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## **German Association for British Studies, 29 October 2020**

### **Lecture – After Brexit: where next for the United Kingdom?**

Good afternoon. Thank you for asking me to speak to your association. I'm glad to have the opportunity and look forward to the discussion after I spoken. Your perspective on the state of the United Kingdom as we head into the post-Brexit world will be fascinating.

It's certainly been an interesting time to study British politics and society. For many of us, there is a rather perplexed question at the heart of all this. How has a country whose politics was against many benchmarks rather dull and whose outlook on life was renowned for being a bit staid and phlegmatic got itself into such a tangle? And where do we go now?

I will attempt over the next 30 minutes or so to give a brief stocktake on where the Brexit venture has taken the UK and speculate on what might come next. In doing so, I hope to deepen too our understanding of why all this has come about.

Brexit is, in a formal sense, nearly done. The UK left the EU on 31 January this year and will almost certainly leave the limbo of the transition period on 31 December. As a sovereign and independent country, which of course it has been in various forms since at least 1066, the UK will make its choice as to the nature of its future relationship with the EU and the obligations it will take on as part of that.

We don't know right now whether or not that relationship will be bound into a formal trade deal or whether trade relations between the EU and the UK will revert to WTO terms. It remains in the interests of both sides to secure a deal. But the difference between deal and no deal is not so acute as to obscure the reality of the sort of relationship that there will be for the foreseeable future between the UK and the EU.

Whatever the outcome, there will be a new trade border between the EU and the UK. This will create new barriers to trade in both goods and services. Goods flowing across that border will have to meet all the regulatory requirements of a trade border – customs declarations, security and regulatory checks, rules of origin compliance. Services sold by UK firms into the EU will have to comply with the regulatory requirements of each member state. There will be minimal regulatory alignment. Cooperation on internal security will for the most part revert to international norms and conventions, losing the benefit of the close integration through EU security databases. The UK may participate in EU foreign, security and defence initiatives but will do so only as a third country and on an ad hoc basis.

If there is no deal, tariffs will apply to trade in goods. Cooperation in other spheres will be even further degraded. Getting unilateral decisions out of the European Commission on data adequacy and financial services equivalence will become that much harder.

All told, this puts the relationship at the very hardest end of the spectrum of possibilities that appeared to be available in the aftermath of the referendum in June 2016. Is this what people expected when they voted Leave in 2016? It is hard to say. There was no single, coherent manifesto from the Leave side of the debate about the nature of the future relationship. There was an

assertion that the UK would be able to remain part of a European free trade zone and an implication thereby that trade between the UK and the EU would not be inhibited. But the whole thrust of the campaign had a different focus, on the return of sovereignty, on taking back control.

On that score, the sort of relationship we will have with the EU delivers the promised outcome.

Four broad domains have always been at the heart of the Brexit project. They are immigration, money, regulation and trade policy. I will look briefly at each in turn.

Free movement of people between the UK and the EU ends on 31 December this year. The UK has taken back control of immigration policy. Under the new rules, citizens of EU member states will be assimilated into the approach the UK takes to immigration for the rest of the world. There is no doubt that concern about immigration was one of the big drivers of the 'leave' vote in the referendum; according to Ipsos Mori polling, between June 2015 and June 2016 immigration was consistently cited as the most salient issue facing the country, peaking at 56%.<sup>1</sup> By November 2019, that number had dropped to 13%. On the face of it, then, taking back control has contributed to a significant decrease in concern about immigration and attitudes to it appear to have softened among both leave and remain voters.<sup>2</sup>

Once it has defrayed the obligations it accepted in the Withdrawal Agreement, the UK is very unlikely to be paying significant sums into the EU budget. This will save, net, just under £190 million a week – rather less than the £350 million promised by the Leave campaign, but a considerable sum nevertheless. The sort of Brexit that this government is committed to will deliver on the commitment to extricate the UK from the EU budget.

The third major promise of Brexit was to give the UK freedom to conduct its own trade policy. The UK will once again speak for itself in the WTO. A new deal has been signed with Japan. Negotiations are under way with the US, Australia, New Zealand and Canada. There are ambitions for the UK to join CPTTP (the Comprehensive and Progressive Agreement for Trans-Pacific Partnership). The UK has got its independent trade policy back.

The final domain of potential opportunity for the UK post-Brexit is in the broad regulatory sphere. Any deal now done with the EU will leave the UK with considerable flexibility to diverge from EU regulation and create its own regulatory space.

