

# **Brexit– where have we got to and where are we heading?**

Tony Travers

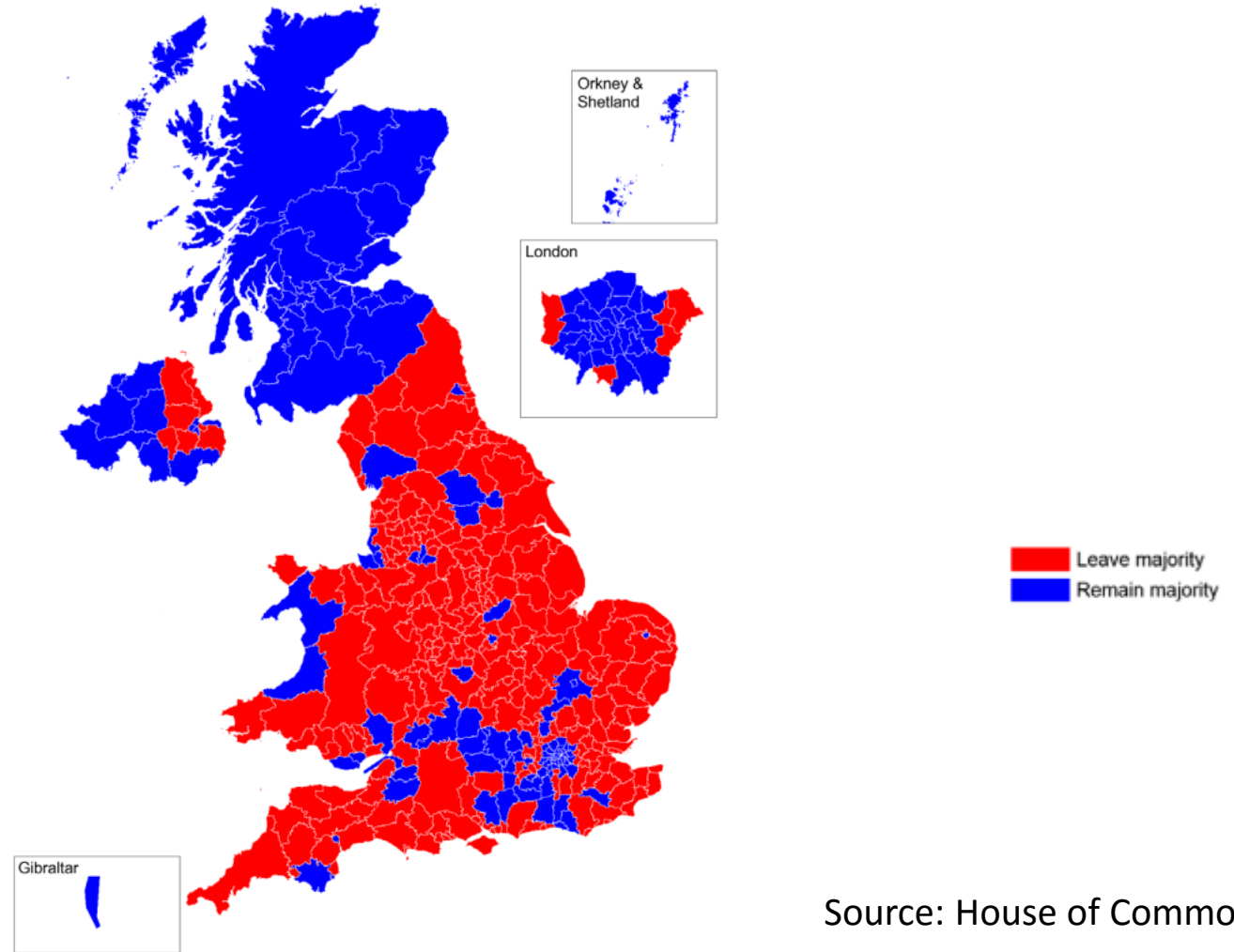
LSE

# The European Union and Britain

- a complex history

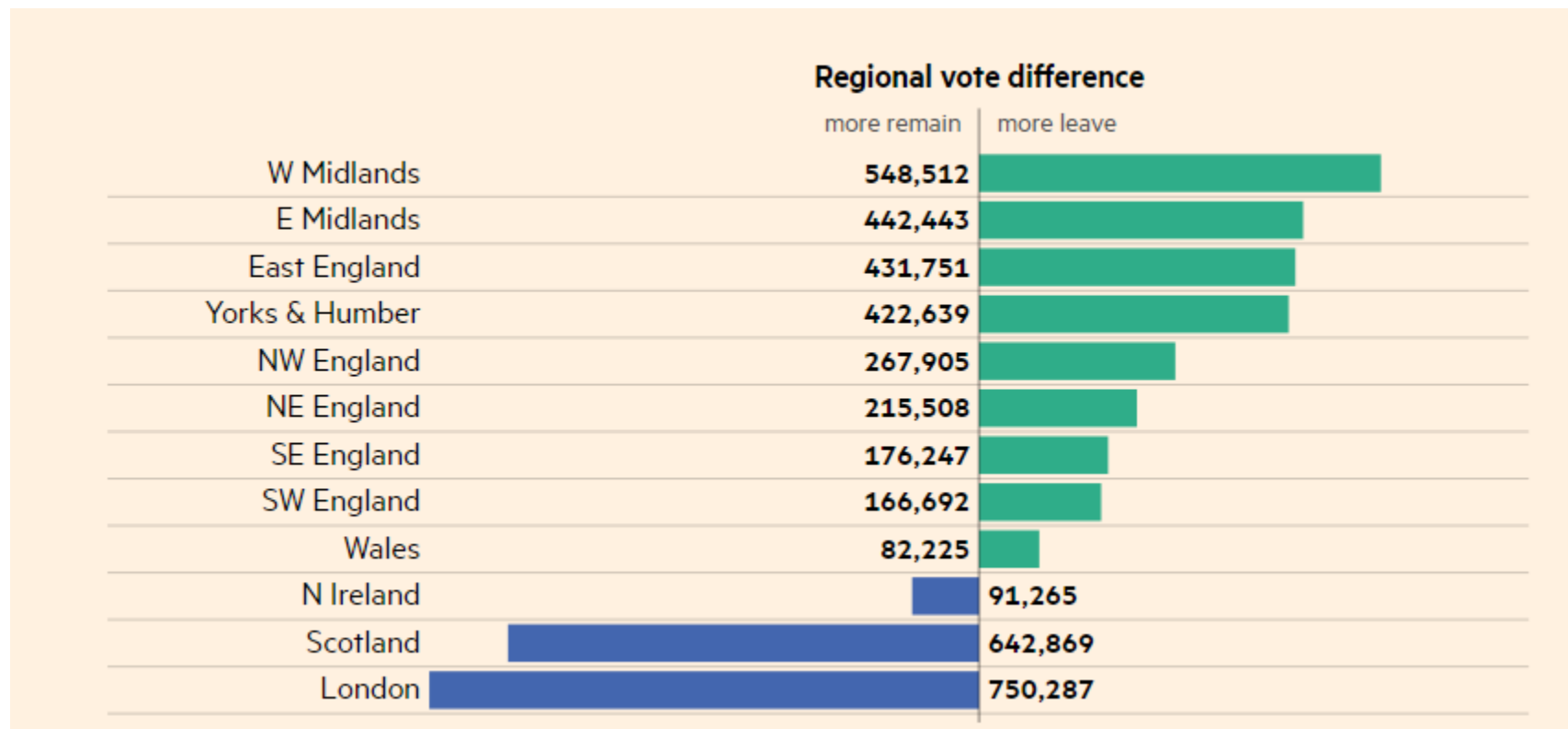
- 1949 Council of Europe founded (human rights and justice)
- 1951 European Coal and Steel Community created
- 1957 European Economic Community ('the Common Market')
- France, West Germany, Italy, Netherlands, Belgium, Luxembourg
  - President de Gaulle rejects UK membership in 1963 and 1967
- 1973 UK, Ireland and Denmark join EEC
- then Greece (1981); Spain, Portugal (1986) [Greenland leaves in 1985]
  - 1993 European Economic Area established (EU plus EFTA – but not Switzerland)
  - then Austria, Sweden, Finland (1995), followed by former-Soviet Bloc nations during 2000s – to a total of 28 countries
- 2016 UK referendum: votes to leave the EU

