complex and controversial policy, aggravated by Theresa May's instinctive inflexibility and tribalism as Prime Minister. Ironically, minority government resulted from the 2017 general election, called by May to strengthen the Conservatives' position in Parliament, because David Cameron's narrow 2015 majority had appeared too fragile for delivering Brexit.

Boris Johnson now has a working majority of 87 in the House of Commons, reasserting a sense of 'normality' in British politics (though perhaps only for those with long memories, as this was the first comfortable single-party win since 2005). Consequently, navigating the Commons can be expected to get much easier. With the UK having left the EU, MPs will recognise the need to deliver the next stages of Brexit. Many of them are new and inexperienced, and will not make waves, particularly having been elected on a Brexit manifesto (see the section by Tim Bale). Some (particularly those elected in constituencies that the party did not expect to win) may turn out to be wildcards, and some longer-serving members may have less tolerance of government mis-steps. But even a couple of dozen rebels need not greatly worry the prime minister.

As the House of Commons gets easier, the House of Lords may become more difficult. This is the first time that a Conservative government with a serious majority has faced the post-1999 'no overall control' second chamber. The Lords has since 2010 been relatively easy to handle, first faced with a coalition government which controlled the majority of party seats in the chamber, and latterly with a House of Commons that became the primary forum for dissent. If Commons scrutiny now becomes weaker and less effective, peers may seek to fill the gap, by asking tougher questions of government and pressing points through amendments to bills. But they too recognise the mandate for Brexit, and MPs' primacy, so any objections will be on points of detail, not big issues of principle.

The immediate task has been the passage of the EU (Withdrawal Agreement) Bill, to facilitate the UK's formal exit on 31 January. MPs passed this easily; peers raised concerns about matters such as the degree of powers delegated to ministers over future policy-making (a favourite topic for the Lords), but this caused ministers relatively little discomfort.

Compared to the version which previously appeared in October 2019, it was notable that the bill removed much of the parliamentary oversight of the next stages – for example, the need for approval of the government's negotiating objectives. It was perhaps understandable that Johnson sought to free himself in this way, but largely unnecessary given his comfortable majority. Also, since parliamentary scrutiny can help sharpen arguments and analysis in Whitehall, it may prove counter-productive.

Perhaps more surprising was that, rather than simply omitting the previous requirement for parliamentary approval of any extension to the transition period, ministers replaced it with a clause outlawing any such extension. This was symbolically important, but could be a decision the Prime Minister comes to regret – despite in theory having the majority to overturn it should this prove necessary.

Further Brexit legislation, which failed to pass in the 2017-19 parliament, will follow during the transition period – including bills on trade, agriculture, fisheries, immigration and environmental protection. These will provide a better test of the new parliamentary environment, with less time pressure and the opportunity for both MPs and peers to have found their feet, and their voice. Previously parliamentarians tabled various amendments on matters such as animal welfare, environmental standards and limiting government discretion on trade policy. Some of these issues could recur, sparking disagreements inside the governing party, and certainly between the UK and devolved governments.

New challenges will face Parliament during and after transition. There will continue to be a flood of secondary legislation to scrutinise, implementing the detail of the new arrangements. Another big question will be the nature, extent, and appropriate forum for parliamentary oversight of trade agreements. If the government remains instinctively resistant to scrutiny, this will contradict previous recommendations from committees in both the Commons and the Lords which have urged strengthening of existing arrangements – e.g. to debate negotiating mandates and ongoing negotiations. Any government restructuring – including abolition of the Department for Exiting the EU – will have repercussions for the structure of Commons committees. This may generate pressure from MPs for some other overarching Brexit scrutiny committee.

Meanwhile the House of Lords' central committee has for decades been the European Union Committee, whose six subcommittees collectively occupy dozens of peers. There are obvious questions about the extent to which these structures should be dismantled (some EU scrutiny may remain valuable, depending on the future relationship), and what should replace them. A key area where new forms of oversight could be beneficial is over UK 'common frameworks', where joint mechanisms with the devolved legislatures would make sense.

Parliament's future challenges may go beyond Brexit itself, including broader fallout from the torrid pre-election period. The Conservative manifesto promised a 'Constitution, Democracy and Rights Commission', with a remit including examination of 'the relationship between the government, Parliament and the courts', and Lords reform. Hence alongside Brexit, wider debates about Parliament's proper place and role in the constitution seem likely. As it turns out, the election outcome (clearly unknown when the manifesto was drafted) has rendered such discussions far less urgent, so interest in them might drain away. To the extent that they remain a focus, the most important question from the previous period is how both executive and Parliament can better handle any future instances of minority government.

The media

David Deacon and Dominic Wring

Brexit has posed challenges of great magnitude for the mainstream news media in the UK and in so doing has raised fundamental questions about their credibility. And yet their effective functioning has never been more vital. The impact of Brexit is and will continue to be profound, wide ranging and uncertain. These consequences require continued exploration, explanation and evaluation.

As Brexit has become the dominant political issue, public opinion has become ever more polarised. Yet it is questionable whether understanding of the subject has advanced as debate has intensified. Brexit has also become the focus for anxieties over whether and how fake news, deceit and disinformation are distorting opinion. There has never been a greater need for quality control of information within the public sphere. But Brexit has challenged the media just as it has so many institutions in the UK, leading to a crisis of confidence in some quarters and widespread accusations of bad faith and unprofessionalism.

How justified are these criticisms? Amidst the claim and counterclaim, rigorous empirical analysis of media performance remains at a premium. There has been no longitudinal analysis of news coverage of Brexit and available evidence principally focuses on the reporting of the referendum campaign itself and the three general elections held since David Cameron suggested an in/out referendum in 2013. But analysis of these periods can provide insight into media performance more generally, not least because of their critical importance in the delivery of Brexit (notably, the general elections in 2017 and 2019 were separately dubbed 'the Brexit election' for reasons relating to the policy and its implementation).

In terms of national press partisanship, support and opposition to Brexit divided fairly evenly during the referendum in the number of titles, but Leave endorsements far surpassed Remain in circulation due to the declarations of the highest-selling pro-Conservative titles (specifically, the *Mail, Sun, Telegraph,* and *Express*). Furthermore, this editorial backing had a vehemence that found no equivalence in pro-Remain titles, which characteristically qualified their arguments for staying in the EU. The ardour of the Leave-supporting press has not faltered since, often manifesting itself in controversial attacks on those deemed to be obstructing Brexit, and moreover democracy itself. The most notorious example of this came with the *Daily Mail's* description of senior judges as 'enemies of the people' in November 2016 following the ruling that the UK government needed the consent of Parliament in enacting Article 50.

Broadcasters have also been criticised by stakeholders on both sides of the debate as lacking due impartiality in their coverage. The BBC has been the principal target of these claims, but other broadcast organisations have also received flak. Existing research evidence provides little convincing support for either claim but, in seeking to achieve balance in the representation of pro- and anti-Brexit voices, the broadcasters have encountered other difficulties. For example, Jean Seaton, the BBC's official historian, argued that the corporation's strenuous efforts to demonstrate impartiality in the referendum, led them to 'politicise everything' and, by so doing, devalued and relativised the vital adjudicating insights that can be provided by credible expert sources.

Distinctions between press and broadcast coverage can be overstated. Brexit has implications for all facets of public policy, but you would struggle to discern this from the coverage provided across flagship news outlets in the most recent and critically important campaign contexts. Both sectors have reported Brexit within narrow parameters. For example, Loughborough University's study of press and TV news coverage of the 2016 referendum showed that the largest proportion of reporting was process focused, that is, interested in the strategies of the key protagonists and the related drama and uncertainty surrounding the vote. This content accounted for 39 per cent of all topics identified in Brexit coverage in the main weekday TV evening news and the national press. Policy-related news was dominated by two topics: the economy (18 per cent) and immigration (13 per cent). By contrast a whole range of other issues that quickly acquired huge significance post-referendum were largely neglected. These included critical matters such as the implications for the devolved nations, notably Northern Ireland (0.8 per cent of all issues); the environment (0.5 per cent); and agriculture (0.6 per cent). These patterns were replicated in both the 2017 and 2019 elections.

