**RECONNECTION WITH THE EU: WILL BREXIT BE REVERSED?**

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*Introduction*

The fundamental question as to whether economic preferences or group identity govern political attitudes towards European integration is, in one sense, as old as the EEC itself. Early theorists such as Deutsch (1957) and Haas (1958) saw regional integration as moulding public attitudes towards national identity as new foci of loyalty emerged ‘beyond the nation state’. More recently, this theoretical relationship is being reversed: to what extent does national identity affect support for the European project? Is it true that ‘citizens do indeed take into account the economic consequences of European integration, but conceptions of group membership appear to be more powerful’? (Hooghe and Marks 2004). In this paper, we examine the future prospects for Brexit. One good theoretical reason for doing so is that this event neatly epitomises the clash between identity and economic rationality.

In tune with the overall theme of this conference, this paper poses a straightforward question regarding ‘reconnection’: will Brexit be reversed? We avoid two related questions: *should* Brexit be reversed? and *can* Brexit be reversed ? In particular, we are interested in whether political, economic, and societal forces will make the return of the UK to the EU inevitable. We will proceed in four steps: firstly we will recall the circumstances in which the UK was impelled towards EEC membership in the years preceding its eventual adhesion in 1973. This is relevant because many of the arguments used by the Conservative government in favour of EEC entry at that time, are today being reversed. In particular, the concept of ‘global Britain’ being promoted today is in direct contrast to the arguments used in the 1960s that acknowledged the dynamism of the Common Market on Britain's doorstep as against the increasingly tenuous trade links with Commonwealth countries such as Australia and New Zealand. One of the key purposes of this paper is to ask whether, and if so to what extent, theories of European integration that underpinned the consolidation of the EU are still valid today.

The paper will, accordingly, explore issues concerning trade, migration flows and popular attitudes, to assess whether these will lead inevitably towards a closer integration (or reintegration) of the UK with the European Union. There are obvious caveats to be borne in mind: both the pandemic and the more recent war in Ukraine have had an impact on UK relationships with the EU as well as their domestic economies. However, although these external shocks have been experienced by all European countries, to some extent, it may be possible to discern trends that militate towards the re-connection of the UK with the European Union.

*Back to the Future?*

In some ways the Brexit saga appears as a conscious desire to return to the state of affairs that characterised Britain’s relationship with Western Europe in the 1950s. The current policy to renew or preserve trade relations with Commonwealth partners and, at the same time, restrict trade and migration with the nearest neighbours, is a reversal of British policy between 1958 and 1961. In that relatively short period, British foreign relations turned from being global to European. The reliance on the global importance of sterling, the special relationship with the USA, and significant trade still conducted with Commonwealth countries had all combined to allow the UK to maintain a rather aloof attitude towards its European neighbours. When Britain took the lead in setting up EFTA it was largely a defensive move designed to strengthen the UK in future negotiations with the EEC. However, it soon became clear that the system of preferences that were a feature of both Commonwealth trade and EFTA trade could not continue to coexist. Moreover, from about 1960 onwards, the EEC proved more dynamic than expected. As early as 1958, German exports of manufactured products exceeded that of UK. This was something of a wake-up call. Moreover, some Commonwealth countries such as Australia and New Zealand were looking to renegotiate their links with the UK in order to broaden their trade links with the EEC. Politically, it became evident after 1961 that a Franco German axis was consolidating to the extent that any British desire to participate in European integration would need to be argued for, rather than safely assumed. Another factor driving the UK towards Europe was the evident American support for the EEC project and the concomitant rising influence of Paris and Bonn in the corridors of power in Washington DC. Thus the so called ‘special relationship’ could no longer be taken for granted.

