

A Concise History of Brexit - What Lessons for Europe?

Miklós Somai

Centre for Economic and Regional Studies
Institute of World Economics, Research Group on European Integration
Address: Tóth Kálmán utca 4, Budapest 1097
Hungary
e-mail: somai.miklos@krtk.mta.hu

Abstract

Although the Brexit process has for a long time been much slower than expected by British voters, with Boris Johnson entering the scene the situation has fundamentally changed: the process has been accelerated and deadlines have been shortened. The narrative is also changing: Brexit itself is no longer necessarily bound to lead the United Kingdom to a catastrophic economic downturn, and not even a relatively peaceful exit can be ruled out. In such a scenario, Member States in a similar position to the British – especially France and Italy, being large net contributors, but also less able than Germany to reap the benefits the EU periphery can provide in the form of either (cheap) labour or markets – may tend to reconsider their situation within the integration. This paper, by presenting the background of and the path to the referendum, as well as the changes in the dynamics of the exit negotiations, could provide lessons for the remaining countries.

Keywords: *Brexit, disintegration, EU budget, EU policies, integration*

JEL Classification: *F02, F13, F15*

1. Introduction

The result of the Brexit referendum has puzzled most analysts. Those who are uncomfortable with criticizing the European Union tend to place the UK-EU relationship in a historical perspective arguing that the British have never been committed to the European project. Hence, it was better for the UK to quit rather than stay on and hinder the other member states in their efforts to deepen and complete the integration. Conversely, critics of the EU and true Eurosceptic Brexit believers (Brexiters) ascribe the outcome of the referendum and the subsequent exit to very specific reasons (i.e. disadvantages of the UK membership), and believe that when Britain is exiting the EU, she is leaving a 'sinking ship'. In our analysis, we try to find the golden mean, in the hope of getting closer to truly understanding the reality.

In our efforts to capture reality, and by putting the issue into historical perspective, we have set ourselves the following goals: to track the changing attitude of the British towards the European integration; identify the factors (both domestic and EU-related) paving the way for the referendum; interpret the results of the vote and the various narratives associated with them; guide the reader through the main stages of the Brexit negotiations by shedding light on their background.

In order to achieve the above goals, we have tried to learn as much as possible from the literature on disintegration, Brexit, and the British EU policy available both in libraries and online, from international conference proceedings (including those of ICEI 2016 and 2018), and from video recordings of the hearings and committee meetings in the British Parliament.

2. History

For a country that, in the 1870s, used to be the world's largest economy, had greater naval power than the other countries combined, and directly controlled a fifth of the Earth's surface, it was normal to be struggling to find its post-imperial role while having gradually been losing nearly all of its overseas possessions, and declining in terms of per capita output and income to be on par with Italy by a hundred years later (Reynolds 2013, p. 1).

To say the least, the British-EU relationship has always been problematic. Due to their history and legal system, so much different from those of the Continent, and based on a specific understanding of national sovereignty, the British have developed a pragmatic and instrumental approach towards Europe – see e.g. their being a driving force for completing the single market, promoting trade policy or the EU enlargement in 2004 (Ronek 2013). They have always seen the integration as an opportunity for economic and commercial cooperation, rather than an ever deeper political project.

2.1 Difficult Beginnings

For about a decade after 1945, their economy was still too strong for the British to let easily go of the imperial past. A closer cooperation with the Continent was feared as something that could undermine the UK's special financial position in the Sterling Area, as well as her trading positions in former colonies. A customs union was seen as a first but irreversible move towards full economic integration with Europe, foreshadowing the erosion of the UK's leading role as a world trading power. Although concepts and theories had been developed whereby people of post-war Western Europe were to be united under British leadership, such plans failed over the then prevailing economic policy paradigm to keep control over tariffs on imports from, and more generally, over trade with the Commonwealth countries, as well as to promote agreement on a freer world trade (Young, 1993).