This narrow, process-focused approach has contributed to a reporting framework that generates a great deal of heat, but not much light. In our most recent analysis of the 2019 general election we concluded that Brexit was everywhere and nowhere. Frequently invoked, it attracted far less of the fiscal scrutiny that was prominent in evaluations of other manifesto commitments. Furthermore, there was a significant imbalance in the reporting of the various Brexit options, which were all still theoretically possible until the decisive result of the election indicated otherwise. Boris Johnson's 'oven ready' Withdrawal Agreement dominated coverage and received the most positive treatment of the alternatives on offer. Yet the possibility that the UK could still leave the EU with no trade deal in place at the end of 2020 was one of the least reported scenarios.

The idea that the 2019 general election has in some way 'got Brexit done' is of course problematic. Nevertheless, it has flattened parliamentary obstructions and removed the prospect of any immediate return to the electorate. This could be a propitious opportunity for news organisations who are serious in their intention to provide informative analysis. Consequently, they should stop treating Brexit as a political drama and engage with the range and substance of the policy complexities that will emerge during the negotiation and implementation phases. This will require editors to mobilise journalistic specialisms from beyond the parliamentary lobby in order to interrogate the credibility rather than the partisan disposition of claims makers within the debate. This will also require a more discerning and nuanced approach to impartiality. To paraphrase the renowned US foreign correspondent Herbert Matthews, when impartiality depends solely on the mechanistic application of balance, the truth can suffer.

2015	%	2017	%	2019	%
Electoral process	41	Electoral process	42	Electoral process	51
Economy/Business	20	Health/Healthcare	9	Economy/Business	10
Immigration/Borders	10	Economy/Business	8	Health/Healthcare	8
Social welfare	8	Immigration/Borders	7	Devolved nations	6
Defence	3	Devolved nations	6	Public services	6
Health/Healthcare	3	Defence	5	Immigration/Borders	5
All other issues	15	All other issues	25	All other issues	14

Scotland

Nicola McEwen

The new Conservative government may have earned a mandate to 'get Brexit done'. But will leaving one union lead to the end of another? North of the border, the Scottish National Party (SNP) are equally buoyed by their electoral success. The December elections once again saw them emerge as the dominant force in Scottish politics, winning 45 per cent of the vote and over 80 per cent of the seats. That success has re-energised the demand for a new independence referendum, to give people living in Scotland the opportunity to determine whether they still want to remain part of a UK outside of the EU, or to chart a different course as an independent European state.

In 2016, Scottish voters expressed their desire for the UK to remain in the EU. Remain won with 62 per cent of the vote, with majorities in every local authority area and across every demographic group. In the immediate aftermath of the referendum, the First Minister's reaction was to put independence back on the table. Although Scots had voted against independence in the 2014 referendum, Nicola Sturgeon argued that Brexit represented a 'material change of circumstances' that would fundamentally alter the UK and its relationship with others. This, it was argued, justified revisiting the question of Scotland's place in the UK and in Europe.

In the months after the referendum, the Scottish government presented what it considered to be a compromise that would see the UK as a whole remain within the EU single market or, failing that, special arrangements that would allow Scotland to remain within the single market even if the rest of the UK diverged. There is little evidence that this compromise was given serious consideration. It was never brought to the negotiation table with EU leaders. This contrasts sharply with the prominence given to Northern Ireland's relationship with the EU, not least concerning what would become the EU's external border on the island of Ireland. Whilst they do not object in principle to special arrangements for Northern Ireland, Scottish ministers are concerned that Northern Ireland's privileged access to the EU single market, in goods if not in services, puts Scotland at a comparative economic disadvantage. Moreover, they point out that these arrangements leave Scotland as the only nation of the UK where Brexit preferences and compromise options have been cast aside. Like Scotland, the majority in Northern Ireland voted Remain, while England and Wales returned Leave majorities.

Domestically, preparations for Brexit have unsettled devolution, creating more overlap between devolved and reserved powers and raising concerns that the process is leading to a recentralisation of power within the UK. These concerns came to light most clearly in the process that led to the EU (Withdrawal) Act. As well as legislating for the UK to leave the EU, the Act paved the way for the repatriation of EU laws, translating them into a new category of domestic law known as 'retained EU law'. This ensures continuity until such time as UK legislators choose to make changes. The original draft bill retained the authority to amend retained EU law, including in devolved areas, with the UK Parliament and government. The devolved institutions accused the UK government of staging a 'power grab' that would weaken devolution. There is no doubt that the Scottish government, working in collaboration with their Welsh counterparts, influenced the development of the devolution clauses of the Withdrawal legislation. In the Act as passed, the default position is that repatriated powers in devolved areas now lie with the devolved institutions, unless regulations are passed to limit the powers of devolved institutions in specified areas.

But the changes did not go far enough for the Scottish government or the Scottish parliament. In accordance with the convention (commonly known as the Sewel convention) that the UK Parliament will not pass legislation in devolved areas, or alter devolved competence, without the consent of the devolved legislatures, the Scottish parliament withheld its consent. The passing of the Act, including its devolution clauses, despite the withholding of consent by the Scottish parliament – a first since devolution was introduced – added tensions to an already strained relationship between the Scottish and UK governments. It has also raised concerns about the status of the Sewel convention and the authority of the Scottish parliament, especially in the Brexit process and its aftermath.

On 8 January 2020, the Scottish parliament voted to withhold consent for the EU (Withdrawal Agreement) Bill. This is unlikely to influence the content or progress of that legislation, especially in light of the new government's parliamentary majority and its determination to see the UK exit the EU by the end of January. The Withdrawal Agreement Bill (WAB) will be followed by a range of Brexit-related bills set out in the December Queen's speech, including an Agriculture Bill, Fisheries Bill, Trade Bill, Immigration and Social Security Co-ordination (EU Withdrawal) Bill, Private International Law (Implementation of Agreements) Bill, and an Environment Bill. Each of these is likely to engage the Sewel convention. None is likely to secure the consent of the Scottish parliament. As with the WAB, withholding consent is unlikely to make much difference to the fate of the legislation. This increases the risk that the symbolic power associated with the Sewel convention is being diminished by Brexit.

Brexit has created new strains in the UK's territorial constitution, and how the new government treats Scotland and its parliament will influence what happens next. Questions regarding the ability of the United Kingdom to stay united after Brexit should be taken seriously. There are, however, considerable barriers in the way of Scottish independence.

First, the authority to hold an independence referendum on a similar basis to the 2014 referendum lies with the UK Parliament. The first minister submitted a formal request to the Prime Minister for a section 30 order to transfer that authority to the Scottish parliament, as happened ahead of the 2014 referendum. That request has been firmly rejected.

Second, even if a referendum were held, there is a power of work to be done to present a case for independence that could secure majority support. In addition to the well-rehearsed but nonetheless important debates about the economy and the currency, independence would create new challenges at the Anglo-Scottish border if Scotland were to be in the EU while the UK remained outside the EU and its single market and customs union. In that scenario, the Anglo-Scottish border would be an EU external border, generating some of the complexities in border management that were at the heart of the Irish dimension of Brexit negotiations.

In 1994, former Labour leader John Smith famously described a Scottish parliament as 'the settled will of the Scottish people'. The SNP's electoral success reflects the continued strength of feeling about Scotland's constitutional future, and support for independence remains at an historic high. But it is not yet at a level where we might consider it to be the settled will, and there is no inevitability that it will become so.

Northern Ireland

Katy Hayward

More than any other issue, Northern Ireland – a region of 1.8m people on the periphery of the UK and the EU – has determined what has happened since the Brexit referendum for the whole of the UK and the EU.

