

**Red, Yellow
and Blue
Brexit:**



**The
Manifestos
Uncovered**



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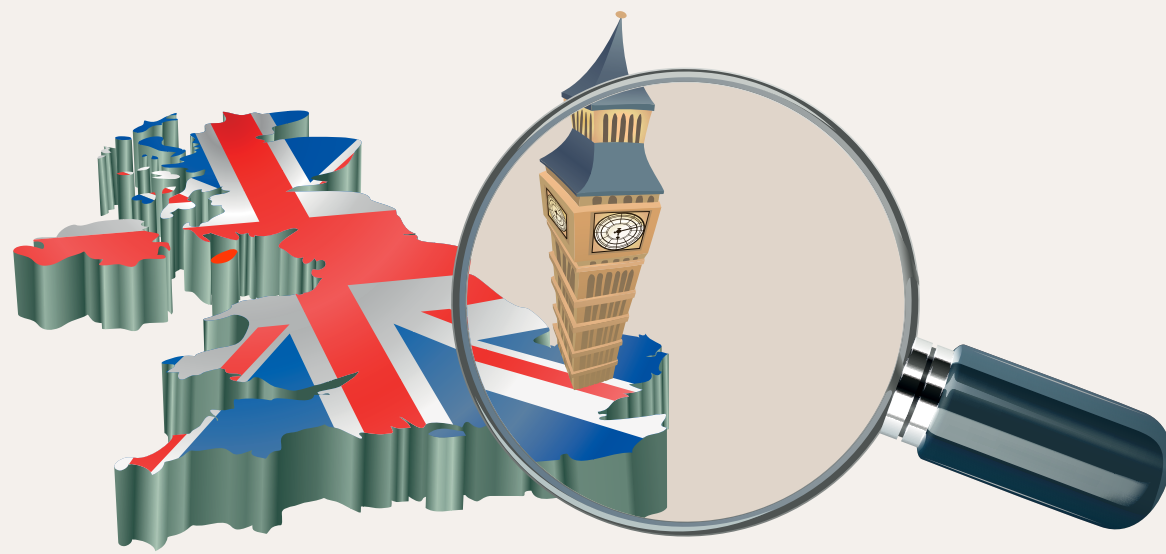
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Contents

4	Introduction
6	Brexit
8	Trade
10	Foreign policy
12	Public services
14	Immigration
16	Economy and public finances
18	Repatriation of competences

Red, Yellow and Blue Brexit: The Manifestos Uncovered



Introduction

Brexit matters. On that at least, the Conservative, Labour and Liberal Democrat manifestos agree, though they clearly disagree on its implications. For the Liberal Democrats, the most effective form of collaboration with our European partners is provided by membership of the European Union. The Labour and Conservative manifestos, in contrast, claim to focus on how to deal with the implications of Brexit.

But only, however, to a degree. All three parties dance daintily round the tricky issues. These include, inter alia, when freedom of movement might end (Conservatives) or how to reconcile single market membership with ending free movement (Labour), or how a second referendum could be squeezed into the already ridiculously tight Article 50 timetable.

Then there are specific areas of policy where Brexit will be a significant issue. Think of healthcare (as discussed in the [public services](#) section in our report). Brexit raises several issues here. First is our ability to attract sufficiently qualified staff to work in the NHS

if it becomes harder to recruit from the EU. Second is cross border provision – will EHIC (The European Health Insurance Card) continue to work, and if not, will anything replace it? Finally, the impending departure of the European Medicines Agency raises questions about pharmaceutical regulation post Brexit. Who will be responsible? And what will the impact be on the UK pharmaceutical industry?

As for [foreign policy](#) (discussed in this report) grand statements of liberal principles characterize all three documents, whilst both Labour and the Tories seem to have simultaneously stumbled across the principle of ‘Global Britain.’ What this means in practice, however, is anyone’s guess. There is no sense of prioritisation amongst the various ambitious objectives outlined.

Leaving aside such specific sectoral problems, perhaps the most striking element of all three documents is the way in which Brexit is treated as a separate issue in its own right, a challenge to be confronted and overcome. So, there is a section on Brexit, how it should be approached, and what it should mean. After that, it’s business as usual when it comes to schools, hospitals, tax, and the other issues that dominate our elections.