However, the balance of power was rapidly changing. The signing of the Treaty of Rome (in March 1957) and much faster economic growth achieved in members of the European Economic Community (EEC) than in the UK revealed that, contrary to British expectations, nations of continental Europe were able to commit themselves to long-term economic integration without help or participation from Britain. London feared that the EEC would soon to become more influential and therefore a more valuable partner in the eyes of Washington than the United Kingdom. Hence, some form of British association with the Community was deemed essential (Reynolds, 2013).

By the early 1960s, the British realized it was in their interest to enter the Common Market, but the double French veto (in 1963 and 1967) prevented them from doing so for years. By the time the UK eventually joined the EEC in 1973, its main institutions and common policies (e.g. the commercial and agricultural policies) had already been established by the founding members, with complete disregard for British interests. Worst of all was that Britain entered the integration when the best years of the latter were coming to an end: when “*persistent inflation, strike action and low growth began to dog all Western economies ending the expansion of the 1950s and 1960s.*” (Young 1993, p. 117). In short, the UK's early membership was “*associated with economic dislocation and recession rather than growth*” (Ronek 2013, p. 240). Not to mention the legal consequences of accession, i.e. that by signing the Treaty of Accession and then passing the parliamentary vote on it, the UK accepted the primacy of EU law. This, however, was in conflict with the principle of parliamentary sovereignty, the most important part of the UK constitution (Parliament.uk 2020).

2.2 Path to the Referendum

To question the usefulness of being in the integration dates back to the very beginning of the UK membership. On 5 June 1975, within less than two and a half years following accession, the then new Labour cabinet – after having successfully renegotiated some aspects of the British terms of entry (e.g. the introduction of the Community’s regional policy, a budgetary correction mechanism and market access for New Zealand dairy products) – organised a referendum on whether the UK should stay or leave. On the ballot paper, the question was so worded (i.e. by emphasising the economic (market) nature of the integration) as to encourage a yes vote for pragmatic Britons: “*Do you think the United Kingdom should stay in the European Community (the Common Market)?*” (Watts & Pilkington 2005, p. 227; Parliament.uk 2015). No wonder, the Remain won by 67 percent. Obviously, it would have been different, if the first sentence of the Treaty of Rome referring to “*an ever-closer union among the peoples of Europe*” had been used.

In addition to the continued dissatisfaction with the common agricultural and budgetary policies, the problematic nature of the British membership can also be seen in the fact the UK being the member state with the most exemptions in the EU (e.g. Eurozone, Schengen, justice and home affairs cooperation, or the rebate). Similarly, London was not a signatory to policies strengthening European economic governance like the Fiscal Pact, or agreements on the European stability mechanism, or a key element of Europe's banking union, the Single Resolution Mechanism. All these dissatisfactions and opt-outs – in short, the lack of clearly articulated British EU policy – can be ascribed to three main factors: the overemphasis of the economic benefits at the time of accession which implies that less had been said about political and sovereignty-related consequences; the historical fixation with sovereignty (combined with the adversarial and electoral systems) resulting in deep divisions on the European question within the main political parties; and London’s inability to play by the EU rules of games, i.e. the constant search for occasional allies which gives greater room for manoeuvre to reach the ultimate political goals (Forster 1999).

In the late 1980s and early 1990s, further important nails were placed in the coffin of British membership of the European integration. First, the Factortame Case (decided from March 1989 to November 2000), by giving courts power to restrain while pending trial, and ultimately disobey an Act of Parliament when it was found to be contrary to EU law, helped politicians in the UK fully grasp the power of EU law over parliament. Second, the reunification in 1990 foreshadowed the image of a far too strong German economy, and the breakdown of the balance of power between Paris and Berlin. We consider it right to state that the fate of Europe is largely dependent on Berlin’s engagement. To the extent that Germany tries to assert its influence over EU policy, resentments against the country may increase in the other member states (Webber 2014), like in the UK where a significant part of the elite viscerally rejects “being bossed by” Germans dominating the integration (Lawson 1990). Finally, the Maastricht negotiations, culminating in signing of the Maastricht Treaty in 1992, and the ratification process which lasted until mid-1993 in the UK, did, in spite of the negotiated opt-out from the third phase of the Economic and Monetary Union (EMU), exacerbate the cleavage between the two wings of the ruling Conservative Party: Eurosceptics, worrying about allowing other member states to move towards the monetary union, and Europhiles, wanting to participate in it. The dissension within the party was so sharp that it took over a year for the Maastricht Bill to be ratified, and it only passed when the government made it a confidence issue (Forster 1999, pp. 63, 182).