Already the UK Parliament is working on bills on agriculture, trade, fisheries and immigration which are essential to ensure the UK has a competent statute book at the end of the transition period. These will presage many future opportunities for Parliament to shape regulation from financial services to management of waste in a way that is more directly tailored to UK interests. The UK in theory will be better able to move swiftly to create new regulatory regimes for the technologies of the future, thereby carving out a competitive opportunity.

So the government is well on track to deliver substantively on the promise to take back control. But this begs a bigger question: will the balance of advantage be greater from taking back control compared to staying in the EU?

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<sup>1</sup> <https://migrationobservatory.ox.ac.uk/resources/briefings/uk-public-opinion-toward-immigration-overall-attitudes-and-level-of-concern/>

<sup>2</sup> Confirmed in British Social Attitudes Survey 2019 <https://bsa.natcen.ac.uk/media-centre/latest-press-releases/bsa37-key-time-series-press-release.aspx>

A senior UK Brexit minister, Michael Gove, recently compared leaving the EU to moving house. There will be short-term inconveniences and costs, but the reward will be a new home with more rooms and a better view. What will the UK's new house look like?

The first thing to note is that the UK will enjoy less free trade than it has done as part of the EU. Even without tariffs, the new border customs requirements will cost businesses over £6 billion to implement on the UK side of the border alone, double that for both sides of the border.<sup>3</sup> That is a deadweight bureaucratic cost that will ultimately be borne in higher prices by UK and EU consumers. It is driven by an increase in customs declarations from around 50 million currently to over 200 million. In addition, there will be a fivefold increase in export health certificates to over 300,000. Businesses will also have to construct elaborate inventories to manage new rules of origin requirements. Service firms will have to spend time and money to meet the rules of the member state in which they seek to do business.

These non-tariff barriers will be a drag on UK growth. Because the EU still accounts for around 43% of UK exports, this will impact on the UK far more than the EU whose corresponding figure is around 9% of exports. The government's own economists calculated that the long-term economic impact of this loss of free trade will lead to lost growth of around 5% of GDP over a 15-year horizon<sup>4</sup>. With no trade deal, that could rise to up to 9%. This is consistent with the modelling done by most other economists.

Nor will the other trade deals that the UK is seeking to do compensate for the impact of coming out of the most extensive and successful free trade area the modern world has seen. A good US deal will increase GDP by only 0.16%<sup>5</sup>, a Japan deal by 0.07%<sup>6</sup>, an Australian deal by 0.02%<sup>7</sup>, a New Zealand deal by next to nothing.<sup>8</sup>

Moreover, lost growth means lost revenue to the Exchequer. Estimates suggest that revenue will be down by about £10 billion a year for each percentage point of GDP growth foregone<sup>9</sup>. That has to be set against the saving from our EU budget contribution of around £10 billion a year. Some estimates suggest that the UK economy had already lost about 3% of growth from the date of the referendum up to the beginning of this year compared to a basket of similar countries<sup>10</sup>. On a rough calculation, that means that the UK exchequer was already losing about £20 billion annually pre-Covid compared to what it would have raised if the UK had stayed in the EU.

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<sup>3</sup> <https://www.gov.uk/government/publications/hmrc-impact-assessment-for-the-movement-of-goods-if-the-uk-leaves-the-eu-without-a-deal/hmrc-impact-assessment-for-the-movement-of-goods-if-the-uk-leaves-the-eu-without-a-deal-third-edition#section-b>.

<sup>4</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/760484/28\\_November\\_EU\\_Exit\\_-\\_Long-term\\_economic\\_analysis\\_1\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760484/28_November_EU_Exit_-_Long-term_economic_analysis_1_.pdf) p.6

<sup>5</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/869592/UK\\_US\\_FTA\\_negotiations.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/869592/UK_US_FTA_negotiations.pdf) p.56

<sup>6</sup> <https://www.gov.uk/government/publications/uk-japan-cep-a-final-impact-assessment/executive-summary-for-the-final-impact-assessment-of-the-uk-japan-comprehensive-economic-partnership-cep-a>

<sup>7</sup> <https://www.gov.uk/government/publications/uks-approach-to-negotiating-a-free-trade-agreement-with-australia/uk-australia-free-trade-agreement-the-uks-strategic-approach#chapter-4-scoping-assessment-for-a-bilateral-free-trade-agreement-between-the-united-kingdom-and-australia>

<sup>8</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/901870/uk-strategy-uk-nz-free-trade-agreement.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901870/uk-strategy-uk-nz-free-trade-agreement.pdf) p.52

<sup>9</sup> <https://www.ifs.org.uk/uploads/publications/comms/r116.pdf> p.57

<sup>10</sup> <https://www.cer.eu/insights/cost-brexit-june-2019>

So this new house might not be as grand as Mr Gove suggests. Or perhaps it is only half built. Can the UK use the control it has won back to improve economic conditions in the UK so that improved growth rates compensate for the loss of competitiveness due to the withdrawal from the single market?

