

# (Br)exit

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In January 2013, David Cameron (then prime minister of Great Britain and leader of the Conservative Party) made one of the biggest gambles in the country's recent history. To fend off the rise of the UK Independence Party (UKIP), which campaigned largely on Brexit only, and to gain support from the Eurosceptic wing of his party, he promised a referendum on whether Britain should leave the European Union should he secure a majority in the next general election (held on 7<sup>th</sup> of May 2015). One suspects though that in his mind, the gamble was rather small. As with most of Britain's liberal elite, he couldn't fathom any other outcome than a resounding 'YES' to the question of whether his country wanted to stay part of the largest regional integration effort in the world. In any event, he did not expect an outright majority which made him independent of both the Labour Party and the Liberal Democrats, both opposing the referendum (Wright/Cooper 2016). However, he was wrong on both counts. On 7<sup>th</sup> of May 2015, the Tory government gained an overall majority in the Commons. And on 23<sup>rd</sup> of June 2016, the British public voted with a split of 51.9% to 48.1% to leave the European Union. Several critiques were raised against the referendum: the way the question was formulated; the over-confidence of the Remain campaign which mobilized only too little and too late; the extremely narrow split in the outcome; and the existence of outright lies and falsities on both sides of the campaign etc. (e.g. the amount of financial resources freed after Brexit). Notwithstanding these criticisms, the Brexit vote revealed significant disillusionment amongst the British public, whether or not linked to the European Union.

So who voted for Brexit and why? Whilst the aggregate outcome was razor-thin, the country itself was relatively divided across several fault-lines. Geographically, the Leave campaign triumphed right across England (53.4%) and Wales (52.5%), winning in large northern cities including Sheffield, the Welsh valleys, across the Midlands including Birmingham, and the south and east of England. The Remain campaign, in contrast, dominated in London, Scotland (38% for Brexit) and Northern Ireland (44.2% for Brexit).<sup>1</sup> Demographically, the Brexit vote was endorsed by the over 45s (an average of 58% and rising with age), whereas the young voted overwhelmingly for Remain (for example 73% of the 18–24 year old; though the overall participation in the referendum among the young was rather low). Finally, educational attainment mattered too: of the 30 areas with the fewest graduates, 28 voted for Leave (BBC News 2016, BBC News 2019).

Above statistics give some insights into the various reasons why different parts of British society thought they would be better off without the influence of the European Union. Let's start with the one I have most sympathy with. First, with regards to socio-economic factors, there is absolutely no doubt that large parts of the population, in particular in the former industrial heartlands in the North of the country (for example Yorkshire where I live) feel, and indeed are, excluded from the supposed benefits of economic and social globalisation. Whereas trade and productive international integration have contri-

buted to the industrial decline through foreign competition, the mobility of foreign labour into Britain has exerted pressure on domestic wages and working conditions, in particular in low-skilled employment. Domestic policies, which could have mitigated these impacts such as labour market and structural policies in favour of domestic industries, were either actively dismantled (under Tory governments) or too timid and focused on welfare payments rather than fundamental structural change (under Labour governments). The economic recession and austerity measures in the aftermath of the Global Financial Crisis of 2008 further contributed to the deterioration of living conditions for large parts of the British population.

And of course, the European Union with its four freedoms – goods, services, capital and labour – is part of these pressures stemming from international integration. Whereas, arguably these are less clear-cut and felt immediately in the case of goods and services, these pressures came to the fore in the case of labour mobility. Migration from Europe, in particular from new accession countries, became the issue around which, rightly or wrongly, the economic pressures from international and indeed regional integration were attributed to.<sup>2</sup> At the same time, many of the advantages that Brexit brought to the elite and middle class (e.g. the right to study and work across Europe) have remained intangible for many of the working class people across Britain. Scapegoating immigration was also convenient for those pro-Brexit fractions which, whilst attune with market liberalisation, did not like the cultural changes European integration brought to the traditional way of English being. For them, migration changed high streets, shop windows and dominant language spoken. A change, which particularly the older generation lamented and expressed in the Brexit vote.