For the next more than a decade and a half, skepticism seemed to be waning in UK’s European policy, mainly due to the ascension to government of the New Labour under the leadership of

Tony Blair and Gordon Brown. Their governments have made significant concessions to the EU in a number of areas: from 2004 on, they allowed unrestricted access for workers from the new Member States; waived a substantial part of the rebate (€10.5 bn) at the December 2005 summit, closing the multiannual financial framework (MFF 2007-13) negotiations, so as to take due share in the burden of Eastern Enlargement (European Council 2005); and even flirted with the introduction of Euro (see to so-called *five tests*, the criteria defined by the Treasury under Gordon to be used to assess the UK's readiness to join the EMU).

The effect of partial renouncement on the rebate began to be manifest from 2010 onward, the UK becoming the second most important net contributor to the EU budget. Net migration into Britain, intensified (first by the arrival of Poles, and then Romanians) until reaching an all-time record level of 342,000 in 2015. This sort of mass immigration (mostly) into low and medium-skilled work has been a significant fiscal cost for the UK, and this is without even taking into account the other negative effects like overcrowding, increasing waiting lists (for certain types of e.g. public hospital care), and congestion (Migration Watch UK 2019). On the top of all this came the Eurozone crisis, with non-systemic steps taken to save southern banking sector at the expense of northern taxpayers, pressure on narrower monetary and fiscal integration, and economic harmonization possibly leading to gradual federalization of Europe, all of them being utterly unimaginable for the British (Kučerová 2018, p. 870). The above phenomena, combined with the general bad mood caused by the prolonged austerity policy since the onset of the global financial crisis, once more contributed to strengthening, by mid-2010s, the old British Euroscepticism in both the country and within the ruling Conservative Party. Successes of the UK Independence Party (UKIP) at the 2013 local elections (third place), and particularly at the 2014 European elections – the first time a political party other than Labour or Conservative had won a popular vote since 1906 – played a significant role in launching the 2016 EU referendum.

2.3 Results, Analyses, Narratives

The idea of holding an in-out referendum about the UK's membership in the EU was first mentioned on 23 January 2013 in a speech at Bloomberg made by then Prime Minister David Cameron. Two years later, the promise was confirmed in the Conservative Party manifesto for the 2015 general election, and linked to another one, a new arrangement for the UK in the EU to be negotiated before the referendum. But the negotiations, which took place at the end of 2015 and early 2016, resulted in very limited changes in the UK's status, partly due to only reaffirming the validity of some already existing opt-outs, partly due to the temporary nature of the new ones – e.g. restrictions on access to the British welfare system for new EU migrants (HM Government 2016). While, according to the Electoral Commission, rival Remain and Leave campaigners raised similar sum of money (as there were stringent spending limits established), the government did not leave the referendum's outcome to chance and spent over £9 million to deliver leaflets to every household in the UK, setting out the case for remaining in the EU (BBC 2016a).

On 23 June 2016, to the question posed to the electorate: “*Should the United Kingdom remain a member of the European Union or leave the European Union?*” 51.9% of the voters responded negatively. Out of the four regions making up the United Kingdom, people of England and Wales chose to leave, while those in Scotland and Northern Ireland voted to stay in the EU. Without going deep into the details, there are three phenomena worth mentioning in the context of the referendum. First, as no comprehensive exit poll was conducted by big broadcasters, conclusions whereby rural, elderly and non-skilled voters were to blame for Brexit, lack any scientific basis. However, there are more sophisticated estimates, too. One of

them, for example, find that in areas with historical dependence on manufacturing, as well as deprivation in terms of education, income and employment were more likely to vote Leave. It is also stated that a higher turnout of young adults, allegedly more likely to vote Remain, would not have overturned the result (Becker et al. 2017).