*Public opinion*

The narrow majority secured by the Leave vote in the 2016 referendum, and the fact that the turnout was less impressive than might have been expected for such a momentous decision, meant that the outcome was always open to challenge during the long period of negotiations that followed. Added to the narrowness of the result was the nature of the referendum itself. On the one hand, to reduce such a complex issue to a simple Leave-Remain decision was in hindsight probably unwise. The voters had little clear idea of what Brexit would involve since the details had yet to be negotiated. On the other hand, the campaign itself was fraught by extravagant claims, especially on the Leave side, as to what benefits would ensue once the UK had departed from the EU. This rather fragile foundation for the decision to negotiate Britain's departure, resulted in the negotiations themselves being constantly open to challenge and change. Moreover, the referendum result, instead of creating a national unity of purpose which was presumably its purpose, revealed several schisms in the British body politic. Firstly, two of the four Nations of the UK voted Remain (Scotland and Northern Ireland). Secondly, London due to its cosmopolitan population and international linkages voted Remain in contrast to the rest of England. Thirdly, and most ominously for the future, young voters were generally in favour of Remain while the older age cohorts leant heavily towards Leave. These schisms were destined to bedevil the protracted period of negotiations which lasted over three years until the UK-EU Trade and Cooperation Agreement (TCA) came into effect at the end of 2020. Although the cleavage between the Leave and Remain camps has proved to be remarkably durable during the ensuing period of time, we argue here that the seeds of disillusionment with the realities of Brexit were sown early and are likely to yield a bitter harvest in the near future. Due to the protracted nature of the negotiations, and the variety of scenarios being debated in those negotiations, it was not surprising that the question of holding a second referendum surfaced continually in political debate. Holding a second referendum could be justified only if a sizable portion of voters had changed their mind during the negotiations. The polling evidence shows that there was little change involved at least in the earlier part of the negotiations. During 2017, for example the proportion of voters saying they were in favour of a second referendum never rose above 41% while the level of opposition to a second poll was never less than 48% (BMG Research 2017). However, the issue of a second referendum was muddied by the fact that there were at least three different versions of a second poll that could have been offered to the electorate. Firstly, a second referendum could simply be a repetition of the first and be based on the *principle* of leaving the EU. Secondly, a second referendum could have been held at the conclusion of negotiations to seek a verdict on their outcome. Thirdly a referendum could be held on whether to accept the terms negotiated or reject them and leave the EU without a deal. The extent of popular support varied according to how the terms of a second referendum were expressed. For example, on the simple question of whether to rerun the 2016 referendum on the principle of leaving the EU 51% were opposed and 38% in favour. On the more precise question of whether to accept the terms of the negotiations, the result was much more even: 40% in favour and 42% against (Lord Ashcroft Polls 2018).

More important for our purposes here is the extent to which voters have changed their minds on Brexit since it became a reality. An early analysis of how voters had changed their views on Brexit found some small but significant shifts. 16% of respondents view of Brexit had deteriorated while 7% felt more favourable towards Brexit. Older voters were most likely to have a worsening view of Brexit; and also more likely to have changed from a positive to a negative view. The same was true of women who were more likely to have changed from a positive to a negative opinion of Brexit than vice versa. Another finding was that individuals with higher education were less likely to change their opinion of Brexit presumably because their initial attitudes had been based on a better evaluation of the information available (Izquierdo-Sanchez and Kara 2020:3)

If we bring the story up to 2021-2 we find that public opinion in the UK is still divided over the question of Brexit, but there is some evidence that disillusionment with Brexit is consolidating (See Fig 1). At the end of 2021, a ‘poll of polls’ revealed 52% wanting to be in the EU with 48% wanting to be out (Curtice 2022:2). YouGov similarly found that in 2020 45% thought the UK was ‘wrong’ to have left the EU with 43% saying that it was ‘right’. In the last few months of 2021, the gap has widened: 49% say that it was ‘wrong’ and 39% say that it was ‘right’ to have left the EU . This gap is partly due to Remain voters who are now less likely to accept Brexit then they were a year ago. The Remain sentiment is also bolstered by the fact that those who did not vote in 2016 are twice as likely as other voters to want to Remain in the EU perhaps confirming the widely held belief that young voters were less likely to vote in the 2016 referendum. In December 2021 an Opinium poll analysed ‘expectations’ from Brexit and this found that overall 26% thought Brexit had turned out ‘worse than expected’ and 35% ‘expected it to go badly and it has’. Both Leave and Remain voters in 2016 registered increases in worse expectations: 27% and 26% respectively. Despite what was claimed by the Leave campaign in 2016, voters generally believe that Britain's position on the world stage has declined:66% of those polled. What these results suggest is that as proponents of Brexit sometimes claimed, the ‘sunny uplands’ may need time to materialise. Either way, the debate over Brexit is far from being concluded.