# The Referendum result



Source: House of Commons Library

# Regional votes: net difference



# Rural and urban referendum votes

- rural voters more inclined to vote 'leave'

Among the 144 local authorities in rural categories, 25 (17%) recorded a Remain vote share greater than 50%. 44 (31%) recorded a Leave vote of 60% or more.

Out of the 181 local authorities in the three urban classifications, 54 (30%) recorded a Remain vote share greater than 50%. 59 (33%) recorded a Leave vote share of 60% or more.

In the most urban category, Remain took over 50% of the vote in a higher number of local authorities (38 out of 75) than Leave (34 out of 75).

# Top 10 'leave' and 'remain' areas

Top 10 counting areas voting Leave (%)			Top 10 counting areas voting Remain (%)		
<i>1</i>	Boston	75.6%	<i>1</i>	Gibraltar	95.9%
<i>2</i>	South Holland	73.6%	<i>2</i>	Lambeth	78.6%
<i>3</i>	Castle Point	72.7%	<i>3</i>	Hackney	78.5%
<i>4</i>	Thurrock	72.3%	<i>4</i>	Foyle	78.0%
<i>5</i>	Great Yarmouth	71.5%	<i>5</i>	Haringey	75.6%
<i>6</i>	Fenland	71.4%	<i>6</i>	City of London	75.3%
<i>7</i>	Mansfield	70.9%	<i>7</i>	Islington	75.2%
<i>8</i>	Bolsover	70.8%	<i>8</i>	Wandsworth	75.0%
<i>9</i>	East Lindsey	70.7%	<i>9</i>	Camden	74.9%
<i>10</i>	NE Lincolnshire	69.9%	<i>10</i>	Edinburgh	74.4%

# Brexit: key issues for agriculture

## Agriculture and Brexit: Key Issues for the food and farming industry

### Main areas of uncertainty

- Levels of direct financial support and rural development funding after 2020
- Trade models and level of continued access to the Common Market, degree of protection from cheap imports
- Provision of market safety nets
- Access to labour
- Overall national farm policy and regulation and approach across the Devolved Administrations
- Food labelling requirements
- Pesticides and GM food and crops approval approach
- What kind of future CAP UK farmers will be competing with as the policy is currently being simplified and will be reformed for 2021.

### Potential areas of opportunity

- A simpler and more targeted approach to agricultural policy and support, incentivising farmers to UK priorities
- Potential for greater deregulation and innovation outside CAP.
- New trade deals
- New agri-environment schemes, tailored to UK needs and environmental priorities.
- No disallowance fines for incorrect CAP payments

Source:  
House of Commons Library

# UK CAP allocations, 2014-2020

	<b>Pillar 1 € million (approx. non-inflation adjusted)</b>	<b>% share</b>	<b>Pillar 2 € million (approx. non-inflation adjusted)</b>	<b>% share</b>
England	16,421	65.5	1,520	58.9
Northern Ireland	2,299	9.2	227	8.8
Scotland	4,096	16.3	478	18.5
Wales	2,245	8.96	355	13.7
Total UK allocation	25.1 billion		2.6 billion	

Note: Figures are in nominal terms (i.e. they have not been adjusted for inflation over the period).