Second, lots of the studies on the economic consequences of Brexit, including those published by the Treasury, predict very dark future for the British economy. However, this is often due to incorrect method, or the extremely conservative assumptions put into the econometric models concerning the effects of new free trade agreements on the UK GDP (Minford 2019). Third, the standard narratives, developed on Brexit, are deceptive: to call it soft or hard is misleading. The only sensible option is a clean Brexit, meaning to leave the single market and the customs union, and regain control over borders (immigration), money (budgetary contribution) and laws. Any other option leads to a messy Brexit whereby the UK remains tied to decisions in which she would have no say any more (Halligan & Lyons 2018, pp. 19-22).

3. Negotiations

On the day following the referendum, when the results became known, Cameron announced his resignation, but stayed in office until the new leader, Theresa May who had campaigned to remain, took over as prime minister on 13 July 2016. Soon, it is suggested that the UK would relinquish the Council presidency, scheduled for the second half of 2017. The first weeks are spent setting up two new ministries, Departments for exiting the European Union (DExEU) and for international trade (DIT), and providing them with the necessary staff. Round tables with key stakeholders in a series of sectors also begin. In early December, a vote in the Commons on respecting the outcome of the referendum is passed by a 6 to 1 majority.

The UK's strategy for exit is ready by the beginning of 2017, first revealed in May's so-called Lancaster House speech on 17 January, and then published as the government's White Paper on 2 February. The plan includes 12 priorities, of which strengthening the Union (the UK), protecting historic ties with Ireland, as well as the rights for both citizens and workers, controlling immigration, ensuring free trade with the EU, securing trade agreements with third countries, and remaining the best place for science and innovation. On 29 March 2017, the Prime Minister's letter about the UK's intention to leave the EU is handed over to European Council President Donald Tusk, thus triggering the negotiation process under Article 50.

Negotiations between the UK and the EU starts on 19 June 2017, only after that the early general election, initiated to give the Conservative government a stronger mandate to negotiate their Brexit strategy, results in a hung parliament. Conservative minority government is upheld by receiving the backing (i.e. a confidence-and-supply support) from the Democratic Unionist Party (DUP), a small party in Northern Ireland favouring British identity. Negotiating rounds, initially organised once every 4 weeks, consist of plenary sessions and negotiating group meetings. Negotiating groups have been established on citizen's right, financial settlements and other separation issues. In addition a dialogue on Ireland/Northern Ireland has been launched. On 22 September 2017, in her so-called Florence speech, the possibility of a transition period after the UK formally leaves the EU appears. In early December 2017, the negotiating parties publish a Joint Report on progress during Phase 1. This concludes Phase 1 of the negotiations, and the UK and the EU agree to move to talks on transition and the framework for future relations in Phase 2 from January 2018 on.

In late February 2018, the Commission publishes the Draft Withdrawal Agreement which translates into legal terms the Joint Report. On 19 March, an amended version is published which includes agreed legal text for the implementation (i.e. transition) period, citizens' rights,

and the financial settlement, as well as a significant number of other articles on separation issues. Certain topics, however, in particular that of the Irish border and the dispute settlement mechanism, have not yet been resolved.

On 26 June 2018, the European Union (Withdrawal) Bill, commonly referred to as the ‘Great Repeal Bill’ becomes law. The Act which came fully into force on Friday 31 January 2020, repeals the 1972 European Communities Act, provides legal continuity by the transposition of directly-applicable already-existing EU law into UK law, and so creates a new category of domestic law for the UK: retained EU law. Also, it creates the powers for parliament to make secondary legislation. Once EU law has been converted into domestic law, parliament will be able to pass legislation to amend, repeal or improve any piece of EU law that are no longer relevant (Palkovská 2018, p. 283).