This is problematic for several reasons. First, economic. Almost all economists, including pro-Brexit ones acknowledge that leaving the EU might entail short term economic costs as the economy adjusts. Given the likelihood that the UK will leave both the single market and the customs union, these costs might be significant. In this report, [Swati Dhingra](#) estimates the economic impact of a Brexit on World Trade Organization (WTO) terms to be a reduction of the order 3% of GDP, and, as my KCL colleague Jonathan Portes has pointed out in this report, reducing [migration](#) might well exacerbate this economic impact.

The second reason is to do with capacity. Anyone keeping track of what is going on in Whitehall will appreciate the degree to which Brexit is hogging the attention of the civil service. And the process hasn’t even really started yet. We need to make sure thousands of pieces of EU legislation are safely transferred into national law – and these will often need some amendment to replace EU authorities with appropriate national ones. In addition, we will need primary legislation in areas such as immigration, trade, customs controls and so on. Equally, we have to ensure we have adequate regulatory structures to take the place of their EU counterparts.

This list isn’t exhaustive, but it should serve to underline the scale of the task ahead. And in addition, of course, as my colleague [Jo Hunt](#) argues in this report, Brexit will involve delicate and highly technical negotiations between London and Belfast, Cardiff and Edinburgh. Bringing back powers from Brussels is one thing. Deciding where in the UK they should be returned to, is quite another.

None of this is impossible. But it will require careful planning and the commitment of considerable resources. And it is frankly hard to see how much else can be accomplished whilst all this is being done. Can we really expect ambitious plans for schools, or the NHS, or anything else for that matter to be rolled out during the next few years? I certainly do not. But none of the manifestos takes such diminished capacity into account.

Indeed, rather than displaying modesty in the face of such challenges, the Conservative manifesto is arguably the most statist and interventionist produced by a governing party in living memory. Labour has made an even sharper break with its own recent past, proposing a massive expansion of state control of the economy, direct and indirect, including the reversal of several of the major Thatcher-era privatisations.

Immediately after the referendum, much criticism was levelled at the Government of David Cameron for failing to consider the implications of a vote to leave the European Union. Almost a year on, much the same could be said of the party manifestos ahead of the General Election. The majority of the next parliament will be a post-Brexit parliament. It will have to deal with the implications of one of the most important and difficult decisions that Britain has ever taken. What a shame that the parties haven’t properly factored it in to their plans.

In what follows, we look at the key Brexit-related themes raised by the Conservative, Labour and Liberal Democrat manifestos. Our aim, as ever, is to use research-based evidence to analyse the claims and promises made. And, again as ever, I’d like to express my thanks and gratitude to all those colleagues who have contributed, reacting promptly and (in the main!) good naturedly to repeated requests to check or amend their texts immediately.

I hope you find the resultant document interesting and useful.

Anand Menon

Brexit

All three manifestos place Brexit at or near the top of their priorities for action. In this section, we will focus on the more procedural aspects: how should the UK go about negotiating Article 50 and to what end?

The Tory manifesto broadly restates the position of Theresa May's government to date, with little additional detail.

Procedurally, the Conservatives will 'enter the negotiations in the spirit of sincere cooperation', acknowledging they 'will undoubtedly be tough and there will be give and take on both sides'. The key phrase to be noted is that 'no deal is better than a bad deal.' As was noted prior to the election, this raises two questions: how will the government know, and what will be the consequence? While the latter is easily answered as the UK is 'leaving the European Union', the former is not detailed at all. The section does not set out red lines or tests for determining when a deal is 'bad'. Indeed, the only measurable commitment is maintaining the Common Travel Area with Ireland: in all other cases, there is less precision in language, with talk of 'securing', 'pursuing', or 'control of our own laws'. Even language on any financial settlement is emollient, merely rejecting the idea of 'vast annual contributions,' suggesting that the party is trying to leave itself as much room for manoeuvre in negotiations as possible. Equally, there is no mention at all of the jurisdiction of the European Court of Justice, previously a clear 'red line' for the Prime Minister, again indicating that the party is aware of the need for some flexibility. Final approval will be subject to a vote in Parliament.