Brexit has placed Northern Ireland at the UK-EU interface, resulting in considerable internal strain. This is not an easy position to be in – especially for a region with a pro-Remain majority, a fragile peace process, and a newly restored devolved administration.

It was always the case that if the UK wanted to exit with a deal, both sides would have to compromise over Northern Ireland. The compromise for the EU comes in the form of disaggregating its four freedoms for Northern Ireland. The latter half of the withdrawal process largely consisted of the UK deciding where its compromise would fall.

The first Withdrawal Agreement contained the so-called backstop, which saw the UK commit to aligning with the EU's rules on goods and customs in order to avoid the need for checks and controls at the Irish border. The second switched tack, with its 'frontstop', which sees Northern Ireland following the EU's rules so Britain does not have to. Of course, this in effect shifts the potential border controls from the default north-south on the island of Ireland to east-west between these islands.

This is a region in which it is very difficult to find common ground, so compromise was always going to be tricky to sell in Northern Ireland. Yet common ground for Northern Ireland's main political parties was found shortly after the referendum, despite the fact that Sinn Féin and the Democratic Unionist Party (DUP) were at opposite poles over the topic of Brexit. The priorities for Northern Ireland set out by the letter from the first minister and deputy first minister to Theresa May in August 2016 are notable. These include the sustainability of the agri-food sector, that businesses, both indigenous and foreign investment companies, 'retain their competitiveness and do not incur additional costs', and that the Irish land border does not become an impediment to the movement of people, goods and services. And they still hold true.

This is seen in the New Decade, New Approach agreement (10 January 2020) between the British and Irish governments and Northern Ireland's political parties, which paved the way for the restoration of devolved government after a three-year hiatus. The agreement confirmed that these priorities remain the top concerns of an incoming devolved executive.

These priorities take on a different form in light of the new Protocol on Ireland/Northern Ireland. For business in Northern Ireland the changes and challenges associated with Brexit not only come in relation to trade with the EU but may now emerge in relation to access to and from Great Britain. Northern Ireland finds itself in an extraordinary position: not only with the EU but also within the UK internal market.

Rather than enjoying a 'best of both worlds' scenario, Northern Ireland risks finding itself caught between a rock and a hard place when it comes to the implementation of the Withdrawal Agreement.

First, because it will remain, in effect, part of the EU's single market for goods and also de facto part of the EU's customs territory (regardless of being nominally in the UK's), then movement of goods across the Irish Sea will be directly affected by the negotiations that the UK and the EU are about to begin. This means potential friction within the UK internal market and additional costs for NI businesses.

Second, we do not yet know whether Northern Ireland will benefit from being part of the UK's free trade agreements, or part of the EU's free trade agreements. And, on top of this, of course, Northern Ireland will have to navigate what all its parties agree to be the negative impacts of Brexit, including restricted access to labour, especially low skilled EU workers, and friction in the movement of services across the island of Ireland. When combined with the tight timetable for transition, plus the scale of decisions to be made by the UK-EU Joint Committee that will uniquely impact on Northern Ireland (for example in the designation of 'at risk' goods crossing the Irish Sea), the scale of the governance and policy challenge is evident.

The Withdrawal Agreement Bill gives extraordinary power to the UK government in the implementation of the Protocol, including in areas that have long been devolved to the competence of Stormont. Yet ultimately it is Northern Ireland's Members of the Legislative Assembly (MLAs) who will be handed an exclusive decision-making power. Four years after the end of transition, as per the 'democratic consent' mechanism of the Protocol, they will vote on whether to continue to be aligned to EU rules. Given the nature of politics here, this debate will almost inevitably be framed less as a policy or economic matter than as a constitutional and identity one.

It is increasingly the case that people from all backgrounds in Northern Ireland think that Brexit makes Irish unity more likely. In 2016, 18% of unionist respondents thought Brexit made a united Ireland more likely; by 2018 it was 28%. The proportion of nationalists thinking this rose from 38% in 2016 to 64% in 2018. But there is a big difference between expecting something and welcoming it. By late 2018 (the latest data we have), one-third of DUP supporters said Brexit makes them even less in favour of a united Ireland. Unsurprisingly, half of Sinn Féin supporters said Brexit made them even more in favour of it.

As for the avowedly non-aligned, they are changing. For one thing, they are now voting, motivated, it seems, by a determination to Remain. They are increasingly of the view that Brexit makes a united Ireland more likely. But they are not necessarily in favour of it. Whilst people in NI are increasingly likely to think Brexit makes Irish unity more likely, there's increasing polarisation in terms of how people view the prospect. In other words, Brexit has made something that people will disagree about profoundly (i.e. Irish unity) increasingly likely and increasingly consequential.

Northern Ireland will be affected in perpetuity and irrevocably by the UK's withdrawal from the EU – in its relationship with Ireland and with Great Britain. Whether this is for good or ill will in many respects depend on what happens over the course of the coming 11 months.

Wales

Dan Wincott and Jac Larner

The Welsh government faces a Brexit dilemma. Wales voted Leave in 2016, yet Welsh Labour favoured Remain. The Welsh government explicitly accepted the 2016 result but have sought the softest form of Brexit. Generally Welsh Labour is in favour of further powers devolved while maintaining a strong commitment to the Union and that stance has informed its approach to Brexit.

A little historical context helps to make sense of Welsh Brexit politics. First, Labour has dominated electoral politics in Wales for over a century. It has led every government in Wales since devolution. Second, devolution in Wales has followed a tortuous path. Established by the narrowest of referendum margins in 1997 (50.3/49.7), devolved national institutions are now the settled will of the population of Wales. Yet the form of devolution has never been settled. Finally, Wales has had much larger EU structural funding, per head, than anywhere else in the UK – more than £4.50 for every £1 spent across the UK between 2014-2020. The voluntary sector in Wales has benefitted significantly from the European Social Fund.

Initially the National Assembly was something like a large-scale local government: a single 'body corporate', with no distinction between government and legislature. The Assembly could pass only secondary legislation in fields conferred on it by Westminster. Since then, Wales has experienced continuous constitutional change. Westminster has fundamentally reformed Welsh devolution's statutory foundation three times since 1998, including legislation for a separate Welsh government. The changes culminated in a Senedd with primary legislative powers for all areas not reserved to Westminster, plus an array of fiscal powers. Even leaving Brexit aside, though, Wales' constitutional journey is not yet completed. In 2019, another major commission, chaired by Lord Thomas, recommended devolution of justice policy.

Faced with permanent constitutional change, Carwyn Jones, then Labour first minister, began developing a case for basic renewal of the UK territorial constitution. He did so long before the Brexit referendum. The Welsh Government has applied these ideas to the challenges of Brexit for UK governance. Its proposals to strengthen the Union, including the creation of a UK Council of Ministers, have fallen on deaf ears in London.

Passing the European Union (Withdrawal) Act 2018 was a key battle. Like its Scottish counterpart, the Welsh government saw the first draft Bill as a 'power grab' – potentially devastating for devolved policy capacity. Scottish and Welsh governments both prepared and passed their own 'continuity' legislation. Meanwhile, the UK government revived the Joint Ministerial Committee, the UK's minimalist structure for inter-governmental relations. A new Committee was created for the European negotiations, and in it, Wales and Scotland worked together remarkably effectively, despite SNP-Labour relations typically being frosty. Ultimately, however, they took different views about what had been achieved. While the Scottish government remained opposed to this legislation, Wales consented to it (and ultimately withdrew the Welsh Continuity Act). There were, no doubt, differences of view on Brexit between Scotland and Wales. But a desire to consolidate the renewed intergovernmental process contributed to the Welsh government's decision. An independence-minded SNP government has much less interest in consolidating internal UK shared rule structures.

