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INTRODUCTION

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Introduction

The British referendum on continuing membership of the European Union (EU) in June 2016 represented a turning point in the relationship between the United Kingdom (UK) and the EU. The result – a 51.9% to 48.1% victory for Leave voters on a high turnout of 72.2% – was accepted by Prime Minister David Cameron as a defeat; he resigned. In March 2017, the British government under Prime Minister Theresa May invoked Article 50 of the Treaty on European Union, officially beginning the negotiations of UK withdrawal from the EU – the Brexit process. The economic and political effects of Brexit will be far-reaching for the UK and the EU and warrant scholarly examination. This collection has two main aims: to investigate the implications of Brexit for the EU and the UK, placing this assessment in the context of the long-term evolution of UK-EU relations; and to draw some lessons from it, relating these findings to debates within the literature on EU policy-making, comparative politics and political economy.

Brexit raises a set of important questions addressed by this collection: (i) what are the repercussions of Brexit for the EU, to be precise its policies, the relations between member states and the domestic contestation of the EU? (ii) what are the consequence of Brexit for the UK, specifically for British politics and the British economy? (iii) What are the implication of Brexit for theories of EU integration? The papers address these questions. The material is organized into two parts. The first explores the implications of Brexit for key policy areas, namely the single market, finance and migration. The policies selected are those in which the consequences of Brexit are likely to be most significant because they are linked to the 'four freedoms' in the Single Market. The second part explores important 'horizontal' or thematic issues, namely lessons from Brexit for theories of integration, the balance of power in the EU amongst the main member states post-Brexit, the evolution of the domestic political contestation in the EU, and the impact of Brexit on domestic politics in the UK.

In this short introductory essay, we first provide an understanding of the background to Brexit. We then discuss the dynamics of the Brexit

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negotiations, and finally present the main findings of the papers, teasing out some common themes. Two main caveats are in order. First, for reasons of space, there are important policy areas that are not included in this collection, such as trade and foreign policy. The negotiations on the future relations between the UK and the EU in these policy areas have barely started; hence assessment would be premature. Second, some assessments put forward in the contributions can only be provisional and will partly depend on the final deal agreed by the UK and the EU. However, the trends and challenges highlighted by the various contributions will influence the course of the Brexit negotiations, their final outcome and UK-EU relations after Brexit.

Understanding the background to Brexit

The UK's relationship with European integration has been turbulent. The UK government refused to engage with the 1950 Schuman Declaration for integration of the coal and steel industries. In November 1955 it withdrew from the Spaak Committee preparing the eventual European Economic Community. Britain considered itself a world power and Europe only one of its spheres of influence. Prime Minister Harold Macmillan's effort to undertake a post-Suez policy shift by applying for membership of the European Communities (EC) failed in cabinet due to ministerial divisions (Tratt 1996: 123–7). When it was presented to cabinet again in April 1961 – after a re-shuffle – it succeeded (Tratt 1996: 168–80). However, the French President, Charles de Gaulle, rejected the application in January 1963. While accession negotiations had been under way in Brussels the Labour leader, Hugh Gaitskell, declared his opposition at the October 1962 party conference. Membership would mean 'the end of Britain as an independent state' and 'the end of a thousand years of British history' (Young 1998: 163). Hugo Young (1998: 161) dubbed Gaitskell the first 'Euro-sceptic'. These events set the tone for what followed.

Some of the challenges in the UK-EU relationship have come from the EU itself: the two rejections of membership by de Gaulle (in 1963 and 1965); the policy 'misfits' that the European budgetary system and the Common Agricultural Policy presented for the UK; and the other member states developing policies at odds with UK government preferences, resulting in the need for various policy opt-outs. Other clashes have come from a kind of mutual misunderstanding or conflicting values: successive UK governments' failure to come to terms with integration as a political project; the repeated attraction of Atlanticist options rather than EU ones; and an adversarial approach to EU diplomacy rather than alliance-building with EU partners. However, it has been the controversy within British politics that has been especially persistent.

Divisions between and within parties, exacerbated by adversarial politics within Westminster, have been an enduring feature. Appeals to maintaining

national (i.e., external) sovereignty and (internal) parliamentary sovereignty have been recurrent themes in British political rhetoric on European integration. It has been rare that political elites have had the opportunity to demonstrate EU benefits and much more frequent that the EU has been a matter of controversy. Just as Mrs Thatcher's government had successfully advocated neoliberal policies in the EU as a protagonist of the Single Market in the mid-1980s, she developed a more hostile position to integration in light of EU spillover towards monetary union and social policy in the 1988 Bruges speech (Thatcher 1988). Prime Minister Blair's efforts at a step-change in the UK's relationship with the EU was not without achievement but the expected charm offensive on public opinion never occurred because it was to be linked with the prospect of joining the single currency: a step never taken.