Second, many Brexit voters were attracted by the slogan to ‘take back control’ and regain sovereignty about domestic and international policy making. This argument cuts on both sides of the political spectrum. On the right, large parts of the conservative voter (both with a small and capital c) and the party have been traditionally sceptical of European interference and loss of sovereignty. For free market advocates, the social-democratic heritage of the European Union (though increasingly eroded by Germany’s competitiveness agenda), represented too big a role of the state and interference in the efficient market process. This fraction also lamented the restrictions EU membership imposed on the country to negotiate (in their view better) trade deals with other countries. Economics aside, there is a residual undercurrent in the psyches of this part of the British electorate, which finds it hard to accept rules made in Europe, or indeed any other country. Britain’s great past as the cradle of capitalism, colonial power and victor in two world wars lingers on in the mind of some, who decry European ‘imperialism’. On the other hand, there is the left case for Brexit (Lexit), which highlights the constraints membership of the European Union would impose on any interventionist left government, in particular with regards to state aid and competition policy.<sup>3</sup>

Two and a half years on, it has become obvious how immensely complex, if not unsolvable, the delivery of the Brexit vote is. The immediate outcome was the resignation of David Cameron, who had campaigned on a clear Remain agenda and a reshuffle in the Tory party. Rather than enacting Article 50<sup>4</sup> immediately, he entrusted this and the Brexit negotiations to his successor. Several Brexiteers ran for leadership (among them the ex-mayor of London Boris Johnson and the minister of education Michael Gove), but due to internal backstabbing and personal faux pas<sup>5</sup> the only candidate running in the end was

the originally pro-Remain Home Secretary Theresa May. As a lukewarm Remain supporter, but known for her tough stance towards immigration, the careful and steadfast, if uncreative May was the compromise choice to navigate the immense fractures running through her party (and indeed the country). The Conservative Party was deeply split between a traditionalist, nationalist and right-wing pro Brexit wing, and a more liberal, pro-business faction which strongly endorsed Remain. The Labour Party was also divided, with MPs accountable to the Labour heartland in the North, which had overwhelmingly voted for Brexit, and the pro-Remain urban elites.

May announced that she would not trigger Article 50 immediately, but would take time to prepare the UK's position to ensure a sensible and orderly departure.<sup>6</sup> Given that the EU had announced that it would not enter into any negotiations with the UK prior to Article 50 being triggered, this gave her some time to set out elements of her policy vision (a one-Nation Toryism that favoured industry over finance) and the country the opportunity to digest its new reality.<sup>7</sup> Article 50 was triggered ultimately on 29<sup>th</sup> of March 2017, with parliamentary approval, which initiated the two-year negotiation period after which the UK would leave the European Union.

However, rather than embarking immediately on negotiations with the EU, she uncharacteristically, and in line with her predecessor, took an unnecessary political gamble and lost. Hoping to bolster her majority in Parliament, and so increase the likelihood of her deal with the European Union being accepted domestically, she called an early election to be held on 8<sup>th</sup> of June 2017. In the event, she performed dismally. Rather than rallying the voters behind her promise to deliver Brexit, she was outperformed by an authentic Jeremy Corbyn, who campaigned on issues other than Brexit, such as the impact of austerity, high prices for public utilities, the failing NHS etc.<sup>8</sup> The outcome of the election was a rather ironic feature of the following Brexit process. May lost her overall majority and became dependent on the support of the Democratic Unionist Party (DUP), Northern Ireland's largest protestant unionist party, to achieve a majority in Parliament. What followed was more than a year (although an extremely short period considering the task at hand) of negotiations with the EU, which effectively put domestic policy making at standstill. The issues that needed to be covered included the rights of EU citizens living in the UK (and vice versa the right of Brits living elsewhere in the EU), the settlement of financial obligations, the EU's external border, the status of the UK's international commitments, the role of the European Court of Justice, and of course the nature of any future relationship of the UK with the EU. Although space forbids going into any further detail, a few defining features and underlying tensions of these negotiations, are important to understand the current situation.

