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The **EU Exit Research Digest** monitors recently published research related to the UK's withdrawal from the European Union. Categories of particular salience to the functions of the Department for the Economy include trade, movement of people, sectoral analyses and the general implications for the Northern Ireland economy.

In each case, we provide a short summary of the key points and web links to the full article or report*. A full list of sources can be found at the end of the publication.

Highlights this quarter include:

- *Key statistics on EU migrants and migration in the UK.*
- *An overview of the implications of the UK's new relationship with the EU for people wishing to travel or move to the EU.*
- *Findings regarding the cooperation on foreign, security and defence policy resulting from the UK's decision to leave the EU.*
- *The economic impact of the UK's decision to leave the EU.*

In addition, the Department publishes on a quarterly basis an economic research digest which captures a much broader coverage of economic areas relevant to the work of the Department. Some of the articles covered in that digest may also be of relevance to EU Exit, for example, on trade, and those articles have not been repeated here. The Economic Research Digest can be found at:

[Skills Research Digest and Economic Research Digest – Q1 2024](#)

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The research summarised here presents the views of various researchers and organisations and does not represent the views or policy of the Northern Ireland Executive or those of the authors.

[UK Trade Tracker Q4 2023 - UK in a changing Europe \(ukandeu.ac.uk\)](https://ukandeu.ac.uk)

by UK in changing Europe provides key statistics on UK trade in a global context. It states:

- The UK in a Changing Europe trade tracker will focus on three key areas: UK trade and its performance relative to historical data; UK trade in a global context and how it compares to the G7; and finally, newsworthy developments which have occurred within trade in the last quarter. This quarter we look at how UK trade measures compare to 2019 as well as the proportion of total UK trade with the EU. In addition, we look at the UK's trade balance and trade openness compared to the G7. Lastly, we summarise the proposal for an independent UK Board of Trade and explore what impact it could have and how likely we are to see its creation in the next year.

[How has Brexit changed EU-UK trade flows? | ESRI](https://esri.org)

by Economic & Social Research Institute provides key statistics on UK goods trade with EU. It states:

- This paper estimates how Brexit has affected goods trade between the United Kingdom and European Union. Using product-level trade flows between the EU and all other countries in the world as a comparison group, we find a sharp decline in trade from the UK to the EU and significant but smaller reductions in trade from the EU to the UK. However, when we estimate the size of the Brexit impact on trade using UK data and UK global trade as a benchmark, we find strikingly different results. We identify two key sources of this discrepancy. First, the UK's global exports grew relatively slowly. We argue these are not suitable as a no-Brexit counterfactual. Second, Brexit also led to breaks in the measurement of trade flows, particularly for the EU imports data. To resolve these issues, we combine UK-reported data for its trade with EU and EU data for its trade with the rest of the world to use as the appropriate benchmark for comparison. This generates an estimate that Brexit reduced trade by close to 20% in both directions.

[Weighed down by gravity: UK trade policy after Brexit | Centre for European Reform \(cer.eu\)](https://cer.eu)

by Centre for European Reform provides key information on UK trade policy since leaving the EU. It states:

- After Britain's decision to leave the European Union, the government and Brexiteers argued that the UK's new ability to cut trade deals around the world would not only compensate for any loss of access to the EU's single market, but also free the UK to strike deals with high-growth economies in Asia and with the US. The UK government set out to quickly replace the extensive network of EU free trade agreements (FTAs) and expand it with new agreements with countries such as Australia, India and the US, as well as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) regional agreement for countries on either side of the Pacific.
- Overall, these negotiations were very successful. The UK quickly established a new Department for International Trade and rapidly sealed an impressive number of FTAs between 2019-2020. When the UK left the EU customs union on 31 December 2020 it was able to largely replace the trade relations it had as an EU member with new, UK-specific ones. A very impressive 36 UK FTAs entered into force in 2021, including the EU-UK Trade and Co-operation Agreement (TCA). The UK also concluded completely new agreements with Australia and New Zealand and is set to join the CPTPP. The success of these

negotiations has become emblematic of post-Brexit trade policy and helped propel then trade minister Liz Truss to the position of Prime Minister.