The European issue's persistence has been due to several competing and evolving views of Britain and its relationship with Europe (Bulmer and James 2018). In the early years a conservative appeal to Britain's global and Commonwealth relations introduced one basis of opposition to membership. More recently, this conservative position evolved into a more populist Euroscepticism with its origins in Mrs Thatcher's Bruges speech and the divisions that opened up with the Maastricht Treaty. In particular, the UK's September 1992 exit from the Exchange-Rate Mechanism – called 'the first Brexit' by Keegan et al. (2017) – reinforced this emergent cleavage within the Conservative Party. The United Kingdom Independence Party (UKIP) became the outriders of this national-conservative position.

The economic benefits of integration formed much of the original vision of a centre-right 'trading' vision of integration: one espoused by Conservative prime ministers Macmillan and Heath. This perspective was solidified by Mrs Thatcher's efforts to export ideas of liberalization to the EU via the Single Market. However, the Conservative divisions following the Bruges speech (above) have been compounded by splits within this neoliberal view of the EU. Some politicians call for a 'global Britain' because the EU is deemed an obstacle to liberal trade.

On the left of the party spectrum the debates of the 1970s and 1980s concerned whether economic and social welfare could best be delivered inside or outside the EC/EU. This conundrum split Labour when it entered government in 1974. They could only be resolved after re-negotiating the terms of membership. The subsequent 1975 referendum, at which 67% voted to stay in the EC, helped paper over intra-party divisions. Those preferring the national route took a dominant role in the Labour Party for much of the 1980s (withdrawal was party policy from 1980 to 1987/88). That current party leader, Jeremy Corbyn, was in the 'national' camp, whereas many of his MPs from the Blairite generation followed a pro-EU approach to economic and social welfare, explains the party's travails from the 1975 referendum to the present.

These evolving divisions offer some explanation to the lead-in to the referendum. The 2010–15 coalition government combined the Liberal Democrats, the most consistently pro-European party, with the post-Maastricht, more Euro-sceptic version of the Conservative Party. European policy dissent was rife. From these divisions and electoral concerns about the rise of UKIP came David Cameron's Bloomberg speech (2015), in which he set out his vision for the UK, argued for a new settlement with the EU and promised a referendum thereafter. After his re-election in May 2015, he had to operationalize the promises. Re-negotiations culminated in a European Council agreement in February 2016. To many of his backbenchers and key parts of the print media, the achievements were underwhelming. This judgement set the tone for a referendum campaign during which his own party was divided, while Jeremy Corbyn's commitment to remaining in the EU seemed un-enthusiastic.

Delivering Brexit was the challenge for incoming Prime Minister Theresa May. She has found herself confronted with a two-level game. On one level she has to find agreement with EU partners around a set of principles laid out in her speeches (below). Yet she also has to manage the continuing divisions outlined above that run right through the heart of her party. That she has to rely on the support of Northern Ireland's Democratic Unionist Party (DUP) has weakened her position further and adds complexity to the question of the Irish border. Indeed it exacerbates a further domestic dimension, namely territoriality, for voters in Scotland, Northern Ireland and London voted to remain in the EU.

The dynamics of the Brexit negotiations

In the wake of the referendum Theresa May calculated that she had to make a clear break from the EU to secure the support of her Eurosceptic backbenchers. She interpreted the referendum result as a clear signal that voters wanted the government to control EU immigration, suggesting a so-called 'hard' Brexit, which would leave the UK outside the single market and the customs union.

In her January 2017 speech at Lancaster House, the Prime Minister (May 2017a) outlined the government's negotiating objectives for Brexit. The speech ruled out membership of the single market and customs union, calling instead for a 'Global Britain' to strike a free trade deal with the EU and new trade agreements with other countries. Other important objectives for the government were to: take back control of immigration and British laws; end the jurisdiction of the European Court of Justice; avoid a 'hard border' with Ireland; and guarantee the rights of EU citizens living in Britain, and the rights of British nationals in other member states. In February 2017, the UK government (2017) issued a White Paper that further elaborated the points made in the Lancaster House Speech. In March 2017, the UK government invoked Article 50 and the negotiations on withdrawal began.

