1. Introduction: the politics and economics of Brexit

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1.1 BREXIT MEANS WITHDRAWAL FROM THE EU, YET THE UK WAS DITHERING

It was only after the 12 December 2019 parliamentary elections that it became clear that the United Kingdom (UK) was to finally leave the European Union (EU). By giving a clear majority to the Conservative party, which had campaigned on the slogan ‘get Brexit done’ and in favour of leaving with a (the renegotiated) withdrawal agreement by the end of January 2020 (ten months after the original Brexit day), Brexit looked all but assured, after the UK had been seen dithering over its departure from the EU since the referendum vote against its EU membership on 23 June 2016.

The UK had created a *fait accompli* when it invoked the Union’s exit provisions (Article 50 of the Treaty on European Union, TEU) on 29 March 2017, having embarked on an EU membership referendum in June 2016, which resulted in a majority for ‘leave’ (52 per cent, versus 48 per cent in favour of remaining).¹ It meant that the UK set the clock ticking down towards the two-year time limit within which it had to institutionally extricate itself from and settle withdrawal issues with the EU. The UK had thus set itself on course to, by default, become a third country to the EU by 30 March 2019 at the latest. Past that time limit, the departing country’s EU membership should have ended, irrespective of whether any withdrawal agreement had been reached and ratified.

However, the UK formally requested and was granted, with the unanimity of its (former) fellow EU members (EU-27), successive extensions to the withdrawal period. The first extension was until either 22 May, subject to British MPs approving the Withdrawal Treaty reached with the EU, or failing that until 12 April 2019. The second extension, after MPs had rejected the withdrawal agreement for the third time, was granted until 1 June 2019 if the UK had not held European Parliament elections, or otherwise 31 October

2019. The third Article 50 extension until 31 January 2020 was forced on the government by parliament and immediately accepted by the EU. The Court of Justice of the European Union (CJEU) clarified that, during any extension period, the UK was legally still a full EU member and as such entitled to – unilaterally and definitely – revoke its exit notification if it wished to do so.² In theory, the postponement of Brexit had left all outcomes still on the table – the UK could leave the EU in a disorderly fashion (‘no-deal Brexit’), or leave with the agreed withdrawal treaty in an orderly way, or even revoke Article 50, but it also created uncertainty and at best pushed back difficult choices.

Note that a ratified withdrawal treaty is only a first step towards, but importantly also a pre-condition for, any successive negotiations of the post-Brexit future bilateral (trade and wider) EU–UK relationship. Although part of the withdrawal agreement, the political declaration on the future relationship, unlike the withdrawal treaty, is non-binding in nature, it affirms that the EU cannot negotiate, and even less conclude, any international treaty (other than a withdrawal treaty) with a country while it is still a member state.

It was widely anticipated that the withdrawal negotiations would be the more straightforward and the comparatively easy part of the Brexit process, including ratification of the withdrawal treaty, as they require only a qualified majority of EU member states plus European Parliament (EP) consent. The negotiations of the details of the future (trade) relationship were expected to be much more complex and very likely lengthy and drawn-out, and ratification *a priori* more difficult, as it requires unanimous approval in the Council as well as ratification at the national and sometimes regional level (the future trade agreement likely being a mixed agreement in terms of competences), in addition to EP consent.

However, it was for the UK that withdrawal from the EU proved tortuous, and ratification of the withdrawal treaty became blocked. To start with, somewhat surprisingly, in the withdrawal negotiations it was not a UK united by Brexit purpose and behind Brexit positions that confronted a disunited EU. Rather, the EU presented itself remarkably united behind its chief Brexit negotiator (Michel Barnier) and in its stance, with respect to the UK government’s positions.³ In fact, the EU stood firm in the defence of EU principles (although it could also be argued that it made things unnecessarily difficult for the UK government led by Theresa May, by attaching too many conditions to the withdrawal agreement that could have been dealt with at a later stage)⁴ and was consistent and transparent throughout in its approach. It had to come to terms with a UK government unable to formulate and create a consensus around withdrawal negotiating positions and even less capable of making a choice on the kind of future relationship it aimed at with the Union post-Brexit. The EU side faced a UK perceived as mostly negotiating with itself. On top of that, in the House of Commons, a majority to ratify the withdrawal agreement was not

forthcoming; in fact, there were no positive majorities forthcoming *for* anything but only *against*. The UK government attempted to let the process go to the wire time-wise, in the hope of securing last-minute majorities in parliament to achieve ratification of the negotiated withdrawal agreement in the face of an imminent no-deal scenario (also called ‘cliff-edge’, as without a withdrawal treaty in place there would be no transition period and departure would be abrupt).⁵ As it happened, the EU (and the world) came to watch the unfolding of events (and their tweaks and turns) in the UK with incredulity and concern (and some degree of amusement).