Wales has continued to co-operate with Westminster and Whitehall over the development of post-Brexit regulatory frameworks in the UK, at both official and political levels. As well as contributing to the development of 'common frameworks', Wales has been involved in work towards an 'internal market' – a concept about which the Scottish government is suspicious. The UK government has also said it will create a Shared Prosperity Fund in place of EU funding streams that will be lost. Despite repeated promises, details of this Fund have not appeared. Given the current scale of EU structural funding in Wales the absence of detail is causing considerable concern. If London controls the purse strings, spending priorities may change. That could impact on the voluntary sector in Wales, given the distinctive pattern of support it has received from the EU.

The general election – called to enable the Prime Minister to get his Brexit deal over the line, may have fall out for these discussions. Labour was weakened, but still dominates in seats won. In its Valley heartlands, Labour vote losses were accompanied by gains for both the Liberal Democrats and the Brexit party. Wales may suffer if the government lavishes attention on the interests of its new voters in the Midlands and north of England. Although they won their highest vote share in over a century, the Conservatives have less of a stake in Wales. They picked up only six seats, failing to match the party's success in England.

As in England, a weakened Labour party may struggle to bring its socially conservative and liberal wings together, with an added national-identity twist. In 2017, the then First Minister successfully promoted a distinctive Welsh Labour identity to the electorate, something Mark Drakeford failed to achieve in 2019. The Welsh Election Study shows that roughly half of voters in Wales could give no opinion on him. Drakeford's may have limited scope to appeal to the party's Welsh speaking and Wales-born University-graduate support. As well as being social-liberal, these voters are increasingly 'indy-curious'.

The election result has not caused any evident re-examination of Drakeford's opposition to Johnson's Brexit strategy. Since the turn of the year he has encouraged Assembly Members to vote down the Withdrawal Agreement Bill. A Welsh External Affairs Committee report has called for the Senedd and Welsh government to play a bigger role in future trade agreements: Wales should have a veto or at least a guarantee that devolved views will be considered.

Since Johnson seems to have no appetite for compromise – or for external input into or scrutiny of his plans for the future relationship between the UK and the EU – Brexit seems set put further pressure on the UK's changing Union. In the game of territorial politics, Wales has fewer cards to play than Scotland or Northern Ireland: one way or another, it will have to adapt and change.

England after Brexit

Ailsa Henderson and Richard Wyn Jones

It has become commonplace to highlight the UK's internal divisions over Brexit by contrasting the Remain majorities in Scotland and Northern Ireland with the Leave majorities in England and Wales. Which is obviously an important and political consequential part of the story. It is, however, far from the whole story, not least because this framing risks ignoring two other features of public opinion in England. First, comparing – say – Leave-voting England to Remain-voting Scotland underestimates the level of variation within England itself about Brexit, and the extent to which the Remain and Leave camps remain polarised. But also, secondly and relatedly, because the English electorate is divided not just on Brexit, but also on what the future holds for England within the UK.

In what follows we outline what the English electorate wants for England as the domestic union looks set to be reshaped following Brexit, drawing attention to areas of consensus or disagreement and how this relates to national identity. To do so we draw on data from the 2019 iteration of the Future of England Survey conducted in October.

As we have long noted (Wyn Jones et al 2013), attitudes to England's two unions are linked: those who have tended to be most Eurosceptic are also those most likely to express dissatisfaction with the current constitutional arrangements in the UK. This dissatisfaction manifests as both a specific sense of grievance about levels of public spending in England as compared to other parts of the UK, in particular Scotland, and a more generalised sense of discontent about the changes to the state wrought by devolution. These attitudes are in turn also closely related English national identity. In England, the more one prioritises an English rather than a British national identity, the more hostile to both the EU and current constitutional status quo within the UK one is.

The UK's departure from the EU is therefore highly unlikely to mark an end to English dissatisfaction with the constitutional status quo. Rather, our evidence from the immediate pre-election period suggests that there remain high levels of dissatisfaction with the distribution of power and 'voice' within and for England, as well as suspicion about the willingness of the parties to reflect the preferences of an English electorate. Indeed, on a scale of 0 to 10 where 0 is not at all and 10 is a great deal, only 2% of the electorate trust the UK government 'a great deal' to work in the best long-term interests of England with a majority (51%) selecting between 0 and 4 on the scale. The lack of trust is higher among Remainers (57%) than among Leave voters (47%), which suggests there are enduring problems of losers' consent within England.

There remains concern about levels of public spending outside England's borders. Thus even while the English electorate appears happy with the general principle of sharing resources throughout the UK (with 66% agreement that the UK government should 'step in to even out economic differences' between different parts of the UK), when we ask about specific parts of the UK that might receive these benefits, support drops precipitously. When asked if tax revenue raised in England should be kept in England or shared throughout the UK there is majority support (53%) for sharing. But if we ask about sharing with Scotland support drops to 35% and drops to 42% for sharing with Northern Ireland.

In addition, the English electorate is the most likely in the UK to take a dim view of devolution, with no more than 23% saying any of the devolved legislatures has improved the way the UK is governed. Almost in 1 in 3 say the Scottish Parliament has had a negative effect on UK governance

In short, the English electorate is dissatisfied with the UK government's treatment of England, disinclined to share resources with other parts of the UK (although it should be noted here they are no different from the Scots in their (un)willingness to share), and unhappy with current devolution arrangements.

Looking to the future, then, what do they want?

The first and perhaps most important point to make is that looking forward is not really what the English electorate – as a whole – tends to do. When asked to consider England's 'best moment', a majority say it was in the past rather than the future. The fact that fewer than five percent say the best moment is 'now', is itself a telling comment on contemporary politics.

That said, when asked to look to the future it is clear that a majority of England's population favours all-England rather than any of the much-touted regional 'solutions' to the problem of English governance. To be precise, 62% of respondents want England to be treated as a single unit as compared to 20% who want each region to be treated as a separate unit. As might perhaps be expected, there is a national identity dimension to this with 77% of those who describe themselves as English not British wanting England to be treated as a single unit. But it is also the majority preference of those who describe themselves as British not English (53%).

Regional government remains, therefore, a very hard sell in England. But given the difficulties of accommodating England – some 85% of the whole – as a single unit within the UK constitution without completely unbalancing the whole edifice, it is currently hard to envisage significant momentum being generated for all-England solutions either. Beyond, that is, the token that is the current system of 'English votes for English laws'.

Herein lies the conundrum in which the current generation of British policy makers find themselves. On the one hand, awareness of the need to rebalance the economy in favour of the 'left behinds' and 'the North' – to invoke two of the clichés of post-Brexit political discourse – has rarely been higher. Yet policy solutions involving radical changes in governance arrangements currently appear beyond the pale. As in the case of Brexit, majority opinion in England about the future of England in the domestic union is clear only about what it doesn't want.

The UK union

Dan Wincott

Brexit is shaking up the UK territorial constitution: it has renewed pressure for independence in Scotland and unification in Ireland and made internal political relationships between London, Cardiff and Edinburgh more fractious.

The government's decision to opt for a distant relationship with the EU is at odds with the preferences of the governments in Wales and Scotland. Its deal on Northern Ireland, designed to allow Britain to distance itself from the EU, is rejected by all political parties there. The UK Withdrawal Agreement Act passed despite all three parliaments withholding legislative consent.

Does the UK exiting the European Union herald the disintegration of the Union between England, Scotland, Wales and Northern Ireland?

Challenges to the Union did not start with Brexit, though it has revealed forgotten aspects of the devolution settlement. In truth, devolution was never 'settled'. Since it received full powers in December 1999, Stormont has been suspended five times – nearly two-fifths of that whole period. In Wales, devolution is still evolving from the initial very limited grant of powers (see the contribution by Larner and Wincott). The 2014 independence referendum triggered the transfer of new tax raising powers to Scotland.