Substantively, the party is seeking a relatively distant future relationship with the EU, outside the single market and customs union, but with a comprehensive

free trade area. The section on the customs union provides more clarity than had been implied in the Prime Minister's Lancaster House speech, which had hinted at some kind of (undefined) compromise. In addition, the party would seek additional participation in specific programmes, which might incur financial contributions. There is no mention of transitional arrangements at all, even to rule this out, though the insistence on securing both an Article 50 and a trade deal within two years is retained from Lancaster House. This fits with the approach taken by the EU to date, and while there is much detail that would have to be addressed, there is nothing to suggest an in-principle incompatibility of positions, at least on the terms set out here.

The Conservative manifesto aspires to have a smooth transition into Brexit. But there aren't many specifics on what a transition arrangement would look like. Perhaps most importantly, there is nothing to indicate when any transitional arrangements might end which could indicate, for instance, when free movement might end (assuming it is included in transitional arrangements).

Finally, the Tories also note the need for domestic legislative action, to address the gap produced by leaving the EU's legal order. This takes the form of the already-announced Great Repeal Bill, which will incorporate all of the EU's legal decisions into UK law, pending a decision by Parliament on whether to retain, amend or repeal them. While this provides a stopgap solution, it neither addresses the new legislation that the EU will produce post-membership (on which any interim arrangement might depend), nor the very substantial accumulation of power the government would gain in managing such an extensive volume of law.



Labour provides text which is best understood in contrast to the Conservative's.

Procedurally, there would be a reformulation of the UK's position, with the replacement of the current White Paper by a new document that will 'prioritise jobs and living standards'. This document would 'have a strong emphasis on retaining the benefits of the single market and the customs union', although it does not commit to making membership of either an objective. Importantly, Labour 'will reject 'no deal' as a viable option – without making clear how our EU partners could be made to agree to this – and if needs be negotiate transitional arrangements to avoid a 'cliff-edge'. “No detail is provided on why 'no deal' is the worst possible deal for Britain” and the claim neglects the procedure for Article 50: if no deal is reached after two years, then the UK will leave on that basis, unless all parties agree an extension of time. This is not a 'transitional arrangement', merely an additional block of time to reach any agreement, and it is not something in the UK's unilateral control. Similarly, the commitment on 'legislating that Parliament has a truly meaningful vote on the final Brexit deal', if it is understood as giving it the right to amend or reject that deal, also runs into the hard timeline that Article 50 establishes.

Substantively, Labour seeks a closer future relationship with the EU. It appears to include membership of the single market (see above) and cooperation in many areas of activity. However, the manifesto also claims 'freedom of movement will end when we leave the European Union', which would not be compatible with single market membership. Equally, although the manifesto claims Labour would immediately guarantee EU nationals' rights in the UK and 'secure reciprocal rights' for UK nationals in the EU, not only has the EU made clear that there will be no final agreement on any one area until there is agreement in all areas, but no detail is provided on how the very real administrative problems this would cause will be addressed.

On the domestic front, Labour would not pursue the current Great Repeal Bill, but instead publish an EU Rights and Protections Bill that will ensure there is no detrimental change to workers' rights, equality law, consumer rights or environmental protections, as well as making sure that 'all EU-derived laws that are of benefit...are fully protected.' In substance, there is not much difference with the promise made by the Tories to make sure all existing social and employment rights are transferred into EU law. As with the Tories, there is no word on how this copes with the dynamic

nature of the future UK-EU relationship, as well as the additional question of how the relevant categories will be identified, managed and overseen.

As with Labour, the Liberal Democrat manifesto is largely a response to the Conservatives. Unlike both the others, however, they nail their flag to the Remainer mast unambiguously: stating their passionate belief that 'Britain's relationship with its neighbours is stronger as part of the European Union.'