The UK’s tortuous divorce illustrated the extent to which the UK polity – in spite of the country having been a member of the club since 1973 – still failed to understand how the Union works and what motivates it. It also showed the country’s failure to grasp its diminished bargaining power as a departing member vis-à-vis the EU-27 and as a soon-to-be third country to the bloc, thrown back into dealing with the rest of the world on intergovernmental terms but without the supporting weight of the EU.

It is telling that it had taken the UK government until very late in the withdrawal process (December 2018) to accept the reality set out in the withdrawal treaty, which protects EU interests while respecting the red lines that the UK government had set out in the negotiations. Drawn up by UK negotiators and the EU negotiation team from the European Commission, the withdrawal treaty settles withdrawal-relevant issues (from citizens’ rights, the financial settlement, the Irish border question,⁶ to governance) and, upon the UK’s request, also included a 21-month transition period that would preserve the UK’s status quo post-Brexit until the end of 2020.

The UK government had agreed the withdrawal treaty but had not assured sufficient backing for its ratification in the national parliament, the House of Commons. Against that background, it did a notable volte-face, disowning its own proposal (and commitment) for ensuring the continued absence of a hard border in Ireland post-Brexit (the EU had conceded a UK-wide backstop rather than a Northern Ireland-specific backstop, its preferred solution), demanding that the EU either give it a unilateral exit clause to the backstop or a time limit on it. However, this was not acceptable to the EU, as in both cases the backstop would lose its insurance function.⁷ There was a stalemate in the UK parliament, which could neither muster a majority for ratifying the withdrawal treaty (referred to somewhat erroneously as the ‘deal’, which suggests a trade deal that by definition it is not), defeated in fact by a large margin, nor for any realistic and workable alternative.

The UK government then allowed the process to drag on as long as possible in the hope that the prospect of and damages associated with an imminent cliff-edge scenario would encourage Conservative members of parliament and a sufficient number of opposition MPs to back its withdrawal treaty. It could

also still have harboured the aim of eliminating the provisions relating to the continued application of workers' rights and environmental protection legislation after Brexit, which were included in the withdrawal agreement negotiated by Theresa May. This eventually happened in the withdrawal deal renegotiated by Boris Johnson. Still, the generosity of any free trade agreement that the UK will get from the EU will depend on its alignment with EU standards.

On their part, UK MPs largely tried to postpone having to make a choice, notably proposing (i) votes against a 'no deal' (the default scenario if parliament had not made a choice that led to the ratification of the withdrawal agreement, and hence nonsensical), (ii) an extension to the Article 50 withdrawal period (requiring unanimous EU-27 agreement and thus always likely to come with conditions attached) and (iii) calling on the people to decide (a re-run of the 2016 referendum, presumably with the UK also extending its permanence in the EU). Interestingly, it was taken for granted that the EU-27, especially the EU Council presidency, would accommodate UK internal squabbles and cooperate.

As for the EU, it appeared firm in the negotiations, stating that the withdrawal treaty would not be reopened (presenting it as a take-it or leave-it decision for the UK), although the EU declared (i) that it was open to changes to the (non-binding) political declaration on the future relationship under certain circumstances (especially if it was to become more ambitious), and (ii) that without a ratified withdrawal treaty there was no transition period, but that it could (albeit reluctantly) under certain conditions contemplate a UK request for a limited extension of the withdrawal period.⁸ However, in the event, that limited extension was transformed into not one but three consecutive extensions. The last extension was given for the period requested by parliament, against the will of the government (the prime minister did not even sign the request he was obliged to write) and despite the fact that there were no new facts that would justify it, except Brexit politics on the part of the EU. In fact, some prominent European actors sounded very much in tune with anti-Brexit forces in the UK, favouring the cancellation of the result of the 2016 referendum.⁹

However, a focus on the UK (or the Isles) only, understandable on the part of UK (or Irish) polity, tends to conceal the fact that the EU was putting its future at risk by allowing all successive extensions of Article 50. Some may call this position naive; others may ascribe it to a well-constructed strategy of some in the Union joining forces with 'remainers' in the UK to reverse the country's democratic decision(s) to leave the EU. (Leaving had effectively been confirmed on three occasions: the result of the 2016 referendum, the 2017 parliamentary elections and parliament's decision to invoke Article 50 and leave the EU, with or without a deal, by 29 March 2019.)

What the Brexit process did lay bare in our view are some serious misconceptions on the part of the UK (George, 1998). First and foremost, they concern the nature, motivations and functioning of the European Union and the UK's role in it, well-illustrated by the UK's failure to conduct the withdrawal process, even in the early stages of 2017,¹⁰ but there is a longer history to be considered (Davies, 2007). Furthermore, in its relationship with the Union – past, present and future – the UK has faced trade-offs while a member, which will not disappear after its departure. On the contrary, the country will have to make a choice post-Brexit between available economic benefits and national sovereignty, so that a preference for sovereignty repatriation implies lower economic benefits (Bongardt and Torres, 2016). In the UK discussion, that trade-off and implications for single market access have tended to be pushed aside. Rather, reference is made rather simplistically to a 'soft' or 'hard' Brexit, translating into staying closer to the EU and its single market, which is by far the UK's largest market, or privileging trade with the rest of the world ('Global Britain').