The EU negotiating guidelines adopted formally by the European Council (2017) in April 2017 outlined the 'core principles' for the negotiations and called for a 'phased approach'. The guidelines made clear that 'a non-member of the Union, that does not live up to the same obligations as a member, cannot have the same rights and enjoy the same benefits as a member' and that the four freedoms of the Single Market were indivisible, thus there could be no 'cherry picking'. The document also argued that negotiations should be divided into two phases: the first concerning the terms of exit and the second concerning the future of UK-EU relations. The second phase would start after 'sufficient progress' had been made in the first phase. Finally, the EU made clear that there would be no separate negotiations between individual member states and the UK.

In the same month, the European Parliament (which has the power of assent concerning the agreements on withdrawal and future UK-EU relations) endorsed the core principles and the phased approach outlined by the European Council. The EP (2017) reaffirmed that 'membership of the internal market and the customs union entails acceptance of the four freedoms, the jurisdiction of the Court of Justice of the European Union, general budgetary contributions and adherence to the European Union's common commercial policy'. It stressed the obligations concerning the UK's budgetary contributions and the treatment of EU nationals living in the UK. Finally, it warned against 'any bilateral arrangement' between one or several member states and the UK in the areas of EU competence.

In the first stage of Brexit negotiations, the main issues discussed were: (i) the UK's contribution to the EU budget, the winding down of spending programmes in the UK and the division of assets and pension liabilities; (ii) the acquired rights, healthcare and other social obligations for EU nationals living in UK, and UK nationals living in EU, (iii) border arrangements concerning Northern Ireland and Gibraltar.

Prime Minister May's gamble on a general election (June 2017), supposedly to strengthen her negotiating hand, backfired for the Conservative Party and resulted in the need for the DUP's parliamentary support to maintain a working majority. The Conservatives' alienation of some Remain voters was one of many factors in the election result. The government's Brexit vision became more ambiguous due to the Conservative Party's division and parliamentary difficulties. Chancellor of the Exchequer Phillip Hammond called for the need to maintain access to the Single Market, suggesting some backtracking on the 'clean break' with the EU. Other ministers insisted on existing policy.

In September 2017, approaching the most critical step of the first phase of the negotiations, May (2017b) gave a speech in Florence, pledging to honour the financial commitments that the UK made during the period of membership; offering to write legal protections for EU citizens living in the UK into

the actual exit treaty; accepting a role for the ECJ in settling rights disputes; recognizing the importance of the issue of the Irish border; and calling for a transition period of about two years. May also sought to link security and defence to the 'deal' with the EU.

In December 2017, the EU and the UK issued a joint statement (2017) concerning an agreement on the key issues discussed in the first phase of the negotiations. First, the protection of the rights of EU citizens in the UK and UK citizens in the EU was guaranteed to those who exercised free movement rights by the date of withdrawal. Second, both parties reiterated their commitment to avoid a hard border in Ireland. The UK's intention was to achieve this objective through the 'overall EU-UK relationship'. In the absence of agreed solutions, the UK committed to 'maintain full alignment with those rules of the Internal Market and the Customs Union which, now or in the future, support North–South cooperation'. Third, both parties agreed on a methodology to calculate the financial settlement (i.e., the 'divorce bill'), but specific numbers were not spelled out in the document.

The negotiations were deemed to have made sufficient progress to move ahead with the second stage concerning future relations between the UK and the EU. Specifically, the issues to be discussed were: the terms of any free trade/customs agreement between the UK and the EU; and the transition period. Agreement on the latter was agreed in March 2018 such that the transition will last from 'Brexit day' (29 March 2019) till the end of December 2020. The UK has had to concede free movement of people and continued jurisdiction of the ECJ during this period but there will be no 'cliff-edge' on Brexit day regarding UK-EU trade. This agreement followed a speech by May (2018), in which she showed greater realism about UK negotiating objectives. No definitive agreement had been reached at this stage on the thorny issue of the Irish border with Northern Ireland.

Future relations concerning foreign and security policy as well as police cooperation remain under negotiation. The UK government has called for a deep and comprehensive free trade agreement with the EU, building on, but moving beyond, the EU–Canada free trade agreement, namely a 'Canada, plus, plus, plus' agreement, which would include services, especially financial services. Agreement on these issues will take time and goes beyond our time-frame.