The answer of many Brexiteers would be an unequivocal yes; a UK free to manage its own regulatory context and free of the shackles of Brussels will be able to power away from a sclerotic EU. Is that right?

There are no doubt aspects of the EU regulatory regime that the UK could improve upon, to ensure that regulation is better suited to UK needs. To give three examples. The Insolvency II directive that governs the capital requirements for insurance firms is designed mainly for a continental model of insurance. A UK built regime would work better for British-based insurers. The Habitats directive protects species that are rare on the continent but common in the UK, like newts, much to the inconvenience of developers. A UK designed list could balance better the needs of local British fauna. The UK has long kicked against the Common Agricultural Policy. Brexit gives the UK a chance to develop a support mechanism for farmers that better integrates the public interest in environmental outcomes.

There will be other examples. But these are the exceptions in a rule book that runs to many thousands of regulations. The objective reality is that there is far less scope for thorough going change across the whole of that rule book. Why?

Firstly, many of those regulations were introduced as part of the standardisation process to create the single market. If UK manufacturers wish to continue to export to the EU, they will still have to meet those standards. To create a different set of standards for the UK market will increase costs to UK businesses, not reduce them.

Secondly, even where the UK wants to move away from EU standards, it will still have to meet international standards if it wishes its exporters to trade with the rest of the world. The UK will have some influence in the international bodies that set standards, but not as much as either the US or the EU, or, in the future, China. The freedom to break free from regulations devised by others is largely illusory.

Thirdly, and most important, the standards encapsulated in EU law protect UK workers, UK citizens and the UK environment. Weakening standards will be no more popular in the UK than anywhere else. There are clear political limits to how far any UK government could go in undoing the protections to which the British people have become accustomed. That is already evident in the debate about the standards to which food is produced in the UK. There is a widespread concern that the government will allow food produced to US standards onto the UK market in order to secure a good trade deal. Indeed, that is probably the price of a good trade deal. But it will meet widespread consumer and political opposition, not just on grounds of food safety but also due to concerns about animal welfare and the unfair competition to which British farmers will be exposed. Welcome to the world of tough tradeoffs!

It remains true that the UK regulatory regime will be important in the attractiveness of the UK as a place to do business. That has always been true and indeed the UK has been successful in promoting its business-friendly credentials while a member of the EU. In the World Bank Ease of Doing Business Survey in 2019 the UK was 8<sup>th</sup> overall; Denmark was the only other EU country ranked ahead of the

UK.<sup>11</sup> Most of this is down to factors already within the control of the UK, such as ease of starting a business, dealing with utilities and paying taxes. Freedom from EU regulation will make little difference on these measures. Nor will it make a big impact on the main underlying issue with the UK economy, namely the level of productivity growth.

To return to Mr Gove's house metaphor, it doesn't look as though the regulatory freedoms won through Brexit will make much difference to the quality of the build of the new house. Some difference at the margins, for sure, but perhaps not sufficient to justify the upheaval of moving home.

Economically, then, taking back control is likely to mean that the UK will be, on balance, somewhat worse off than it would have been if it had stayed in the EU. But economics isn't everything and the major premise of Brexit was founded on the principle of restoring sovereignty to the UK, taking back control. Sovereignty – national aspiration and national pride – can trump economic advantage. How will the UK fare on the more existential questions of life as a nation post-Brexit? There are three dimensions that are worth considering: how the UK holds itself in the world; the political unity of the UK; and the cohesion of the UK as a political entity.

On the first, Brexit re-opens the question of the UK's place in the international order. In 1962, US Secretary of State Dean Acheson famously quipped that: 'Great Britain has lost an Empire and has not yet found a role'. That conundrum was in the course of being answered by the UK's pivot towards Europe, with the first formal application to join the EEC in 1963. Despite two rejected applications, the majority of British political leadership, particularly in the Conservative party, stuck with the view that the UK's future was bound to Europe. The nature of that adherence to the European project was arguably always more transactional, and certainly less emotional, than it was in other member states, but was nevertheless a guiding light of British foreign policy up until the referendum in 2016.

Now the UK is pivoting away from Europe, but to where? The UK still has a major international presence. It is the sixth biggest economy in the world with substantial military and diplomatic resources. The UK has a permanent seat on the UN security council and is a leading member of NATO, the G7, the G20 and the Commonwealth. The UK wields extensive soft power. How will it deploy its influence in a post-Brexit world?