First, one needs to distinguish clearly between issues that concern the period immediately after the UK exits the European Union at the end of March 2019 (the Withdrawal Agreement) and the more medium to long-term relationship that is forged afterwards (the Political Declaration). Whereas Parliament votes on both (see below), only the Withdrawal Agreement is a legally binding international agreement.

The Withdrawal Agreement defines the UK's relationship with the EU immediately after its exit during a two-year transition period. Although in theory the UK could negotiate a medium to long-term deal once crashed out without 'a deal', this would arguably be much harder amidst the potentially ensuing political and economic chaos (e.g. the immediate start of border controls on European borders for British goods, services, capi-

tal, and citizens). As to the medium to long-term arrangements the Political Declaration, whereas UK negotiators would have liked to restrict the mobility of labour, whilst maintaining other elements of the single market, the EU made it clear right from the beginning that it was an all or nothing and would not allow 'cherry-picking'. On the other hand, a restriction on free labour mobility was a red line Theresa May was not prepared to cross. Several proposals have been, and indeed are still being discussed given that the exact nature of this relationship is due to be finalized in the transition period. May's current proposal is that of a customs territory. Although rather vague in its details, this territory envisages "Comprehensive arrangements creating a free trade area combining deep regulatory customs co-operation, underpinned by provisions ensuring a level playing field for open and fair competition" (UK Government 2018). Whereas state aid and the EU's level playing field would still be largely applicable, the paper includes only narrow measures facilitating the cross-border movement of workers and business travellers (Brunsden/Barker 2018).

This brings me to the most unsolvable tension and potential stumbling bloc for May's Brexit deal: the question of the Irish border; an issue which hardly featured in the Brexit campaign or was easily dismissed to be solvable with technology. Against the backdrop of the bloody conflict in Northern Ireland and the Good-Friday peace agreement, which commits both parties to maintaining an open border on the island of Ireland, there are very few people in England, and even less in Northern Ireland, who can envisage renewed border controls in Ireland. However, once the UK has left the EU, and should the UK enter other trade agreements (which was an important element of the campaign to take back control and leave the single market as discussed above), such controls would be unavoidable to ensure goods which enter the EU via such third-party agreements of the UK, adhere to EU regulation.

May presented her solution to this conundrum, alongside many of the other issues mentioned above, on 14<sup>th</sup> of November 2018 in her 585 page-long Withdrawal agreement. Her suggestion was the so called 'backstop', which stipulates that unless and until the UK and the EU agree to a magical deal during the transition period which avoids a hard border (and allows the UK to strike free trade agreements with third-parties), and/or no technologies are developed which make border checks possible without visible barriers, Northern Ireland remains part of the Customs Union and the UK of the customs territory (which provides the minimum of regulatory harmonization necessary to avoid such hard border). However, she suffered a terrible blow. Several Brexiteers in the government resigned. Given near-certain failure she withdrew a Parliamentary vote on the deal tabled to take place in mid-December and faced (and survived) a vote of no confidence tabled by rebels from her own party. Parliament was eventually given the opportunity to vote on the deal on 14 January 2019 and she suffered a crushing defeat.

So what is the problem with May's deal? The main problem is that it is a compromise, seeking to avoid the worst possible outcomes of Brexit, but it pleases neither Brexiteers nor Remainers. The Brexiteers lament the complete relinquish of control (even more so than ever was the case as part of the EU), and the Remainers argue that in this situation we might as well remain part of the EU. It decides very little and picks the worst of two worlds. Given the complexity of the situation, the pressures she is facing in her party, the tensions described above, and her own position as compromise figure, Theresa May is proposing something close to the status quo with a complete loss of say in the European

Union. Her Withdrawal Agreement suggests a two-year transition period during which all EU regulations, institutions, and directives continue to apply and the UK remains members of the single market, whilst having no participation in any decision making, fora and executive bodies of the Union. More than that, the situation is supposed to last until a medium to long-term agreement with the EU is found (see above), which squares the circle by giving the UK the freedom to negotiate third-party trade deals without violating the Good Friday agreement and creating a 'hard border' in Ireland. In default of achieving such an agreement, the backstop kicks in which can only be terminated with the agreement of the EU.