The future trajectory of public opinion regarding Brexit in the UK will almost inevitably be determined by how young voters perceive the issue in the years ahead. This is not clear cut, because it can be argued that as voters age they become more mature, and their political views also change. However, it can also be argued that the so called ‘Erasmus generation’ is likely to hold onto its ‘European perspective’ simply because it has been socialised accordingly. To address this question a research team from LSE conducted 40 focus groups with 352 young people in 2018. The conclusions revealed some resentment that the views of older people in the 2016 referendum would have had such a disproportionate influence on the future of the youngest citizens. Almost every group, irrespective of social class or geographical area of residence, thought Brexit would make the UK more insular, less friendly, less welcoming to outsiders, and less multicultural. Many of the young people expressed frustration at losing EU benefits, educational opportunities, and social rights. Another set of comments revealed anxiety about social inequality, racism, and declining multiculturalism, all perceived to be exacerbated by leaving the EU.

Fig 1.

Application

Description automatically generated with low confidence

In addition to the ‘push’ factors inherent in public opinion (i.e. pushing the UK towards re connexion with the EU) it is worth mentioning the ‘pull’ factors: the attitude of EU member states towards Brexit. At the time of the 2016 referendum and on many occasions since, EU politicians have expressed the view that ‘the door is always open’ (to a UK return). In 2016 a poll shows that 70.8% of EU respondents believe that Brexit would be a ‘bad thing’ for the EU although there were some differences between member states. The countries that were most pessimistic about Brexit were Sweden (89% saying that it was a bad thing) and the Netherlands (75%) while France (62%) and Italy (57%) were the least pessimistic about a British departure.(Pew Research Center 2016)

*Trade and foreign investment*

In assessing the economic impact of Brexit on the UK relationship with the EU, it is worth reminding ourselves of the exceptional character of the Brexit decision. In living memory, it is difficult to recall any other example of an advanced industrialised economy removing itself from a dynamic customs union on its doorstep. The aspiration to replace, where possible, trade agreements with geographically proximate neighbours by new agreements with distant partners such as Japan New Zealand or Australia, is both counter intuitive and in historical terms retrogressive

In any evaluation of its trade patterns emerging since the TCA came into effect (1 January 2021) must be tentative partly because all new trade agreements need time to bed down, partly because the pandemic has had a disruptive effect on economic activity, and partly because the provisions of the TCA are not yet fully in force. When the TCA is fully effective, and businesses have had time to adapt to new trading conditions, one can expect the effects of Brexit to become more fully apparent.

Nevertheless, some initial observations can be made. The volume of trade between the EU and the UK fell sharply after the TCA came into effect; and has remained below the 2019 level. UK exports fell 45% in January 2021 and were still down around 15% on their pre TCA level. UK imports also fell by over 30% in January 2021, and by 20% in August of the same year. While these falls could be largely attributable to the pandemic, UK trade with the rest of the world recovered more quickly then with the EU: in August 2021, trade with the EU was down 15% on 2019 levels, but only down 7% in respect of trade with the rest of the world (OBR 2021: 58)