Procedurally, there is little detail apart from the commitment to a second referendum at the end of the negotiations. This appears to offer two choices: either the deal as agreed, or the UK will remain a member. The party's position – they 'believe that there is no deal as good for the UK outside the EU as the one it already has as a member' – suggests that a Lib Dem government would be caught between negotiating a very close relationship (see below) and ultimately arguing that such a relationship would not be preferable to remaining.

Substantively, the Lib Dems aim at 'keeping Britain as close as possible to Europe'. This includes prioritising membership of the single market (with freedom of movement) and the customs union, as well as participation in many programmes. There would be a unilateral guarantee of EU citizens' rights in the UK, and 'urging' for reciprocity by the EU.

Finally, on domestic impacts, there is little detail. The document is largely driven by the desire to maintain a very high degree of integration with EU policies. The party does say it will 'fight to ensure [EU-derived rights]...are not undermined', but offers no specific mechanism on the lines of the Great Repeal Bill.

Overall, while all three parties view Brexit as a major event, the manifestos treat it largely in isolation from other aspects of policy. There is thus no indication that the process and outcome of the Brexit negotiations might impact on the ability to act in other areas. This is true when it comes to the economic numbers (see [trade](#) section). It also applies in terms of the capacity of the British state. Brexit represents an enormous challenge to the British state. The need to draft the Great Repeal Bill, along with the necessary accompanying primary legislation, while putting into place new national policy frameworks in areas like agriculture and fisheries will provide the civil service with arguably its largest peacetime challenge. None of the parties adequately outlines how it will implement its policy priorities whilst this Brexit process is underway.

Trade

Unlike some other countries – the US and France spring to mind – trade has not been a major issue in recent UK elections. This reflected both EU membership and a broad political consensus that, within the EU, the UK should argue for a relatively liberal approach. Brexit, however, will mean the most fundamental reorientation of UK trade policy in forty years, so it not surprising that it is much more prominent in manifestos for this election.

The Liberal Democrats would stay in the single market and the customs union. Free movement of goods, services, capital and people would continue, and trade policy would still be set at the EU level. The loss of market access that would follow from leaving the EU would be minimized.

Labour are less specific, to the point of inconsistency – they retain the option of being in the single market and the customs union, but also say that Brexit will mean an end to free movement, which is inconsistent with single market membership.

The Conservatives' plans are rather more detailed. Immigration controls are central to their Brexit plan, which means that we will leave the single market, while the aspiration to do new trade deals with countries outside the EU means leaving the customs union. Together, this means a "hard Brexit".

If there is no new deal with the EU after the two-year period - the hardest possible Brexit - the UK would revert to World Trade Organization rules. As a WTO member, the UK's exports to the EU and other WTO

members would be subject to the importing countries' "most favoured nation" tariffs. This would raise the cost of exporting to the EU for UK firms due to higher tariffs and higher non-tariff barriers like customs checks and divergence in product standards. Trade in services would also be subject to WTO rules. Since the WTO has made far less progress than the EU in liberalising trade in services, this would mean reduced access to EU markets for UK service producers.

The Conservatives are also committed to seeking "a deep and special partnership including a comprehensive free trade and customs agreement." But there is no mention of the compromises that might be required – that the UK might effectively have to sign up to EU standards with relatively little input and accept the de facto jurisdiction of the European Court of Justice in some respects – to secure a genuinely comprehensive agreement. It is notable that there is absolutely nothing that will reassure key UK sectors, like pharmaceuticals, the financial sector, and the automotive industry, whose regulatory position, access to markets, or supply chains are threatened by Brexit.

So what implications would this have in economic terms? The resulting reduction in trade would reduce incomes in the UK. Estimates vary and are highly uncertain, but the consensus among economists is that these impacts would be large. For example, recent research implies trade with the EU would fall by about 40%, reducing GDP by about 3% (or 2.4% net of the membership fees) every year. Foreign investment would also fall, perhaps by 20%, further reducing GDP; and reductions in migration (as discussed in the [immigration](#) section) would further accentuate the impacts.



Outside the EU, the UK would be free to set its own trade policy, which might help make up for the loss in trade and investment with the EU. The Conservatives' ambition is that the UK will be the "world's foremost champion of free trade...a global champion for an open economy, free trade, and the free flow of investment, ideas and information." If the UK chose to unilaterally cut its tariffs to zero, consumers and firms would face lower import prices and competition among UK businesses would rise.

