

## UK and Europe: what next? New Research by NIESR

**EMBARGOED until 00.01 hours Wednesday 2 November 2016**

The latest issue of the National Institute Economic Review, which will be published on Wednesday 2<sup>nd</sup> November, contains research articles by some of the leading academic researchers on trade, immigration, UK and EU foreign and security policies and on the politics of Brexit, to examine how these sectors are affected in the aftermath of the vote to leave the EU.

Jagjit Chadha, NIESR Director and editor of the Review said: “*Despite the prospect of exit from the European Union, our relationship with Europe will continue to be a hugely significant point of departure for our external trading and political relationships. As the referendum result will allow the UK to redefine this key relationship, we are using this special issue of the Review to reconsider many of the questions to be faced in forging a new understanding with Europe.*”

The five articles are:

- Britain, the EU and the politics of Brexit, by **Anand Menon** and **Brigid Fowler** (King’s College London and UK in a Changing Europe)
- Immigration after Brexit, by **Jonathan Portes**, (NIESR Fellow and UK in a changing Europe)
- Negotiating the UK’s post-Brexit trade arrangements, By **Peter Holmes**, **Jim Rollo** and **L Alan Winters** (respectively Fellow, Deputy Director and Director of the UK Trade Policy Observatory, University of Sussex)
- Assessing the impact of trade agreements on trade, by **Monique Ebell** (NIESR Research Fellow)
- The UK and EU foreign, security and defence policy after Brexit: integrated, associated or detached? by **Richard G. Whitman** (University of Kent and UK in a Changing Europe)

In their overview of the political situation post-referendum **Menon** and **Fowler** argue that the likely outcome of the current debates will be what people describe as a ‘hard Brexit’. They note that the key themes of the campaign to leave the European Union continue to shape our politics and resonate within public opinion, whilst the factors undermining the pro-EU cause, many of them long predating the referendum, have not gone away. Profound change – a harder Brexit – may be explicable in terms of the fact that, politically, much will remain the same.

**Portes** argues that the period prior to the referendum will be seen as a high water mark of European migration. The questions then to be faced by policy makers is whether the orientation away from EU migration will be accompanied by any preferential access for EU nationals or whether the regime will seek to be restrictive or liberal. Although the latter would help the government reach any its fiscal targets and also relieve capacity constraints in some industries, without clear, measurable progress towards the former, many of those who voted to Leave may feel their political demands are being ignored.

The two most important and most pressing trade-related tasks facing the UK government are ‘regularising’ the UK position in the WTO and negotiating a good trade deal with the EU. **Winters** et al argue that the EU deal needs to balance controlling migration with access to the Single Market, and the most likely outcome is that access equivalent to single market terms will be feasible only for a subset of sectors. Only when relations with the EU and WTO are clear, will it be feasible to negotiate with other countries. However negotiations take time, so Britain will need to agree post-Brexit transitional arrangements with many partners.

Using the most recent available data from 42 countries **Ebell** focuses on the relative ability of different trade arrangements to generate trade in goods and services. The main finding is that while EEA membership is associated with substantial and statistically significant increases in bilateral services trade flows, membership in less comprehensive FTAs is not. For goods, EEA membership is associated with larger bilateral trade flows than in the less comprehensive FTAs. These results suggest that it might be difficult to replace, on an exit from a European Union, lost trade flows with the EU by means of shallower FTAs with the EU or with third countries.

**Whitman** explores a topic neglected since the referendum vote, the question of how the EU-UK foreign and security policy relationship might be organised post-Brexit. The UK is currently a key European foreign and security policy player, embedded in the EU's key policies. The article highlights that the UK needs to determine the degree to which it wants autonomy or even divergence from existing EU foreign and security policies post-Brexit. It will have to decide on one of three possible future relationships with EU foreign, security and defence policy: to be integrated, associated or detached.

The Review will also include NIESR's analysis of the UK and global economic outlook, detailed in separate press releases under embargo until 00.01am on Wednesday.

All of NIESR's research on the implications of the UK's referendum can be found on our dedicated webpage here: <http://www.niesr.ac.uk/eu-referendum-niesr-research>

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**Notes for editors:**

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