Nor has devolution ever been one system. It is, instead, a patchwork of ad hoc, bilateral deals for Wales, Scotland and Northern Ireland. That ad hocism has applied to England too. Stop-start moves to decentralise within England include the creation of city mayors in some areas. Recently, Gordon Brown has floated the idea of regionalising England to save the Union. But no sustained attempt has ever been made to create English regional units for a UK federation – a strategy for which Henderson and Wyn Jones show there is little public support. National devolution for England hardly registers as a possibility. 'English votes for English laws' was David Cameron's response to the Scottish independence referendum. The proposal would have allowed Westminster to function at times as the Parliament for England alone, but has had little public resonance.

The early days of devolution saw Labour in power in Westminster, Holyrood and Cardiff Bay. Early on devolution was lubricated by rapid growth in public spending. Little thought was given to how, or whether, it would work when the political kaleidoscope changed or economic conditions deteriorated. Its formal machinery was left largely undeveloped.

Ministerial representatives of the four governments addressed shared interests in 'Joint Ministerial Committees'. The Committees stand almost alone as a UK structure for intergovernmental relations, and by comparative standards this is a remarkably limited arrangement. Indeed, for long periods these Committees did not meet. 'Devolve and forget' is an apt description of the approach of successive UK governments.

Devolution assumed EU membership, which served as a kind of scaffold that helped hold the UK together. It allowed the Union to muddle along without a strong, dedicated domestic framework. Distinctive devolved policies and programmes could unfold within boundaries defined by the EU's single market.

The prospect of the elimination of this scaffold variously revealed the ramshackle nature of the UK intergovernmental machinery, injected new energy into the Joint Ministerial Committee (hence the creation of the special sub-group on the European negotiations) and gave a boost to the machinery for interparliamentary co-operation. But it has also generated ill-feeling between UK and devolved governments.

Those tensions look set to increase. Devolved governments want to be involved in negotiating trade deals, reflecting their policy preferences and the particular issues their economies face. The UK government's track record suggests it will pay little attention to those concerns. Yet the deals will impinge on areas that are devolved. Their implementation will also constrain devolved policy autonomy.

That too could be constrained by the domestic 'internal market' the UK government suggests could replace the EU single market. Its rules might cut deep into devolved powers for industrial or agricultural support, environmental or consumer protection. The more Great Britain and the EU diverge, the more onerous the operation of the Northern Ireland protocol will become. Echoing current business pressure for alignment with the EU even after Brexit, devolved governments may face pressure from business not to diverge from England's large regulatory space.

Other rows are coming – not least about successor UK government replacements for the Common Agricultural Policy and EU structural funds.

Devolution makes the UK a Union of governments as well as peoples. But when politicians talk of the Union, they mean different things. Many Conservative MPs articulate strong support for the Union, though often in a rather 'unitarist' form. Its hallmarks are scepticism about difference, divergence and devolved policy autonomy; partisan criticism of devolved policy performance; and a tendency, however temporarily, to attach their Unionism to particular politicians from outside England, such as Ruth Davidson or the DUP.

Criticism of the SNP for 'divisive nationalism' and alleged Scottish government policy failures is growing from Labour as well as the Conservative MPs. Their aim, it seems, is to deflect pressure for an independence referendum in Scotland. Conservatives have long used Welsh Labour's track record as a stick to beat the Labour party generally.

Outside England, criticism of divisive nationalism can appear as the product of a taken-for-granted Anglo-British identity. Whatever the merits of a particular criticism, when Westminster politicians committed preserving the UK focus on purported devolved policy failures their interventions may prove counterproductive. If they pursue uniformity in the name of Unionism their efforts may backfire. Unless matched by sustained engagement, tinkering with the institutional machinery for the Union could have a similar effect.

The Union is faced with powerful pressures for change: some due to Brexit, others intrinsic to UK territorial politics. Whatever the constitutional future holds, people will continue to live side-by-side, mutually entangled lives on these islands. Politicians on all sides could now do worse than consider 'the harmonious and mutually beneficial development of the totality of the relationships among the peoples of these islands'. The phrase is from the Belfast/Good Friday Agreement, written in pursuit of peace. Both this phrase, and the all-islands, interstate and intergovernmental institutions to which the Agreement gave rise, may now have a wider relevance.

Public opinion

John Curtice

Should Britain seek a 'hard' or a 'soft' Brexit? That question has hung over the country ever since, three and a half years ago, a majority voted in a referendum to leave the EU. Now it finally has to be answered as the country embarks on the task of negotiating its post-Brexit relationship with the EU.

At the centre of the debate is the trade-off Britain is likely to face in the negotiations between maximising its freedom to make its own decisions versus maximising its ease of access to the EU single market. Advocates of the former emphasise the need for Britain to be able to control its own borders and regulate its own economy, as well as strike its own trade deals with the rest of the world. Those preferring a softer break emphasise the economic benefits of maintaining frictionless trade with the economic giant that will still be sitting on the country's doorstep.

But which version of Brexit would voters prefer to see? We address this question using data from a series of surveys conducted during the course of the last three and a half years for the UK in a Changing Europe initiative via NatCen Social Research's mixed mode random probability survey.

Participation in the single market implies a willingness to accept that EU companies can sell their goods and services in Britain just as easily as those companies that are based here. This is a requirement to which few in Britain object in principle. Throughout the Brexit process, never have less than 86 per cent said they were in favour of 'allowing companies based in the EU to sell goods and services freely in Britain in return for allowing British companies to sell goods and services freely in the EU'.

True, this sentiment appears less strong when voters are asked directly whether Britain should have the ability to set tariffs on goods coming into the country from the EU. Even so, never have more than 28 per cent said that they were in favour of 'allowing Britain to put a tax on goods imported from the EU, while allowing the EU to put a tax on goods imported from Britain'. Between 41 per cent and 49 per cent have indicated that they are against. Even among those who voted Leave the proportion in favour has never been more than 37 per cent.

However, the EU will not allow the UK to participate fully in the single market unless it both adheres to the regulatory requirements of the market and allows the free movement of labour. Indeed, that is why the country faces a potential choice between a 'soft' and a 'hard' Brexit.

In many respects, voters in the UK appear to be in favour of maintaining alignment with EU rules – and perhaps especially so where they might be thought to benefit as consumers.

Our surveys have, for example, repeatedly found that over 70 per cent are in favour of requiring 'mobile phone companies to follow EU regulations that limit what they can charge for calls made abroad'. Meanwhile, the proportion in favour of requiring 'British-owned airlines to follow EU rules that require them to pay compensation to passengers who have been seriously delayed', already at two-thirds in the autumn of 2016, now stands at nearly four-fifths (78 per cent).

More broadly, it is far from clear that voters necessarily want Brexit to herald a markedly less heavily regulated consumer market. Around three in four are 'definitely' or 'probably' against the sale in Britain of chlorinated chicken, while even more are opposed to hormone-treated beef. Both are products that are currently banned in the EU but not in the US, and which Britain could now decide to allow too. Similarly, on another issue where the EU has taken a less permissive outlook, rather more than half are still opposed to either the growth or the sale of genetically modified foods in Britain.

Moreover, Leave voters largely share this outlook. For example, around two-thirds (65 per cent) think that mobile phone companies should have to follow EU rules on the cost of calls, while 70 per cent are against the sale of chlorinated chicken. All in all, there does not appear to be a widespread wish that post-Brexit Britain should necessarily diverge sharply from the regulatory regime of the EU.

However, immigration was a central issue in the EU referendum campaign. And although the level of concern about the subject has since fallen, a majority of voters – including many who voted Remain – are still in favour of controlling migration from the EU.

In the autumn of 2016, not long after the EU referendum, nearly three-quarters (74 per cent) of all voters – including nearly two-thirds (62 per cent) of those who voted Remain – said they were in favour of 'requiring people from the EU who want to come to live here to apply to do so in the same way as people from outside the EU'. In contrast, during the recent election campaign the figure stood at a little under three-fifths (58 per cent), though even among those who voted Remain, supporters still outnumber opponents.

Voters also seem to accept the corollary of ending freedom of movement, that is, that British citizens should no longer necessarily have the right to settle in the EU – just under two-thirds (63 per cent) express that view. Meanwhile, around two in five voters (38 per cent), including nearly half of those who voted Leave (46 per cent) expect leaving the EU to result in a reduction in immigration to Britain.