But with tariffs already low, the gains would be small – estimated at perhaps 0.3% of GDP – and commitments elsewhere in the manifesto appear to rule this out.

Instead there is an emphasis on continuity – as well as seeking a comprehensive agreement with the EU, the UK will replicate both the EU's current WTO arrangements and its existing FTAs with third countries. This appears to be a greater short-term priority than agreement with third countries, reflecting the reality that such deals are unlikely in practice to compensate. Even a trade deal with the US – an economy of comparable size to the EU – that gave us tariff-free access to the US market would only yield benefits of about 0.3% of GDP. This is because the US is geographically further away and because it operates a very different set of regulations that would be difficult to harmonize or mutually recognize. Countries like India and China are difficult to negotiate with, and will have their own complications like demands for easing migration controls or reluctance to open up their services sectors to UK businesses.

Outside the single market, the UK would be free to set its own regulatory standards, but all parties rule out reducing standards for labour rules and environmental protection below EU levels – indeed all propose to increase some employment rights - so any GDP gains here are likely to be minimal.

Indeed, despite the rhetoric, commitments elsewhere in the Conservative manifesto – for example, to increase protection from foreign takeovers for British companies, and to "set up new frameworks for supporting food production and stewardship of the countryside" [while maintaining at least current levels of financial support] point, if anything, to a significantly less liberal and deregulatory approach than is currently the case within the EU. The recently retired Permanent Secretary of the Treasury, Nick Macpherson, said that he was "struck by the protectionist tone to the so-called industrial strategy in Tory manifesto...Clarke, Brown, Darling and Osborne had many differences but when it came to trade they were Gladstonian".

Obviously economic predictions are not always accurate. But the evidence on the connection between trade policy and trade patterns points in one direction. Falls in trade and investment, under either Conservative or Labour plans, are likely to have a large and long-lasting impact on the British economy. Neither of the manifestos addresses this point, though it casts doubt on the ability to deliver on many of the pledges they make.



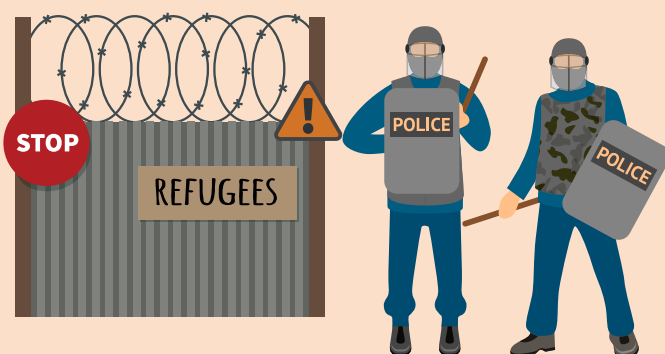
Foreign policy

Brexit might have significant consequences for British foreign and security policy. Leaving the Union potentially jeopardises existing arrangements within the EU, notably those relating to counter-terrorism cooperation. During the referendum, concerns were raised that Brexit would reduce the international influence of the UK, in Europe and beyond. In the long term, any negative economic impact of Brexit would further compound the damage.

Given all this, there is strikingly little of substance in any of the manifestos as to how Brexit might impact on Britain's international role. The Conservatives maintain their insistence that Brexit represents an expression of internationalism, from which a more 'global' Britain might emerge. Thus, '[o]ur history is a global history; our future must be global too. We believe Britain should play an active, leading role in the world.'

What follows promises to preserve British status as a 'global power' through active membership of international institutions including the UN, UNSC, NATO, the G20, G7, Commonwealth and WTO; preserving the UK's soft power and leadership in areas including climate change, environment, child poverty and development (retaining the 0.7% spending commitment) as well as taking a stronger role in tackling specific issues like modern slavery. In defence, the Conservatives promise to maintain 2% defence spending commitment and spend £178bn on new equipment in the next 10 years.