Some things are ruled out by Brexit. Out of the EU, the voice of the UK will inevitably be much diminished in the counsels of Europe. There will be scope for continued foreign and security policy cooperation, but the UK will no longer be central to the decision-making. Some things look like a pipedream of misty-eyed Brexiteers. It is highly unlikely that the Commonwealth can carry much more weight than it currently does. While the UK can aim to build on the existing close relationship with the Anglosphere, in particular Australia, New Zealand and Canada, their interests will always be predominantly focused on their own backyards. The special relationship with the US tends now to only look special when it suits the US for it to do so.

There is a role in the world for a middle-ranking power that is not tied into its own regional power bloc. But quite what that role is remains to be defined. 'Global Britain' as a concept remains a vacuous and, in excluding Northern Ireland, an inaccurate, concept. The UK will have to work hard to compensate for the impact of losing influence in the EU. If it is to do so successfully, two things are likely to be necessary. The first is to recognise that the UK has a limited hand and to play its cards

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<sup>11</sup> <https://www.doingbusiness.org/en/rankings>

adroitly; only in the fantasies of the Brexiteers will the UK regain anything of the sheen of international preeminence that it wore in the days of empire. The second is to understand that influence will depend above all on trust. Any repeat of the machinations behind the UK Internal Market bill that threaten to unilaterally abrogate the UK's treaty obligations will be disastrous to the UK's reputation as a trusted partner.

What about the sense of unity within the UK? Brexit undoubtedly exacerbated a cultural divide in the UK. The question of our membership of the EU was never a mass preoccupation; at the time of the 2015 general election, Europe was well down the list of issues of concern to voters.<sup>12</sup> But the Leave side in the referendum, primed by the political insurgency of the UK Independence Party, successfully latched their campaign on to deeper disquiet, about immigration, globalisation, the erosion of traditional values. What was politically a question of sovereignty became culturally a question of identity.

Referendums force people to take a side and, on a question of identity, division is slow to heal. Although one side won the debate that has not reconciled those who opposed the decision to leave the EU to that outcome. There is some evidence of buyer's remorse; the latest YouGov poll to ask the question found that 50% thought the UK was wrong to leave, 38% right to leave and 12% did not know<sup>13</sup>. Most polls which re-ask the referendum question show a majority now for remain, but polls which ask a direct question on re-joining show a majority for staying out<sup>14</sup>. None of this suggests much of a shift in opinion either way; the division engendered by the referendum remains with us.

Perhaps the starkest illustration of this is the demographic split. The young, more likely to be university educated, are more likely to be pro-European,<sup>15</sup> more likely to cite the environment as a key concern<sup>16</sup> and more likely to hold socially liberal values.<sup>17</sup> And their votes in the 2019 election show the difference. While the Conservatives won more votes than Labour in every social class, only 21% of 18 to 24 year olds voted Conservative compared to 57% of 60 to 69 year olds.<sup>18</sup> The first past the post system flattered the Conservatives with an 80-seat majority. Beneath that apparently stable surface, the UK remains a country divided.

Perhaps the most serious risk emerging from Brexit is to the future of the United Kingdom itself. Both Scotland and Northern Ireland voted to remain in the EU but have had to bow to majority opinion as driven by the vote in England and Wales. Unsurprisingly, this has had a major impact on the political situation in both Scotland and Northern Ireland.

The SNP government in Scotland has bitterly opposed the UK government's approach to Brexit. Opinion in Scotland has been swinging steadily in their direction. Polls in 2020 have shown consistent support for independence at over 50%, one recent poll reaching a record high of 58%. The

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<sup>12</sup> <https://yougov.co.uk/topics/politics/articles-reports/2015/04/15/health-tops-immigration-second-most-important-issu>

<sup>13</sup> [https://docs.cdn.yougov.com/r0zpbphi3/YG%20Trackers%20-%20EU%20Tracker%20Questions\\_W.pdf](https://docs.cdn.yougov.com/r0zpbphi3/YG%20Trackers%20-%20EU%20Tracker%20Questions_W.pdf)

<sup>14</sup> <https://whatukthinks.org/eu/are-we-getting-used-to-brexite/>

<sup>15</sup> In 2018 19% of 18-34 year olds in favour of leaving compared to 49% of 55+ British Social Attitudes 36 The EU Debate

<sup>16</sup> <https://yougov.co.uk/topics/politics/articles-reports/2019/11/22/general-election-who-will-win-youth-vote>

<sup>17</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/389086/Horizon\\_Scanning\\_-\\_Social\\_Attitudes\\_of\\_Young\\_People\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/389086/Horizon_Scanning_-_Social_Attitudes_of_Young_People_report.pdf)