Two immediate, interlinked, questions arise. First, is this impasse due to May's failure to find a workable solution or is Brexit just not possible. Of course, a 'harder' Brexit solution could have been found which excludes Britain entirely from the European Union, but it is unclear if a return to a hard border in Ireland would be politically acceptable or even possible. It is also questionable whether Brexit under a Tory government would solve any of the socio-economic problems facing Britain today. And there are of course the 48% of the population, many of them young people, who voted against Brexit. On the other hand, can a government ignore the outcome of a plebiscite and call a second referendum? Either way, the domestic political repercussions might be devastating and whatever happens Brexit will define the British political and economic landscape for years to come.

The second question is of course, what next? This is a moving target and probably by the time this article has been published, history has told us. The vote of 14 January 2019 has ruled out May's negotiated agreement. The most immediate alternatives would appear to be either a no-deal departure from the EU on 29 March 2019, or an extension of Article 50. A no deal Brexit is a possibility, but there appears to be a majority in Parliament against this which means the UK will have to seek an extension of Article 50. Assuming a no-deal Brexit is avoided, the question remains as to how the Brexit debacle will be resolved. It would appear that a renewal of negotiations with the EU would require the UK government to alter its negotiating position. There remains a very real possibility of either a general election or second referendum on the UK's membership of the EU. The end is not in sight. In the meantime, neither the politicians nor the civil servants have the time to address the real world problems this country faces, ranging from unacceptable and rising rates of poverty (Butler and Booth 2018), inequality, failing public services etc.

## Anmerkungen

- 1) The reasons why these areas were more pro-European requires a whole analysis itself, but in a nutshell Scotland probably had fewer issues with immigration and some of the European economic policy. Moreover, for Scotland, at least for those supporting independence, being part of the European Union was important to show it didn't need to be part of Great Britain. As discussed further below, voters in Northern Ireland probably realised the devastating consequences exit from the European Union could have for the unity of Ireland.
- 2) Several factors contributed to the massive influx of European workers into the UK. Among them are a different way of organising social security payments and health services which are not based on an insurance principle but are accessible to most people living in the UK. Another reason was the decision by the Labour government to not adopt transitional arrangements with regards to migration from new accession countries

- in 2004. In the face of such arrangements in place in many other countries, in addition to the supporting factors such as language, flexible labour markets, and the different organisation of social benefits, this led to a surge of migration to the UK multiples above what had been predicted by the Blair government at that time.
- 3) For an interesting argument that Britain's wiggle room with regards to state aid and competition policy might potentially be bigger inside rather than outside the European Union see MacFarlane (2018)
  - 4) Article 50 of the Treaty of Lisbon gives any EU member state the right to quit unilaterally and outlines the procedure for doing so. It gives the leaving country two years to negotiate an exit deal.
  - 5) Andrea Leadsom, a staunch Brexiteer, who made it to the short list of two candidates to be put to the membership for a vote, withdrew after her ill-received remark that she would be a better leader than May due to having children.
  - 6) The pro-Brexit camp, like opposition leader Corbyn, called for an immediate trigger of Article 50 whereas the European Union didn't expect it to be enacted until as late as September 2017.
  - 7) Except a sharp depreciation of the pound which provided some stimulus to domestic production and put a slight damper on international holiday making, economically this new reality had not changed much. Politically and socially, though, the vitriolic campaign with its xenophobic angle, had altered the country's atmosphere (at least for the hundreds of thousands of Europeans living in it).
  - 8) Corbyn himself faced immense pressure in an ongoing leadership struggle in the Parliamentary Labour Party, which – among other things – criticized his sympathy for the Brexit vote.

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