By late 2021 (October) trade in the eurozone exceeded pre-covid levels by 4% while the UK still languished somewhere behind. This contrast can be partly explained by the UK economy needing to adapt to new series of non tariff barriers coming into effect on the 1st of January 2021. The UK share of EU exports had fallen from 7.1% in 2015 to 6.2% in 2019 and its share of imports fell from 4.4% to 3.9% in the same period. This reflects the uncertainty and inability to plan concisely even prior to the advent of the TCA. Much of this can be attributed to additional bureaucracy involved in UK-EU trade. Although the TCA avoided the need for tariffs in this trade, non tariff barriers are set to increase. A large volume of paperwork increases costs and delivery times. Here the importance of geography is evident: countries tend to trade most beneficially with their immediate neighbours. The notion that trade agreements with more distant partners such as the US, India, Canada or Japan, could replace, or offset, deteriorating trade conditions with the EU is fanciful.

Foreign direct investment is probably a more reliable indicator of long term economic relations between countries than the more volatile patterns of international trade. Up until 2016, the UK was enjoying inward FDI flows growing on average by 8% per annum. However, after the referendum result in 2016, we can see a decline in FDI flows into the UK. In 2017 2018, the number of FDI projects coming into the UK fell by 9% and in 2018-2019 by another 16%. Of the various types of FDI, the expansion of existing facilities suffered the most. In 2019-20 only 504 expansion projects were recorded, compared with 822 in 2016-17, a fall of 38%. This decline reflected understandable apprehension regarding the UK economy and the potential effects of Brexit. This was especially true of European companies who would be most directly affected by the terms of the Brexit agreement. Another facet of the same phenomenon was the decline in FDI job numbers sourced by external investment. Between 2016 and 2020 these FDI job numbers declined from 25,694 to 20,131 (USA) from 5291 to 3755 (Germany), 5155 to 2882 (France) to give just a few examples (Department for International Trade 2022). A further aspect of FDI worth noting is the differential impact its decline has had on the UK regions. Scotland and South West England have had the largest decline in FDI projects since the Brexit vote. Even London as the UK's leading region for inward FDI, was affected by Brexit seeing a decline of 17% in 2017-2018 and a further 15% in 2018-2019 (Department for International Trade 2022). The least impacted regions were the North West and Northern Ireland. In the northwest FDI projects fell slightly to 139 in 2017=2018 but rose slightly to 142 in 2018-2019, and reached a peak of 154 in 2019-2020. Likewise, Northern Ireland attracted its highest number of projects (40) in 2019-2020. This latter performance may be due to the uniquely favourable arrangements for Northern Ireland contained in the protocol effectively placing the province in two customs unions. These regional disparities in the effects of FDI brought about by Brexit reflect, and contribute to, perceptions of the EU in these regions.

The decline in FDI projects sustained by the UK may have been exacerbated by the uncertainties produced by the outworkings of the Brexit agreement, but global FDI fell by 42% in 2020, and the UK like other economies will need to position itself again as a favourable location for FDI. The extent to which this is possible depends on several factors such as the final deal for financial services, and the number of beneficial trade agreements that are negotiated with the rest of the world.

*Migration*

One of the most iconic images that caught public attention during the 2016 Brexit campaign, was a poster depicting a long trail of migrants (mostly non white) stretching back to the horizon and superimposed by the words ‘Breaking point?’ and a picture of the UKIP leader Nigel Farage. Although this image was disavowed by more mainstream political voices, there is no doubt that it resonated with broad swathes of public opinion for whom immigration was a key issue and for whom the slogan ‘taking back control’ was especially relevant.

The prominence of immigration. as an issue in the Brexit saga, was emphasised by the fact that it was not substantially addressed in the TCA that came into effect on the 1st of January 2020 and it largely explains why the UK government set its face against remaining in the single market: ‘We are not leaving the EU in order to lose control over immigration’. Nevertheless, Brexit has had a profound effect on migratory flows into and out of the UK. Prior to the 2016 referendum there had been a strong inflow of EU nationals into the UK. This was due to the UK's early adoption of free movement from new accession countries in 2004, the appeal of London as a dynamic financial centre, the status of English as a world language, and the quality of UK universities. In June 2016, net migration to the UK reached an all time record of 330,000 of which 200,000 came from elsewhere in the EU. From 2016 onwards, migration from the rest of the EU fell quite sharply, for a number of reasons: the UK economy had begun to falter and weaker sterling made wage levels less attractive; but most important were legal and psychological factors. Legally, the status of EU citizens in the UK after Brexit was open to doubt and, psychologically, there was a general perception that the UK would no longer be a hospitable country for EU migrants.