<sup>18</sup> <https://yougov.co.uk/topics/politics/articles-reports/2019/12/17/how-britain-voted-2019-general-election>

demographic balance tilts in favour of independence; a YouGov poll from August showed that 79% of 18-24-year olds support independence as compared with 35% of those aged 65 plus.<sup>19</sup>

For Northern Ireland, the whole Brexit process has been a deeply disconcerting experience. The Northern Ireland Executive itself collapsed in early 2017 and was only re-formed earlier this year. The overriding need to avoid the recreation of a hard border on the island of Ireland has drawn Northern Ireland deep into the negotiating nexus and left it in an unprecedented parallel universe, still part of the UK but also still effectively in the EU's single market and customs union. The contortions of the UK government to avoid the implications of the only deal that was really possible to solve the conundrum of the border have been undignified and deeply destabilising. The net outcome is one however that will overtime will tilt the balance of the Northern Ireland economy towards the south.

Combined with a long-term demographic trend in favour of the nationalist community and more open attitudes towards unification among the young, this sets Northern Ireland on an uncertain course. Under the terms of the Good Friday Agreement, the Secretary of State for Northern Ireland in the UK government is obliged to hold a border poll if public opinion appears to be in favour of unification. A border poll is unlikely to be imminent; some recent opinion polls have support for unification at or close to 50%, but others as low as 35%.<sup>20</sup> However, the trend of opinion appears to be consistent over time, towards support for unification.

The UK Union has never been in a more fragile state. Even in Wales, recent polls have shown support for independence rising to over 30%. If the SNP and their nationalist allies win a majority in the Scottish Parliamentary elections in May next year, which on current polls they are very likely to do, the pressure on the Union will intensify yet further. There are many obstacles in the way of Scottish independence and many powerful arguments against it. But it would be a brave person who would now dismiss the possibility of it happening in the near future. If Scotland goes, Northern Ireland will surely follow. This would be the final irony of Brexit, how the leaving of a 40-year-old union precipitated the break up of a 300 year old union.

Where does this all leave us? Brexit has answered one question; the UK has taken back control and has left the European Union. But it leaves many others unanswered. How will the UK economy adapt to the new barriers to trade with its most important market? How will the UK regulatory environment evolve, freed from the constraints of Brussels? What role will the UK find in the world, now it has distanced itself from its European partners? Will the cultural divide in British politics be overcome? Can the UK itself survive as a Union?

That we cannot know the answers to these questions is illustrative of the nature of the Brexit insurgency. It defined itself against something, membership of the European Union. It never had, and still does not have, a clear prospectus on what might come in its wake. Because exit was the defining goal, there could be no compromise on the road to exit; the insurgency had to be driven harder and harder to the point where we contemplate now either the thinnest of trade deals with the EU or no deal at all.

Why did it come to this? Other countries have experienced an upsurge of the populist right; why was it only in the UK that this has led to a rupture with the EU? Always a more transactional relationship

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<sup>19</sup> [https://docs.cdn.yougov.com/l0arqcm4ea/TimesResults\\_200810\\_ScotlandV2\\_W.pdf](https://docs.cdn.yougov.com/l0arqcm4ea/TimesResults_200810_ScotlandV2_W.pdf)

<sup>20</sup> <https://www.belfasttelegraph.co.uk/news/northern-ireland/just-29-in-northern-ireland-would-vote-for-unity-major-study-reveals-38966196.html>  
<https://lordashcroftpolls.com/2019/09/my-northern-ireland-survey-finds-the-union-on-a-knife-edge/>

for the UK, EU membership was never embedded deep in popular sentiment. Euro-sceptics adroitly latched antipathy to the EU onto wider concerns about immigration and onto a deeper sense of political disenfranchisement and alienation. Some of this happened elsewhere too, but only in the UK was this agenda advanced so successfully into mainstream politics, first in the growing equivocation of the Conservative party on EU membership, then in the ceding of a referendum and finally in the transmutation of the Conservatives under Boris Johnson into a hardline Brexit party.

This, arguably, was in turn a consequence of UK majoritarian politics, driven by a first-past-the-post system in which dissent from the established order can only thrive if it can successfully infiltrate one of the two major parties. That's a debate worth having but one that is getting no airtime at all in the UK.

To end on a more optimistic note. Brexit, of course, will not be the last chapter in the story of the UK's relationship with the EU. For as far back as you care to look, the fortunes of these islands have been intimately bound into what happens on the Continent. Brexit cannot change geography nor can it obliterate historical and cultural ties. The UK remains a European nation. Over time, the hard logic of that will bring the UK back closer to its European partners.