Overview of the papers

The first three papers of this collection discuss the implications of Brexit for key EU policies: the single market, finance and immigration. Armstrong (2018) asks to what extent the UK regulatory policy will align with, or diverge from EU policy after Brexit, especially in the medium and long term. He teases out three modes of governance – hierarchy, markets, networks/

community – and argues that the dynamics of regulatory divergence/alignment between the UK and the EU will be a function of these modes. The paper also considers the mediating influence of the global regulatory context in which both the UK and EU are situated. This paper speaks to the literature on Europeanisation, in general, and the EU's external governance, in particular.

Howarth and Quaglia (2018) analyse the policy developments concerning the Single Market in finance in the context of Brexit. Theoretically, they engage with two bodies of political economy work that make contrasting predictions concerning the Brexit negotiations on finance: the 'battle' amongst member state systems and the transnational financial networks literatures. Empirically, they find limited evidence of the formation of cross-national alliances in favour of the UK retaining broad access to the Single Market in financial services. By contrast, the main financial centres in the EU and their national authorities competed to lure financial business away from the United Kingdom. For these reasons the chances of a special deal for the City are slim.

Dennison and Geddes (2018) address the questions of how the debate on 'immigration' influenced Brexit and what are the likely parameters for a post-Brexit regime covering EU citizens and migrants from non-EU member states. They provide a post-functionalist account of migration governance in the context of Brexit, discussing three main components: first, the politicisation of immigration marked by increased issue salience; second, the importance of public opinion preferences rather than those of concentrated interests, such as the business community; and, third, identity-related concerns. They conclude that the referendum exposed the debate about immigration to wider public scrutiny and, by doing so, 'raised more profound questions about the future shape of the British economy and the political model necessary to sustain it'.

Schimmelfennig (2018) examines the process of differentiated disintegration, meaning the selective reduction of a member state's level and scope of integration, triggered by Brexit. The paper argues that a postfunctionalist explanation of differentiated integration also explains the dynamics of disintegration. Thus, Brexit was enabled by integration effects challenging self-determination (immigration), the rise of a Eurosceptic party (UKIP), and the availability of referendums. However, the institutional and material bargaining power of states demanding disintegration is considerably lower than of states demanding opt-outs in the context of integration negotiations. Consequently, the expectation is that 'demanders of disintegration moderate their demands and make concessions to the EU' during negotiations.

Krotz and Schild (2018) examine the implications of Brexit for the Franco-German alliance in the EU, and on the two states' relative influence in this bilateral relationship and in the EU at large. In doing so, this contribution

also assesses Brexit's implications for the EU's future trajectory. The authors outline three basic future scenarios for the EU: German hegemony; the disintegration of the European project; or a rejuvenated Franco-German relationship as the EU's engine. The outcome will partly depend on the strengthening of Germany's relative standing and France's ability to reform its economy.

Taggart and Szczerbiak (2018) examine the link between the recent EU crises and the development of party-based Euroscepticism across Europe. They identify four main frames through which the EU is contested at the domestic level: economic factors, immigration, democracy/sovereignty and national factors. Their main findings suggest that the sovereign debt crisis in the euro area had powerful a effect in the party systems of those countries most affected by the bailout packages in the euro area periphery and the migration crisis had a strong effect on party politics in the post-communist states of central Europe. By contrast, Brexit has had a very limited impact on national party politics in the EU-27 so far.

Finally, Gamble (2018) explores the pathologies of British politics in the Brexit era. 'Taking back control' and unraveling over 40 years of Europeanisation is more easily said than delivered. However, what is clear is that the EU referendum has brought about a rise of populism, some re-alignment of political parties, de-stabilised the territorial integrity of the UK and raised questions about the future of its foreign policy. Depending on the terms of Brexit, it may bring about significant economic change, too. The referendum vote is therefore having a substantial impact on British politics and political economy.

Conclusion and outlook

The UK's Brexit negotiations come at a challenging time for the EU. The Eurozone and migration crises have not reached definitive resolution. The 'rule of law' challenges in Hungary and Poland pose questions around the EU's core values. The rise of populist Euro-scepticism has arguably made the EU and its policies more politicized than ever before. President Donald Trump is threatening trade sanctions. In different ways he and Russian counterpart President Putin are challenging the view of the international order that the EU represents.

60 years after signature of the Treaty of Rome the European Commission (2017) launched a White Paper on the EU's post-Brexit future. French President Macron has responded and efforts at Franco-German initiatives are under way following Angela Merkel's re-election as chancellor for a fourth term. The UK's departure may remove one semi-detached member from the EU but Brexit is but one of several challenges to EU governance and integration that will be under scrutiny from EU scholars over the coming months and years.

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Disclosure statement

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Simon Bulmer is Professor of European Politics at the University of Sheffield.

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