By the end of 2019, net EU migration had fallen by more than 150,000 and although it is impossible to attribute this decline to any specific causes, it seems obvious that the whole Brexit process was acting as a considerable ‘chill factor’ for existing and prospective EU migration. This decline in EU migration was accompanied by a rise in non-EU migration due in part to the need to address labour shortages created by the decline in EU workers. The decline in EU migrants has been steep since 2016 despite the success of the EU ‘settlement scheme’ which saw about 4.5 million EU citizens applying successfully for settled status in the UK. The pandemic also contributed to the decline in EU nationals working in the UK. Many lost their jobs because they were working in customer=facing occupations, many foreign students went home because online teaching became the norm, and since the UK fared relatively badly in health terms, many EU nationals preferred to return home rather than face costly accommodation, poor job prospects, and a higher risk of catching Covid.

The new immigration system introduced by the UK government after Brexit was the result of the British refusal to participate in the single market. The purpose of the new immigration regime seems to be less concerned with reducing overall numbers, and more concerned with the impact that immigrants will have on the economy. This means, amongst other things, that EU and non-EU migrants are treated broadly in the same way. Nonetheless, the new scheme imposes fairly restrictive salary thresholds on non-EU migrants. The new points-based system applies to all those coming to the UK to work. New migrants need to be coming to the UK to work in a job paying more than £25,000 although there are exemptions or derogations for those in shortage occupations, for those with PhDs and for those working in the NHS. There is a ‘seasonal workers scheme’ to address labour shortages in agricultural and horticultural occupations. The new regime represents a major reduction of flexibility for EU migrants compared with their previous freedom of movement rights They may need employers to apply on their behalf, they may have to pay fees, and they have fewer rights regarding health and social security benefits. In sum, the new provisions on immigration effectively re-balance the system in a way that sees non-EU migration rising faster than EU migration. This must be one of the more startling ironies arising from Brexit.

It is still too early to predict what impact these new arrangements for immigration will have on the UK economy going forward. However, a number of studies have generally predicted a decline in GDP of about 2%. Two UK government studies carried out in 2018 made no allowance for an increase in non-EU integration. However a study by Forte and Portes (2019) incorporated possible increases of non-EU migration of 50.000 over 10 years and a fall in EU migration of 600,000 over the same period.The net effect was a reduction in GDP of 1.4 to 1.9% and a GDP per capita reduction of 0.4% to 0.9%. Despite a variety of methods used and assumptions made, virtually all studies of migration patterns agree that there will be a reduction of EU migrants of 60,000 per annum partly offset by a smaller increase in non-EU migration. This will inevitably lead to a fall in national GDP to the extent outlined above.

To what extent will this new post-Brexit regime facilitate the UK government's broader economic agenda? Portes (2022) identifies three priorities for the UK all of which sit rather awkwardly with the new criteria for controlling immigration. Firstly, the ‘levelling up’ aspiration requires planning to address regional disparities. Secondly, the emphasis on commercial opportunities stemming from science and technology requires a more finely grained approach to immigration selection than mere salary levels. Thirdly, the commitment to net zero if it is to be achieved, requires substantial government intervention across key sectors in the economy. As Portes points out, these broad policy goals require active government planning and he goes on to state that these goals are not ‘necessarily compatible with an immigration system that is deliberately neutral between sectors and occupations and which because of its reliance on salary as the primary criterion is by definition likely to further advantage those sectors and regions where salaries are already highest and therefore already benefit the most’ (Portes 2022:94). If the new immigration system is not more closely aligned with broader economic and social policy objectives, the legacy of Brexit in this domain will be either negative or at least sub optimal.