On 6 July 2018, the May government meets at Chequers to agree a collective position on the future relationship for the upcoming negotiations with the EU, to be published as a White Paper a week later. On 8 July, Brexit Secretary David Davis resigns, followed shortly by Boris Johnson, the then Foreign Secretary, and several other ministers. The main reason behind is that the government document makes too many concessions to the EU on trade in products – especially it commits to ongoing harmonisation with EU rules on goods, state aids, and Customs Code, also implying the Court of Justice of the EU (CJEU) to be the final arbiter in disputes over the interpretation of EU law – while it contents itself with a lower-than-earlier level of market access for services. In mid-November, the UK and the EU reach an agreement in principle on the Withdrawal Agreement, establishing the terms of the UK’s departure on 29 March 2019, after which Brexit Secretary Dominic Raab, and several other ministers resign. A difficult period begins when, based on the Attorney General’s successive legal advices on the so-called Irish backstop – an insurance policy which would be triggered if the UK and the EU fail to agree a deal on future trade by the end of the transition period and could trap the UK in the EU’s customs union indefinitely – the Commons rejects three times (on 15 January, 12 and 29 March 2019) the withdrawal treaty negotiated by Prime Minister Theresa May. The UK’s exit date is postponed several times. As a consequence, the UK must take part in the elections to the European Parliament on 23-26 May 2019, in which the newly-established Brexit Party came first, winning 31.6% of the popular vote, three and a half times more than the Conservative Party (BBC 2019). In order to save the latter from collapse due to their incompetence over Brexit, Boris Johnson replaces Theresa May as Prime Minister on 24 July 2019. Although his new pro-Brexit team is able to renegotiate the Withdrawal Treaty, successfully modify the Irish Protocol, and also improve the wording of the Political Declaration (the other part of the Brexit package dealing with future relationship between the UK and the EU), in the extremely divided, indecisive Commons it is impossible to ratify the negotiated documents. It only becomes possible, when the General Election of 12 December 2019 results in a comfortable Conservative Party majority. Finally, on 31 January 2020, the United Kingdom formally ends its membership in the European Union.

4. Conclusion

The structure of the negotiations, the selection of topics to be first discussed, the building of narratives that media could then pick up and disseminate, the Commission’s inflexibility to make concessions to the May government, the incorporation of the Irish question into the debate, all this have contributed to the fact that criticisms about the European Union proved to be justified in the eye of a significant part of the British society, ever more determined to quit. Against this background, the future of the EU depends to a large extent on the ability to draw the right lessons from the Brexit process and find the best ways forward.

The first and most important lesson is that the UK's EU membership has been problematic from the very start. Due to delayed accession, the British interests could not appear in the shaping of the basic structure (institutions, policies) of the European cooperation. Moreover, since the reunification of Germany, those features of the integration that had once made it attractive to the British (free trade, common market) have been fading away, and the EU has gradually developed into being more of a political project.

In addition, it was a mistake on the part of the British (notably the Conservative Party), in the aftermath of the referendum, to nominate and elect as prime minister a Remainer (Theresa May) – i.e. somebody who had campaigned to remain in the EU –, whose poor negotiating strategy led to mass resignations of ministers and record government defeats in parliamentary votes. The withdrawal process took a positive turn only after the advent of Boris Johnson as Prime Minister, respecting the referendum results, believing in Brexit, and acting accordingly.

Finally, it was a mistake on the part of the EU to exploit (and even exacerbate) the weakness of the May government – not only by repeatedly humiliating the Prime Minister, but more importantly, by trying to impose absolutely unacceptable terms on the UK on the basis of the principle of "no cherry picking".

The above lessons also define the direction for further research. The Brexit process did not end on 31 January 2020. On the next day, the transition period during which the UK is to negotiate a future relationship with the EU began. As it stands today, it is due to run until the end of 2020. Keeping track of and monitoring these negotiations may reveal if the parties have learnt from the mistakes of the withdrawal process. Brexit is no longer about whether it is worth leaving the EU, but about restoring democracy. For the sake of both the UK and the EU, the best would be to compromise on a real, mutually advantageous future trade deal.

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