- However, the successes of the UK's post Brexit trading policy should not be overplayed. The vast majority of UK FTAs are continuity agreements that simply replicate prior agreements. This helps avoid disruption by preserving the status quo as much as possible but it does not give new market access. At the same time, the hoped-for trade deal with the US failed to materialise, largely because of the increasingly protectionist mood in Washington.

MOVEMENT OF PEOPLE

[Net migration to the UK - Migration Observatory - The Migration Observatory \(ox.ac.uk\)](#)

by Migration Observatory provides an overview of the recent UK migration figures. It states that:

- The UK has experienced broadly similar levels of migration compared to other high-income countries, on average, over the past few decades.
- Net migration was unusually high in 2022 and 2023, driven by an increase in non-EU citizens coming to the UK. The majority of the increase in non-EU arrivals from 2019 to 2023 occurred through the study and work routes.
- Rising emigration may put downward pressure on net migration from 2024 onwards. For example, increases in study migration have contributed to net migration in the short run, although most international students leave the UK within a few years.
- EU citizens made up a majority of immigration and net migration in the run-up to the 2016 EU referendum. By the year ending June 2023, EU net migration was negative, according to official estimates.
- Projections of future net migration are inherently uncertain. In the past 20 years, official projections have usually underestimated future net migration levels.

[UK-EU foreign, security and defence co-operation - UK in a changing Europe \(ukandeu.ac.uk\)](https://ukandeu.ac.uk)

by UK in a Changing Europe is a report assessing the cooperation on foreign, security and defence policy resulting from the UK's decision to leave the EU. It states:

- Whilst the UK-EU post-Brexit trading relationship is governed by the Trade and Cooperation Agreement (TCA), cooperation on foreign, security and defence policy has been informal and largely driven by the situation in Ukraine.
- The Johnson government decided not to seek a formal foreign, security and defence agreement during the Brexit negotiations. The TCA only has provisions for a handful of dialogues on security matters. A couple of these - on cyber security and counter-terrorism - were set up last year, reflecting the improved relationship following the agreement on the Windsor Framework. Under Rishi Sunak's premiership, the UK has stressed the importance of reinvigorating relationships with European partners and moved away from the rhetoric of 'Global Britain'. There has been intensive coordination between Brussels and London in the response to Russia's war on Ukraine. This has included diplomatic coordination, the exchange of intelligence, coordination on sanctions, and information sharing on the equipping and training of the Ukrainian armed forces. Yet while the EU and the UK have described the war as a catalyst for warmer relations this has not led to a formalisation of cooperation on foreign, security and defence more generally. A question is to what extent the changed security context in Europe, and the prospect of a more isolationist US under Donald Trump, might push the UK and the EU to coordinate more closely on foreign, security, and defence policy.
- The Sunak government sees current informal and ad hoc arrangements as optimal, allowing the UK to be more agile. By contrast, Labour has suggested that it would like to formalise relations with the EU on foreign and security cooperation. Addressing the 2024 Munich Security Conference, Shadow Foreign Secretary David Lammy called for a new UK-EU security 'pact that is effectively built on the fact that we obviously have war here in Europe'.
- Whilst the EU sees the ball as being in the UK's court to push for closer cooperation in these areas, it is likely to be open to more formal foreign policy coordination. The EU has political dialogues with most of its key partners, and the UK is an important foreign and security country with significant expertise in areas like sanctions. Defence industrial cooperation, however, presents a dilemma for Brussels.
- The first-ever EU Defence Industrial Strategy, published in 2024, maintains the focus on the EU's domestic industry, with opportunities for those in the single UK-EU Foreign, Security AND Defence Cooperation 5 market and Ukraine. As described by Polish Foreign Minister Radosław Sikorski, the UK has considerable defence assets and would be a 'very valuable partner', however, it is 'in the DNA of the EU [...] to differentiate between members and non-members'. This creates something of a paradox in which external drivers like the threat from Russia and the prospect of another Trump presidency should, in theory, drive closer UK-EU cooperation to strengthen Europe's defence capabilities, but the EU's in/out logic favours the development of EU capacities rather than a more inclusive approach that would allow meaningful UK participation.
- Since Brexit, and in the aftermath of the Russian invasion of Ukraine, the EU has actively encouraged both collaboration between EU firms on defence related research and development and for increased joint procurement of defence products by member states. As a third country outside the single market, the UK is largely excluded from these schemes.