So, while voters in Britain might be willing to maintain free trade with the EU and might not necessarily be concerned to see significant regulatory divergence, they are still reluctant to embrace the freedom of movement provisions of the EU. It is on this subject that the modus vivendi of the EU and majority public opinion in Britain are still most at odds, and it is this divergence that above all potentially pushes voters in the direction of favouring a 'hard' Brexit.

True, it is a subject on which many voters might yet be willing to compromise. As many as 60% now say that Britain should 'definitely' or 'probably' be willing to 'allow people from the EU to come here freely to live and work in return for allowing British firms to sell goods and services freely in the EU'. Three years ago, only 49 per cent expressed that view. However, Remain and Leave voters still have very different views on this issue – as many as 60 per cent of the latter are opposed to striking such a deal. That is bound to limit the freedom of movement of a Prime Minister whose newly minted parliamentary majority rests heavily on the support of those who voted Leave.

Values and politics

Paula Surridge

The EU referendum threw into sharp focus key value divides among the British electorate. These can be thought of as aligning on two 'core' dimensions. The first is an economic value dimension, which closely resembles our 'common-sense' understanding of left and right and was quite closely related to voting behaviour in the 2017 general election. The second is a social liberalism dimension, variously referred to as liberal vs authoritarian or open vs closed, and this dimension is closely associated with voting behaviour in the EU referendum.

The battle between these two dimensions of values tells much of the story of the way parties tried to retain and win over groups of voters in 2019. Where voters were concerned about Brexit, the social liberalism dimension dominated (as seen in the May 2019 European Parliament election) but when concerns were around the economic domestic agenda the left-right dimension continued to structure vote choices.

It will be some time yet before data on values and voting in 2019 is available. However, using data from the British Election Internet Panel Study, we can use a measure of likelihood to vote for parties to construct groups of voters that were at least open to voting for other parties and from whom vote switchers are most likely to have been drawn.

The items used to measure each dimension can be found here. They include attitudes to redistribution and big business on the economic dimension and attitudes to the death penalty, traditional values and censorship on the social liberalism dimension. Each dimension runs from 0 to 10, with low values representing the 'left' and 'liberal' positions respectively.

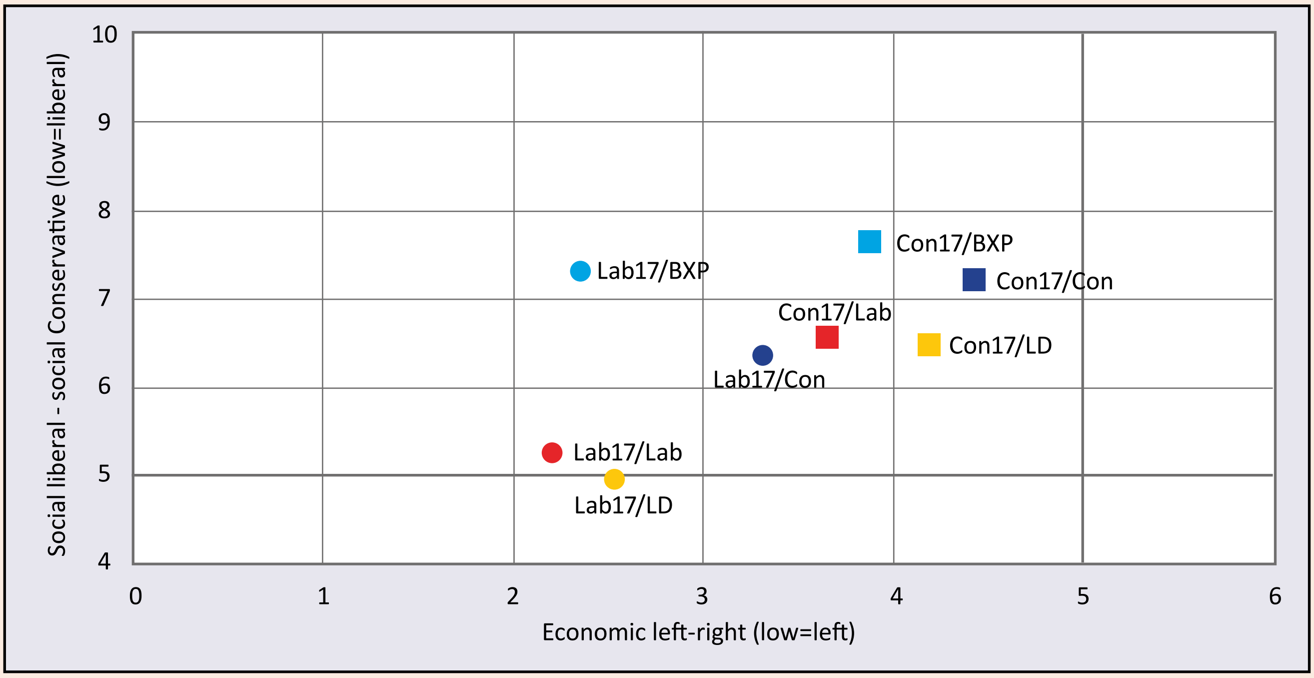
Groups of voters are constructed based on their voting behaviour in 2017 combined with whether they considered themselves 'likely' to ever vote for each of the parties. Voters who rate this likelihood as 6/10 or higher are considered as possible voters for that party. Voters may score more than one party as six or higher. The relative size of the groups, shown in Table 1, matters for building election winning coalitions of voters.

Table 1: Likelihood of voting for each party by 2017 voting behaviour

	2017 VOTE	
% with 6 out of 10 or above for each party	**Conservative**	**Labour**
Conservative	71	7
Labour	6	66
Liberal Democrat	18	45
Brexit Party	54	15

Both main parties were facing competition on both flanks but not equally on each side. While almost one in five Conservative voters were possible Lib Dem voters, more than one in two were considering the Brexit Party. For Labour the figures are similar but reversed, with almost one in two considering the Liberal Democrats and 15 per cent considering the Brexit party. While these data were collected in June 2019, and do not reflect leadership changes, Brexit policy nuances or the impact of the election campaign itself they nonetheless illustrate the shape of the competition within the electorate and the groups of voters each party were competing for.

Figure 1: Positions in value space of voters of 2017 voters by likelihood to vote for major parties (June 2019)



The value space in Figure 1 is restricted to the area of the left-right scale that runs from 0-6, indicating that on average every group of voters is located in this part of the economic dimension – leaning towards the left, and the areas of the liberal-conservative scale that runs from 4-10, indicating that all the groups on this dimension are in the socially conservative part.