**Source:** UK Government, November 2013.<sup>114</sup>



# EU Structural Funds, 2014-2020

€m <sup>1</sup>	2014-20
England	6,937.2
Scotland	894.6
Of which:	
Highlands& Islands	193.0
Rest Of Scotland	701.6
Wales	2,412.5
Of which:	
West Wales & the Valleys	2,005.9
East Wales	406.6
Northern Ireland	513.4
Gibraltar	10.5

Of course, not all structural funds allocated to rural areas

Source: HMG

# Whitehall re-organisation to deliver Brexit

- Department for Exiting the European Union (new)
- Department for International Trade (new)
- Foreign Office (partial reform)
- Department for Business, Energy & Industrial Strategy (partially new)
- Department for International Development (pre-existing)
- Department for Environment, Food & Rural Affairs (pre-existing)
- Cabinet Office (pre-existing)
- Treasury (pre-existing)

# Ministers

- Department for Exiting the European Union
- Department for International Trade
- Foreign Office
- Department for Business, Energy & Ind Str
- Department for International Development
- Department for Environment, Food & Rural
- Cabinet Office
- Treasury

David Davis

Liam Fox

Boris Johnson

Greg Clark

Priti Patel

Andrea Leadsom

PM/David Lidington

Philip Hammond

# Where are we heading?

- David Davis statement, 5.9.16:

We also want to ensure certainty when it comes to public funding. The Chancellor has confirmed that structural and investment fund projects signed before the Autumn Statement and research and innovation projects financed by the European Commission granted before we leave the EU will be [underwritten by the Treasury](#) after we leave.

Agriculture is a vital part of the economy, and the government will match the current level of annual payments that the sector receives through the direct payment scheme until 2020, providing certainty.

In terms of the position of EU nationals in the UK, the Prime Minister has been clear that she is determined to protect the status of EU nationals already living here, and the only circumstances in which that would not be possible is if British citizens' rights in European member states were not protected in return – something that I find hard to imagine.

# But detail is still very limited

- Inter-departmental struggle over which of them does what in relation to Brexit negotiations
- The Prime Minister's visit to the G20 suggested that she will have to do much of the key negotiations
  - Certainly with major countries
- Major investors in the UK have much power, NB: Japan
- Many businesses want continued access to EU single market and freedom of movement
- But, most pro-Brexit ministers and voters want less immigration and would generally sacrifice freedom of movement
- Impacts very different from region to region....
  - Northern Ireland's border; London's dependence on migrant labour;

# Article 50

- The formal, two-year, process of the UK leaving the EU is triggered when the government invokes 'Article 50' of the Lisbon Treaty
- Unless the time-period is extended by the remaining EU countries, this limit is fixed
- Every sector and region within the UK will want to be represented, slowing progress
- UK government is clearly anxious to have a negotiating position in place before triggering Article 50
- But, other countries seem to want to 'get on with it' sooner
- Dispute within the UK as to whether Parliament should have a vote on Article 50
  - or, indeed, other aspects of the Brexit package

# Short-term impacts

- Fall in value of the £
  - Increase in UK tourism, especially in London
  - Increase in overseas purchases of UK firms and London property
  - Possible narrowing in balance of trade gap (but not yet)
- Cut in interest rates; more 'quantitative easing' (printing money)
- Fall in industrial confidence (July) followed by rise (August)
- Apparent rise in attacks/abuse aimed at EU migrants (and others)
- 'Phoney war' period?

# Longer-term impacts

- Likelihood that the UK will strike a different deal with the EU than, say, Norway, Switzerland or Canada
- But inevitability of compromise trade and immigration deals that fall short of what 'leave' voters hoped for
- Many years of civil service expansion and negotiation
- Hard to disentangle Brexit impacts from everything else that is going on
- The full impact of the UK leaving the EU will probably not be known for 20 or 30 years, if ever....



# **Brexit– where have we got to and where are we heading?**

Tony Travers

LSE