However, underlying the form that Brexit takes is a hard choice that needs to be made, incidentally present in both the UK's attraction to, and its unease with, the European integration project since the beginning, namely, that the economic benefits that the UK has enjoyed (and became accustomed to) as an EU member came with sovereignty costs (the need to coordinate actions with other member states) and that post-Brexit, in future trade agreements, any UK preference for more sovereignty also means less benefits. The fact that the UK has enjoyed the best of 'deals' as a member of the Union – in fact having been allowed to cherry-pick EU policies and enjoying significant influence – does not help, as any alternatives that are on offer for the UK–EU relationship once it is a third country to the Union look less attractive for the UK (but not necessarily for the EU).

The UK polity attempted to not have to confront the choices that withdrawal brought with it (including refusing to recognize the differences between, and implications of, a withdrawal agreement and a future trade relationship, and also for reasons of leverage¹¹) and to postpone the reckoning (e.g. by transition periods, extensions of Article 50). With the UK as an EU outsider, those hard choices, very visible in the context of the negotiations with the EU on the future bilateral relationship, are still acute and inevitable.

1.2 THE POLITICS AND ECONOMICS OF BREXIT

The above discussion of the United Kingdom's exit from the European Union illustrates that with regard to Brexit, economics and politics cannot be treated in isolation. As conveyed by the title of this volume, this book aims to contrib-

ute to the literature on Brexit doing justice to real-world complexity through an interdisciplinary perspective.

The ambition and scope of our volume is therefore to examine Brexit from more than a single angle and benefit from the additional insights to be gained from a juxtaposition of politics and economics. Chapters draw mainly on political economy and political science approaches but also resort to history and law. They shed light on key motivations and factors to thereby contribute to a better understanding of Brexit and of its likely consequences. They take a step back to try to better understand what shapes the UK's political and economic preferences and what are its fundamental motivations and issues that mould its stance, as that conditions the likely consequences for the EU.

The volume is organized in two parts, 'The Politics of Brexit' and 'The Economics of Brexit', with a final chapter that discusses and elaborates on the lessons learned and provides an outlook.

Part I on 'The Politics of Brexit', addresses Brexit-related political issues that range from the political rationality of Brexit and the reasons for an unsustainable UK position in the EU, to specific UK sovereignty concerns in the absence of a written constitution, a preference for Anglo-Saxon neo-liberalism, and the UK's standing in the world post EU exit.

Annette Bongardt and Francisco Torres adopt a political economy approach to analyse the question of the political rationality behind Brexit. The authors argue that Brexit triggered a qualitative change in the nature of European integration and discuss the resulting political ramifications for the functioning of the European Union club, notably the limits of EU differentiated integration. Roberto Di Quirico's chapter focuses on the issue of the (un-)sustainability of the UK's position in the EU. He traces the UK's road from European integration to Brexit, from joining the EEC towards the adoption of a failed strategy of what he terms "malign neglect" towards the EU, aimed at curbing further integration in Europe, in particular political integration and regulation. Stefania Baroncelli and Monica Rosini examine the control/sovereignty issue by introducing a constitutional law perspective to Brexit and by discussing the role of parliaments in the exit option. The authors elaborate on what sovereignty means for the UK in the absence of a written constitution and employ a comparative approach to insert the UK's Brexit decision in an ampler framework. Finally, the chapter by Emidio Diodato and Serena Giusti sheds light on what Brexit means for British foreign policy. The authors consider the prospective alternatives for the post-Brexit UK's role in global affairs ('Global Britain'), underpinned by role theory and evidence.

Part II focuses on 'The Economics of Brexit', including issues pertinent to the economic model. It features four chapters, which examine possible motivations for Brexit, above all EU regulation in general or of financial services in particular, but also the importance played by subjective well-being rather than

economic growth, and the challenges to be confronted post-Brexit. Pompeo Della Posta and Scheherazade Rehman shed light on the puzzle of a leave vote despite a favourable environment of economic growth and low unemployment. The authors consider the role of social capital and subjective well-being, once the subjective perception of people's well-being will, together with economic growth (objective perception), and determine prosperity and sustainable development. The UK dithered for a long time over Brexit, and Annette Bongardt analyses what role the properties of the European single market cum regulatory model, with the unfettered participation that the UK enjoyed as an EU member, played therein. Her chapter discusses and contrasts the choices and trade-offs before the UK with regard to any future access to the single market once the country ceases to be an EU member. The chapter by Leila Simona Talani zooms in on regulatory issues in the context of financial sector regulation. The City of London, with its special role and weight in the British economy, benefited from a friendly regulatory environment and economic policies set up by the British government. After Brexit, the issue of escaping EU-driven financial sector regulation has moved to the limelight. Remi Bourgeot's chapter considers what the challenges are in terms of economic rebalancing that Brexit will pose for the UK and the EU.