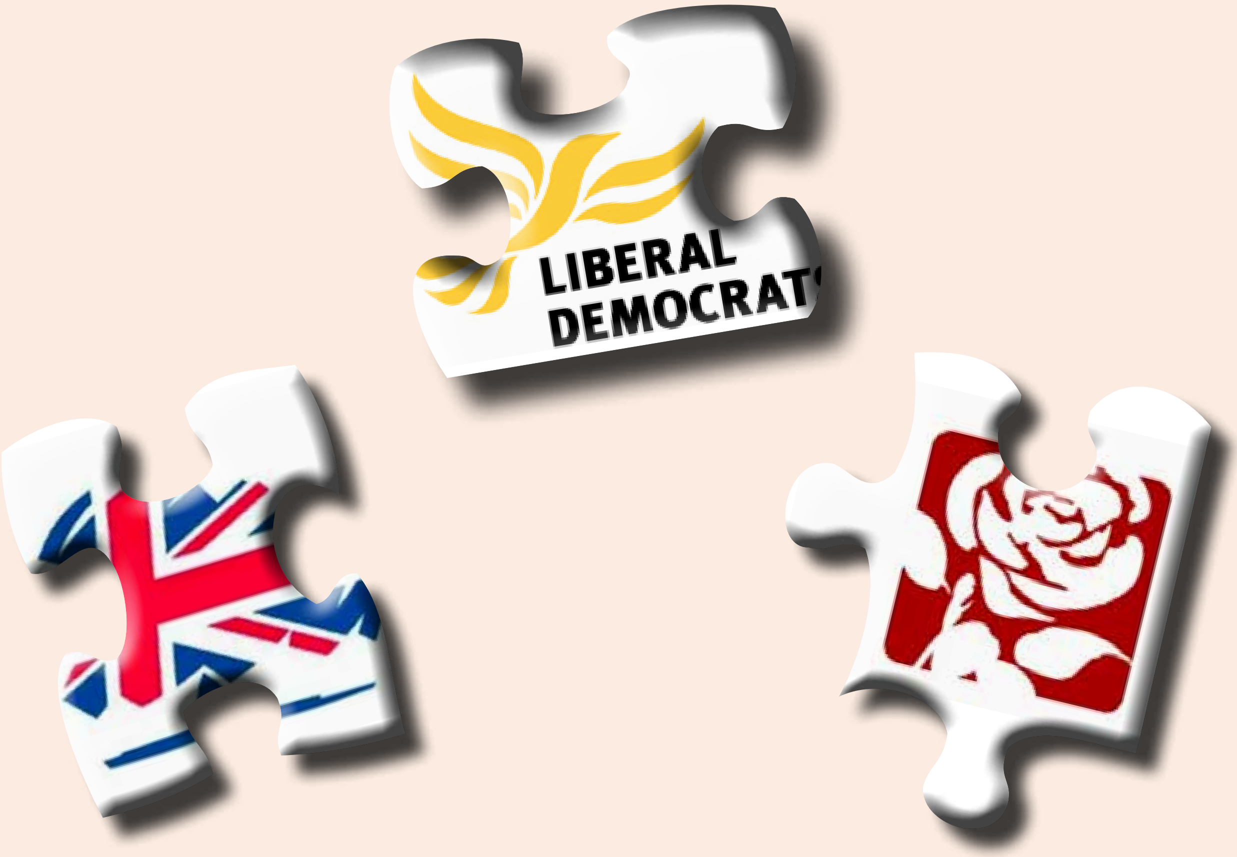
As discussed elsewhere, the groups of voters that were 'loyal' to their 2017 vote are the most polarised on the left-right scale. Voters considering the Liberal Democrats or the Brexit Party are most polarised on the liberal-conservative dimension and in each case the group considering this party is more extreme on this dimension than those likely to stay with their 2017 vote. However, this difference is much larger for Labour voters than for Conservative voters. The 2017 Labour voters (represented above by circles) considering the Brexit Party or the Liberal Democrats are further apart on this social dimension than the 2017 Conservative voters considering this party (represented by squares). In other words, when the social liberal-conservative dimension is most salient it is much harder for the Labour Party to hold its electoral coalition together than it is for the Conservatives.

As we know, the Conservatives were able to neutralise the threat from the Brexit Party (albeit this was in part the Brexit Party neutralising itself). Part of the reason for this was that the values of the Brexit Party curious among Conservative voters aligned fairly closely with the values of those staying with the party. Likewise, although Conservative 2017 voters considering the Liberal Democrats were a little further away, they were a very long way from the positions of Labour 2017 voters, even those considering the Liberal Democrats.

A core group of voters in 2019 are those who switched directly from Labour to the Conservatives. Those Labour 2017 voters that were considering the Conservatives in June 2019 are notably in the centre of this chart. While post-election debate has focused on the need for Labour to reconnect with socially conservative voters, these data suggest that voters moving to the Conservatives were also less left-wing than other Labour voters.

The chart helps understand how politics may change over the next Parliament and the challenges both parties face. For Labour, the 2017 coalition did not hold and votes were lost on both flanks. While the need to reconnect with socially conservative voters is clear; there remains a danger that more liberal voters could be lost to the Liberal Democrats. On this question, the Conservative coalition looks more coherent, with all groups being in the socially conservative portion.

The voters Labour lost to the Conservatives were more socially conservative but they were also more ‘right wing’ on economics, a signal that simply pitching to socially conservative voters without also considering economic values may not be enough to win them all back. Likewise, these voters are now part of the Conservative electoral coalition, which is more divided on economics than on social issues. This may cause tensions in this Conservative coalition, between the more interventionist approaches favoured by newer voters and the laissez faire approach preferred by traditional Conservative voters. But if the government were to move a little to the left on economics to meet these new voters, the danger for Labour of diagnosing their fragmentation primarily in terms of the social dimension will be even greater.



Political parties

Tim Bale

The 2019 general election gave the UK's party political kaleidoscope one heck of a shake. Only time will tell where the pieces will eventually settle – if, indeed, they settle at all. Still, we can make out at least some parts of the emerging pattern.

That task seems easiest when it comes to the colour blue – but perhaps only superficially. Boris Johnson managed to win the kind of overall majority that would have been beyond the Conservative Party's wildest dreams just six months ago. At the European Parliament elections in June last year it polled less than ten per cent of the vote for the first time in living memory.

Just as importantly, it looks as if the winner of those European elections, the Brexit Party, now poses little threat to the Tories' hegemony on the right of British politics. But no one should be so foolish as to write off Nigel Farage. If the UK's political entrepreneur par excellence follows through on his plan to set up his Reform Party, then it could, given what is still widespread populist discontent with Britain's political class, gain some traction – particularly if Brexit hits the economy hard and/or is not seen to change much.

At that point, however, a renewed insurgency on the populist radical right might be the least of the Prime Minister's worries since he may find that at least some of the new Conservative intake, rather than constituting a cushion against the Brexiteer ultras who did for both David Cameron and Theresa May, will join the European Research Group (ERG) rather than provide an insurance policy against it.

If, then, the government finds itself facing a cliff-edge this summer, with the ERG demanding 'a clean break' and the rest of the parliamentary party understandably panicking about the prospects of 'no deal 2.0', the Conservative Party far from leading the country into a new golden age could find itself even more split in 2020 than it was in 2019.

That said, there is at least a reasonable chance that a mixture of gratitude to Johnson and skilfully-employed parliamentary patronage may win the day, freeing up the headspace and time the Conservatives need to address a couple of long-term questions – namely, how do they win back so-called Conservative Remainers (i.e. those voters who have shifted over to the Liberal Democrats) and how, without abandoning the party's commitment to a smaller, less regulatory and less active state, do they satisfy those voters in the so-called 'Red Wall' seats and make the realignment of 2019 permanent.

As for the other pieces of the party-political kaleidoscope, the yellow part of the pattern also seems reasonably predictable. For the SNP, any disappointment at being unable to stop Brexit was mitigated (some might even say trumped) by the opportunity it now has to insist that the Conservative government in London cede Scotland a second independence referendum. Indeed, the more minimalist the deal Johnson ends up negotiating with Brussels, in some ways the better for the nationalist cause.

Sure, the 47 SNP MPs in the Commons will take an eagle-eyed interest in the details of that deal. But their main focus will be on whipping up support for the party in advance of the 2021 elections to Holyrood, knowing that a big win on a manifesto calling for a referendum will put huge pressure on Westminster and Whitehall to grant what will at that point look to many voters (in all parts of the UK) as their wholly legitimate right to self-determination. Whether the Conservative Party really would stick to its current refusal to contemplate giving the Scots another chance to break it apart is a moot point.

As for the other nationalist (and, in the case of Northern Ireland, unionist) parties they, too, will be focused as much on their own political institutions as on the consequences of any deal (or lack of one) for their economies. They remain, of course, a part of the pattern formed by the party political kaleidoscope – but not, perhaps, as important a part as when the Democratic Unionist Party (DUP) supposedly (and, as it turned out, only supposedly) had the Conservatives by the proverbial short and curlies in the wake of the 2017 election.