The impact of Brexit is strongest in terms of emphasis, not substance. Most obviously, the much stronger accent on championing free trade and support for the



WTO, and on building new security partnerships with the Commonwealth, as well as preserving the Special Relationship alongside 'deep and special' partnership with European allies

A certain amount of care is taken to stress Britain's continued commitment to liberal values, despite the absence of any explicit reference to human rights in relation to foreign and security policy. The promise to maintain development spending levels, and determination to address human trafficking arguably stand at odds with the social conservatism of much of the rest of the Tory message and the reputedly realist and modest foreign policy predilections of the prime minister.

As ever, what is not included is as interesting as what is. Since her entrance into Downing Street, Theresa May has made it clear that she would like to maintain cooperation over counter-terrorism with European allies. Yet, counter-terrorism cooperation is mentioned only in passing, and defence agreements with the EU, or with specific European allies, are not mentioned at all.

As for Labour, there is little to indicate that foreign policy priorities have been affected by Brexit. The much vaunted return to Robin Cook's 'ethical foreign policy' - initially announced by Emily Thornberry - is not made explicit. Rather, like the Conservatives, Labour promises to deliver 'a global Britain'. Also like the Conservatives, the manifesto offers no hard headed engagement with what might be politically or economically possible in the wake of Brexit.

Notably, and in contrast to the Conservatives, the Labour manifesto states that to tackle 'the security threats and challenges we face... it is vital that as Britain leaves the EU, we maintain our close relationship with our European partners. Alongside our commitment to NATO, we will continue to work with the EU on a range of operational missions to promote and support global and regional security.'

Here, the Lib Dems go further still, stating that they will 'build on the framework for defence co-operation that is already well-established with France, the Netherlands, Germany and other European partners, and promote European defence integration where

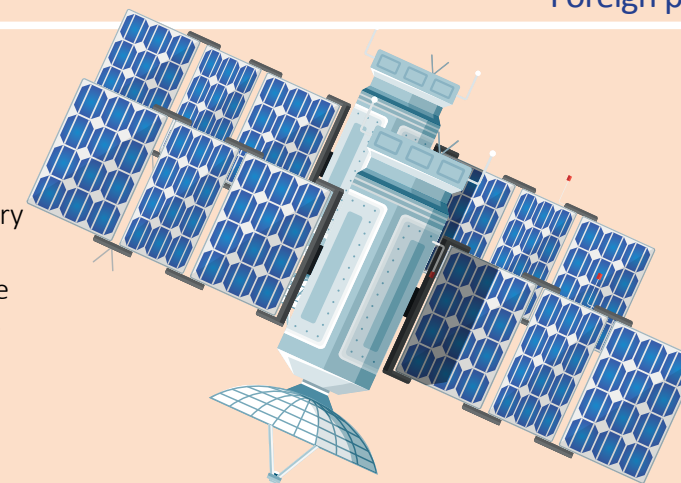
appropriate by enhancing European defence industry co-operation'. Aside from their insistence on this, and on the benefits that EU membership brings, the Lib Dems hardly differ from Labour. Their manifesto contains the same blend of internationalism and a greater emphasis on human rights, with a pledge to spend 2% of GDP on defence, and 0.7% of GDP on development. Perhaps the most eye catching proposal is the stated intention to suspend arms deals with Saudi Arabia.

Taken together, the three manifestos are strikingly similar both in their ambition and their liberalism. All three parties argue that it is in the UK's interest, as the Conservative manifesto states, to act as 'a force for good' in the world through the promotion of liberal values, broad and deep global engagement and participation in multilateral initiatives in areas like climate change and conflict resolution.