It appears unlikely that the EU will allow it privileged access, while political opposition makes UK membership of the single market inconceivable in the short term.

- A future UK government which wants closer ties on security and defence will have to navigate these constraints which will limit the scope of future foreign and defence policy cooperation.

OTHER / GENERAL

[UK-EU Divergence Tracker Q4 2023 - UK in a changing Europe \(ukandeu.ac.uk\)](#)

by UK in a Changing Europe is a report assessing the divergence resulting from the UK's decision to leave the EU. It states:

- This edition of UK in a Changing Europe's UK-EU Regulatory Divergence Tracker covers developments from October 2023 to January 2024.
- The Regulatory Divergence Trackers provide an overview of where and how the UK has used its regulatory freedoms to diverge from EU regulation. It identifies and analyses the most significant cases of divergence between the UK and EU which have taken place since Brexit. It explains what the changes are, what impact they are having, and likely further consequences.
- In the Q4 2023 edition, the tracker finds nine cases of active divergence (where the UK, or some part of it, changes its rules); ten of passive divergence (where the EU changes its rules and the UK, or some part of it, does not follow); two of procedural divergence (where policy does not diverge but the processes for managing it do); and four of active alignment (where the UK takes steps to align more closely with EU rules, systems or programmes).
- Key developments on the UK-side include bills to ban the export of live animals and amend the UK's GDPR regime; a new financial services agreement with Switzerland; and the use of secondary legislation to amend the EU-derived working time regulations and cap on bankers' bonuses.
- The EU has brought forward some notable measures to increase the burden on businesses in the name of upholding labour and environmental protections.

[UK-EU Relations Tracker Q4 2023 - UK in a changing Europe \(ukandeu.ac.uk\)](#)

by UK in a Changing Europe is a report assessing the UK-EU relations following the UK's decision to leave the EU. It states:

- This edition of the UK in a Changing Europe UK-EU Relations Tracker covers developments from October to December 2023, and looks forward to 2024. Since the agreement on the Windsor Framework, the focus in UK-EU relations has been on making progress with the implementation of the Trade and Cooperation Agreement (TCA). This trend continued in the last quarter of the year, with the UK's association to Horizon and Copernicus and the first UK-EU Financial Regulatory Forum and UK-EU Cyber Dialogue taking place in London and Brussels.

- In addition, the Partnership Council, agreed to extend existing rules of origin for electric vehicles for three years. Whilst these steps have been broadly welcomed, the process of agreeing the terms of cooperation has been lengthy.
- It took more than six months to reach political agreement on Horizon, and another three until it was formally adopted. The two sides agreed to set-up a cyber dialogue in March but did not hold the inaugural meeting until December.
- The wheels of TCA implementation seem to grind slowly, and with elections on both sides of the Channel, we can expect things to slow further this year. Beyond the TCA, negotiations are ongoing on the UK's participation in an EU led defence project to facilitate the movement of soldiers and equipment across borders. The UK was formally invited to join in November 2022, but agreement has been held up by disagreements with Spain.
- In May 2023, the UK and EU announced their intention to negotiate an agreement between UK agencies and Frontex, the European Border and Coast Guard Agency. Whilst discussions can continue at technical level, the upcoming elections and lack of political focus could cause further delays.
- Bilaterally, the UK signed general agreements with Austria, Bulgaria, and Sweden. It now has framework agreements with 23 of the 27 member states.
- It also signed several issue-specific agreements with a focus on defence and migration and introduced travel easements for French school groups.
- At a political level, this quarter was marked by a blossoming relationship between Rishi Sunak and the Italian Prime Minister Giorgia Meloni, a diplomatic spat between Sunak and the Greek Prime Minister Kyriakos Mitsotakis, and heightened tensions in the UK Ireland relationship over the UK's Troubles Legacy Act.