NOTES

1. Article 50 of the Treaty on European Union (TEU) was, incidentally, inserted in the European treaties (Treaty of Lisbon, signed in 2007) only on the occasion of the latest comprehensive revision.
2. The Court of Justice of the European Union (2018) provided a legal clarification, notably that the UK is entitled to unilaterally revoke its withdrawal notification and under which conditions, namely that this requires an unequivocal and unconditional decision communicated in writing to the European Council, within the Article 50 two-year timeframe or, if applicable, its agreed extension and before the withdrawal agreement takes effect.
3. The situation is a bit more complex in broader political terms, as various high-profile EU members, namely former EU Council President Donald Tusk and European Parliament Brexit coordinator Guy Verhofstadt but also various national heads of state, constantly expressed their views very much in line with the UK internal opposition's to the government in its wish to block Brexit.
4. This EU stance was arguably unnecessary, if not counterproductive. It only served the purpose of delaying Brexit. In the end, the result of the December 2019 elections was (again) to 'get Brexit done' and the new UK government may well choose to trade on WTO terms after the end of the transition period (on 31 December 2020) and thereby ignore EU-imposed conditions.
5. Since the UK's June 2016 in-out referendum, the EU faced a UK that let almost nine months elapse before proceeding with the formal notification of Article 50, embarked on general elections shortly thereafter (effectively reducing the time left for negotiations), and which appeared ill-prepared and as dragging its feet during most of the negotiations. The EU presented itself as well-prepared and organ-

ized, implementing what can be called Asian negotiating tactics: the European Commission Brexit task force worked on a clear mandate circumscribed by guidelines from the Council, conducting the negotiations on the EU side; this approach was successfully followed through (despite UK attempts at dividing the EU-27 and appealing to member states directly, over the heads of the EU institutions). The UK, on the other hand, was perceived as not knowing what it wanted from the negotiations (apart from all the benefits of EU membership without the obligations) and negotiating more with itself than engaging with the EU. Not only did reaching a withdrawal agreement with the UK become very cumbersome from the EU's perspective but the UK minority government furthermore lacked a majority in parliament to ensure the ratification of its eventually negotiated deal or, in fact, a majority for any other outcome.

6. The included backstop solution to ensure frictionless trade if a future bilateral agreement was not Northern Ireland specific (as the EU had insisted it must be), but instead UK-wide, at the UK government's insistence. The UK Tory minority government was sensitive to the Northern Ireland Democratic Unionist Party, on whose parliamentary support it depended by means of a support and supply agreement. The EU in the end accepted the UK's preferred UK-wide backstop, which, rather than keeping only Northern Ireland in the internal market and customs union to avoid a hard border between the Republic of Ireland and the British province of Northern Ireland, would keep the entire UK in the customs union unless and until a future trade agreement would solve the matter. As the EU has pointed out, a free trade agreement (FTA) between the EU and the UK would still require a backstop.
7. Having dealt with the arguably less contentious issues first (citizens' rights, even the financial settlement), the so-called Northern Irish backstop – included to uphold the Irish Good Friday Peace Agreement after the UK's exit from the Union by notably ensuring the continued absence of a physical border and frictionless trade between the British Province of Northern Ireland and the Republic of Ireland – became contested and the major stumbling block to ratification in the UK parliament of the withdrawal agreement that had been agreed between the EU and the UK government.
8. For legal reasons, the European Parliament elections in May 2019 were a major stumbling block to any extension. Apart from that, it would also seem inconceivable that a country that had decided to leave the Union (because national interests took precedence) still participated in the European elections and would have (albeit temporary) MEPs determining EU-27 interests.
9. It is interesting to follow Tusk's declarations all through the negotiation process, constantly expressing the hope that the UK could still revoke Article 50 and its decision to leave the EU, sometimes in clear contrast to the European Commission. The content and timing of Tusk's comments were very much aligned with UK prominent anti-Brexit politicians like Tony Blair, or academic opinion makers like Timothy Garton Ash.
10. This point has been made repeatedly by the UK's former EU ambassador, Sir Ivan Rogers, who had stepped down in the beginning of the withdrawal process alleging 'muddled thinking' on the part of the UK government in its handling of Brexit.
11. A priori the UK would have more leverage in the withdrawal context than in negotiating as a third country, which also explains why it tried to bring trade issues into the withdrawal treaty.

REFERENCES

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