*Conclusions*

In January 2021, imports into the UK from non-EU countries exceeded those from the EU for the first time. This trend lasted through 2021 peaking at a record of $23.2 billion in November 2021. However, the overall volume of UK exports fell by 0.7% from February 2022 to November 2021. If this decline was part of a global decline in trade, it would not be remarkable but, in fact, global trade expanded by 10% during 2021. Another indicator of the UK's faltering post-Brexit performance is to compare it with the EU's external trade with two key partners: China and the USA. China-EU trade expanded 17% in 2021 and EU-US trade went up by 12% in the same period (Eurostat). By contrast, UK-EU trade fell by 3.5% in the same period. An overall estimate by the Centre for European Reform (2021) reckons that in October 2021, UK goods trade was 15% or £12.6 bn lower than it would have been if the UK had stayed in the single market and customs union. As we saw previously, FDI into the UK has declined since the 2016 referendum. One of the key adverse factors influencing FDI into the UK is the Northern Ireland protocol. The reason for this is that the protocol itself, although beneficial to Northern Ireland, casts a shadow over the UK's commitment to the TCA negotiated and agreed with the EU. If the protocol is either substantially reconfigured or suspended completely, the trade relationship between the UK and the EU would be seriously jeopardised.The EU would feel compelled to introduce retaliatory measures in response to any UK unilateral measures regarding the protocol. Hence the need for sources of FDI to the UK to be cautious.

All that has been said so far about the rather gloomy prospects for the UK economy following Brexit, is intended to suggest that the UK will eventually be reconnected to the EU, because public opinion will come to the conclusion that ‘the game was not worth the candle’. However, such a view is open to two counterarguments that should be acknowledged, if only briefly. The first is that there is no certainty that the adverse economic effects of Brexit in the short term are likely to persist. In view of at least two external shocks, Covid and the war in Ukraine, it is possible to argue that current circumstances are abnormal and that when normality returns, the UK will reap economic benefits from its more geographically diverse set of trade partners. However, as has been noted, the external shocks are not having the same effect in other G7 countries (or at least not to the same extent). Be that as it may, it surely will prove counterproductive to have erected obstacles to the UK's nearest and largest trade partner for political rather than economic reasons.The second argument is possibly more telling. The assumption that Brexit was all about economics is almost certainly false. On the contrary, Brexiteers would probably argue that, irrespective of the cost, the key driver behind Brexit was sovereignty regained under the slogan of ‘taking back control’. This argument is powerful since it clearly explains much of the support for Brexit in England (ie not necessarily in the UK as a whole). This argument is linked to a broader literature around identity which is being touted as an explanatory factor behind the EU's apparent ‘disintegration’. If identity is the issue (and it cannot be discounted completely) there are two caveats worth noting: one is to ask the question whose identity? If we are discussing a British identity (as opposed to an English identity) the mantra of taking back control is much less persuasive. In Scotland and Northern Ireland the pervasive influence of the EU is perceived as generally beneficial. Indeed in Northern Ireland it is not possible for the UK government to take back control completely (Hayward 2020) and the notion of national sovereignty in the 21st century being totally repatriated is, in any case, a myth (Agnew 2019). The second caveat in regarding identity as the key to Brexit and the clue to its assumed longevity, is to ask whether identity is immutable. If we look back in the 1960s and the entry of the UK to the EEC, we witnessed the transition of an ‘imperial mindset’ towards a more regional, pragmatic, European identity (albeit rather tentative). If we look forward now is it not likely that British and even English identity will become less insular and more European? As we saw earlier the support for Brexit was much lower among the so called ‘Erasmus generation’ and with these values and much greater familiarity with the European continent, the doubts about the wisdom of Brexit will surely grow in future. As political scientists, it is not our business to engage in futurology. All that is being argued here is that on the evidence as it currently stands, it seems likely that Brexit will be reversed, and the UK will be reconnected with the European Union.

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