[Brexit, four years on: Answers to two trade paradoxes | Centre for European Reform \(cer.eu\)](#)

by Centre for European Reform is a report assessing the changes in trade resulting from the UK's decision to leave the EU. It states:

- To summarise, part of the solution to the UK's export paradoxes, then, is to pick the right counterfactual.
- Intra-EU goods trade boomed over the last few years, outstripping Europe's exports to the rest of the world. As a non-member, the UK's goods trade missed out on that boom. Similarly, after leaving the EU, UK-based services companies faced significantly larger barriers to exporting to the EU in areas where the single market is advanced like transport and financial services. In those sectors, Britain's export growth languishes behind other advanced economies. So, if the UK had remained an EU member, its services exports would probably have grown much faster. Taken together, the missed growth in goods and services trade account for about a £23 billion quarterly hit to UK exports, which is consistent with a GDP reduction of 4-5 per cent compared to a Britain that had remained.

[Brexit and the state - UK in a changing Europe \(ukandeu.ac.uk\)](#)

by UK in a Changing Europe examines how the British state has changed as a result of Brexit. It states:

- Leaving the EU has significantly altered the size and shape of the state, creating new tasks, functions and policies for it to manage. It has also altered its relationships with key stakeholders. Size and shape Brexit led to an increase in the size of the civil service, and is a key reason for staff numbers growing by around 100,000 since the EU referendum. The Cabinet Office, Defra and the Home Office saw particularly large staff increases.
- Brexit also placed new demands on the devolved governments who now have to administer new functions and devise and deliver more policy from scratch, rather than merely implementing EU policy decisions. A lack of capacity has at times made this challenging. Whitehall lacks a clear, central unit for coordinating EU policy of the kind which sat in the Cabinet Office pre-Brexit. Though key responsibilities are now split between the FCDO and Cabinet Office, the division of work remains awkward and there is no single body which ensures there is a consistent cross-Whitehall approach to dealing with EU-related matters. Tasks, functions and policies.
- The UK has taken back control of regulation in a range of areas, but regulators have been hamstrung by a lack of resources, skills and experience. Capacity issues mean the new Office for Environmental Protection has only been able to make a very limited number of interventions, while the Food Standards Agency has had to pause plans for new, non-Brexit related workstreams. A number of post-Brexit regimes remain incomplete.
- It is unclear how the transition of 2.8 million EU and EEA nationals from 'pre-settled status' to 'settled status' will be handled. The new farm payments scheme has been slow and unwieldy to implement.
- There have also been repeated delays to the imposition of full checks at the GB-EU border, and to the implementation of new GB regimes for chemicals registration and product standard marks.
- The government lacks a strategic vision of what post-Brexit policymaking should look like. Consequently, an approach is emerging from a series of bottom-up decisions by individual ministers, creating a policy landscape which is incoherent and uncertain. Policy is unstable due to ministerial churn, a lack of central direction, and vulnerability to lobbying. This is part of the reason why there has been relatively little regulatory divergence from the EU.
- Relations with the EU have improved since the signing of the Windsor Framework. This has paved the way for progress in certain areas, like UK association with Horizon Europe and closer cooperation on energy and financial services. But regulatory cooperation remains constrained in many areas, and there are questions over how far this can be improved under the Trade and Cooperation Agreement – which many deem to create excessively formalised and narrow forums for discussion.
- The UK has also yet to fully adjust to being a third country actor in Brussels. There appears to be a lack of clear strategy for how to maximise the UK's influence in Brussels. The UK has newly become an independent actor, untied to the EU bloc, in fora like the World Trade Organisation and COP climate summits. While it is widely deemed to have acted as a 'good citizen' in such fora, including successfully hosting COP26 and a global AI summit, its overall influence on global trade, climate and AI is widely seen to be diminished by no longer being able to influence the EU's decision-making from the inside.
- Brexit has from the start put significant strain on relationships with the devolved governments. EU membership created a common regulatory framework across the UK which has now been lost. There are new structures for managing intergovernmental relationships, but political differences have hampered their effectiveness. A constructive, cooperative approach is still lacking.

- The operation of the UK internal market, and in particular Northern Ireland's place within it, risks being a continuing source of friction. The Windsor Framework will not be fully implemented before 2025 and it remains to be seen whether it can create greater political stability in Northern Ireland.
- Brexit has also taken a toll on relations inside government, with scratchy relationships between new watchdogs and ministers, who have shown a proclivity to intervene in decisions. Relations between ministers and their civil servants have deteriorated and even normal ways of working in the Cabinet have been distorted. All of this suggests creating the post-Brexit state is still very much a work in progress.

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