The penultimate – orange/yellow – part of that pattern will also be less important than many might have forecast last year. The Liberal Democrats returned only 11 MPs – the significantly increased number of second-place finishes they racked up providing precious little consolation for expectations dashed. Quite where they go from here is not clear. A new leader – possibly Layla Moran – could help turn things around. But perhaps the best advice would be to go back to their constituencies and prepare for (local) government.

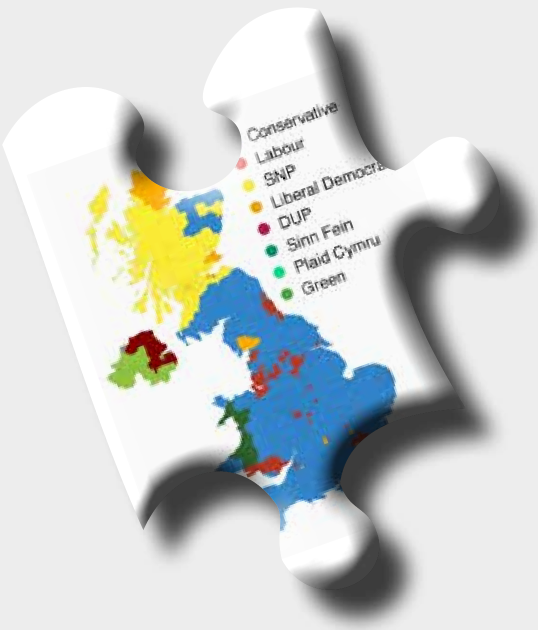
Finally, we turn to the most unpredictable, red, part of the pattern formed by the post-election party political kaleidoscope. The fortunes of the Labour Party would seem to depend hugely on the result of its leadership contest, with the winner to be announced in April.

Should Labour plump for some kind of continuity-Corbyn candidate, then, in the minds of the moderate bulk of the party's MPs at least, all hope of a swift recovery (indeed any recovery at all) may be lost. Their consequent despair could (again, 'could' not 'will') perhaps prompt enough of them (namely a sufficient number to allow them to become Her Majesty's Opposition) to set up a new centre-left party (perhaps absorbing the Liberal Democrats) to see it succeed where Change UK (remember them?) failed so miserably.

If, on the other hand, Labour ends up picking a more obviously voter-friendly candidate like the current front-runner, Keir Starmer, then its long-term (if not necessarily its short-term) prospects are possibly a little brighter – especially if the party can be made to realise that it has to be more than a trade union-based pressure group for the poor, the public sector, and the 'woke'.

Even then, much will depend on how Labour's new leader handles Brexit. The key will presumably be to make it clear to the electorate – as Starmer, to be fair to him, already has – that Labour now accepts that we have left and that the focus now has to be on holding the government to account for whatever comes next.

Precisely what that will be will gradually become clearer after 31 March. Whatever, it is unlikely to make for plain sailing for any of the UK's political parties. The kaleidoscope may end up being shaken once again – and sooner than we think.



The future of the EU

Matt Bevington

Brexit will not be the most important issue that determines the future of the EU. Whether it be rethinking the EU's functioning, furthering eurozone reforms or defining the EU's role in an increasingly volatile world, there are more profound issues that supersede the bilateral relationship with the UK. Nevertheless, the UK will be, in the words of Michel Barnier, the EU's 'closest and most strategic partner'.

Some argued the UK leaving would herald either immediate further disintegration or a faster passage towards real political union—both have so far proven false. Rather, the main effect has been to diminish pressure in other member states to flirt with similar ideas. Partly, this is because the UK's exit has demonstrated the EU's value in amplifying the power of small nations, which after all make up the majority of EU member states. Ireland—the most Brexit-affected member state—secured what it needed in the Withdrawal Agreement, and EU unity was maintained.

But the biggest problems facing the EU are largely unaffected by Brexit. The major policy conflicts ultimately come down to the shifting balance of burden-sharing between member states on different policy issues. On migration, for instance, it is widely accepted that the Dublin system for assigning responsibility for asylum seekers requires reform. A few countries—notably the southern EU border states of Italy, Spain and Greece—argue they shoulder a disproportionate share of the burden. Yet, there has been little appetite from other member states to take on more of that burden themselves.

Similar arguments apply to eurozone reform, where demands for a common budget and a common bail-out fund are frequently met with resistance by those (mainly northern) eurozone members who see it as shifting the burden of responsible fiscal management mainly onto them and their taxpayers.

On the long-term EU budget, too, there is a split between the 'frugal' northern member states (who are mostly net contributors) and the so-called 'friends of cohesion' in the south and east (mainly net beneficiaries). The UK's departure has exacerbated these differences, with frugal members wanting the budget to shrink in line with the EU's reduced membership and the latter—alongside the European Parliament—wanting the EU to be more ambitious in its funding. This is but one of the contradictions brought about by the UK's exit.

Another is the impact on the EU's global ambitions. Ursula von der Leyen took office promising a better, faster, stronger Commission that was 'geopolitical' in outlook. New European Council president Charles Michel has also made a concerted effort to prioritise, partly by the necessity of recent events as much as choice, his—and the EU's—international presence. The problem is, as von der Leyen highlighted in her political guidelines, that 'Multilateralism is in Europe's DNA', but multilateral institutions are fraying at the seams. As former German foreign minister Sigmar Gabriel put it, 'In a world full of carnivores, vegetarians have a very tough time of it.'

Yet the EU is losing one of its most globally active member states. The UK is the third-biggest spender globally on international aid, and it spends more alone than the combined efforts of the EU institutions. What's more the EU is also losing a member of the UN Security Council. And the EU remains a dwarf in diplomatic terms. The EU External Action Service—its diplomatic corps—comprises just over 4,000 staff. The FCO, by contrast, is about twice the size, and that comes after years of stringent budget cuts over the past decade.

Which is to say nothing of defence capabilities. The UK has half of the EU's nuclear attack submarines, heavy drones and transport aircraft, more than a third of its electronic intelligence aircraft, more than a quarter of its heavy transport helicopters, and around a fifth of its frigates. The UK's outsized share of EU defence equipment means a significant downgrading of collective EU capabilities as it leaves, as well as the loss of a nuclear power and a leading NATO member. Eastern member states, and the Baltics and Poland in particular, have understandable concerns that tensions in the UK-EU trade relationship could easily spill over into a wider disengagement of the UK from the region.

It may be that integration in areas such as defence where the UK has traditionally been reticent, for fear of detracting from NATO and the Atlantic alliance, will be able to accelerate more quickly. But the EU is increasingly integrating at different speeds on defence anyway. Regardless of the UK's presence, more willing member states, such as France, Italy and Spain, have tended to be more active, and less willing member states—like Ireland and the Baltic states—have demurred.

The political declaration on the future UK-EU relationship appears reasonably open when it comes to UK participation in EU foreign and defence policy. It includes the possibility of the UK attending informal EU ministerial meetings, allowing the UK to participate on a case-by-case basis in EU defence missions and involving the UK in the EU's defence programmes and agencies, as well as co-ordination on sanctions. Both sides recognise they have a shared interest in continuing the co-operate in this field, but there are notably fewer conditions on the UK's participation in terms of defence and security.

Despite temptations to the contrary and the sometimes isolationist rhetoric of some British politicians, the UK has shown itself, even throughout the testing Brexit process, a willing ally of EU partners, even contradicting the US on certain issues. It remains a solid supporter of multilateral institutions.

If the main global players are not willing to make institutions work, the EU cannot uphold them on its own. For states and leaders, from Trump to Putin, for whom multilateral institutions are anathema, the EU—as a demonstration of multilateralism par excellence—will always be a target, not an ally. In that context, the UK will be an invaluable partner in making the case multilateral rather than unilateral action.

To rephrase Mr Gabriel, in a world full of carnivores, the vegetarians have to stick together. And while it may at times flash its teeth, the UK is ultimately a vegetarian too.

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