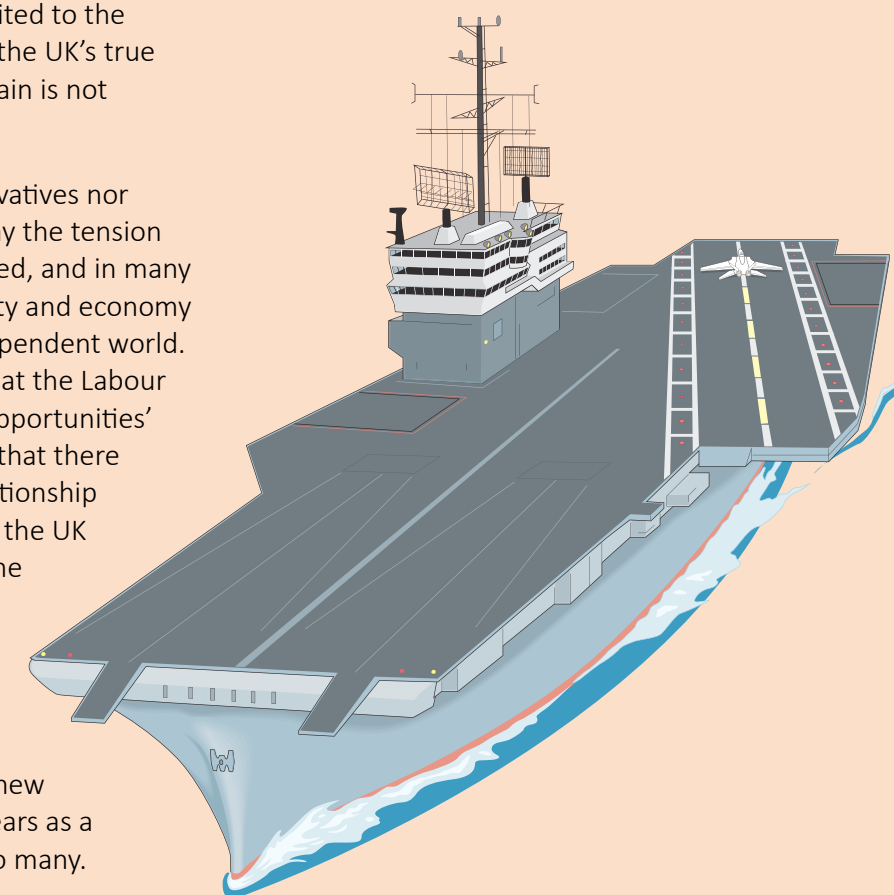
The Conservatives and Labour attach this explicitly to an idea of 'Global Britain', one that is in turn attached to Brexit and the notion that it will provide an opportunity for the UK to assume an international role that is at once new and better suited to the modern world, and the realisation of the UK's true foreign policy identity. But Global Britain is not defined.

Most importantly, neither the Conservatives nor Labour make any effort to square away the tension between the vision of a more protected, and in many ways more conservative, British society and economy that each are offering, and an interdependent world. This may be one of the 'challenges' that the Labour manifesto says exists alongside the 'opportunities' resulting from Brexit. But the truth is that there is no explanation of either, or the relationship between them, only a statement that the UK will essentially be able to play the same prominent role on the world stage it enjoyed before, only with greater vigour, focus and freedom.

This proposition, in light of financial, political and capacity constraints the new government is likely face in coming years as a result of Brexit will be unconvincing to many.



This highlights a final problem (see [trade](#) section in our report) which is the lack of any clear sense of prioritisation within the ambitious visions of global Britain on offer. We are left with no idea about which foreign policy and security goals are considered to be most important or, strategically, how each party proposes that the UK will set about achieving them in the coming years in any way that accounts for potentially, reduced finances, or the competing preferences of other actors who may not be the willing partners these manifestos assume them to be.



Public services

One serious concern for the delivery of public services after Brexit is the impact on the workforce. In certain parts of the UK, health and social care services are heavily reliant on EU workers. Major problems are likely if such workers leave the UK and are not quickly replaced, and if the future migration of health and care workers to the UK is restricted.

The Labour Party manifesto states that “Labour will immediately guarantee the rights of EU staff working in our health and care services.” Similarly, the Liberal Democrat manifesto provides that a Lib-Dem Government would “Guarantee the rights of all NHS and social care service staff who are EU nationals to stay in the UK.” It will also “Produce a national workforce strategy, ensuring that we never again experience a shortage in the numbers of GPs, hospital doctors, nurses and other professionals that the NHS needs” The Liberal Democrats are opposed to a hard Brexit and support continued access to the single market.

In contrast to Labour and the Liberal Democrats, the Conservative manifesto offers no guarantee regarding the position of EU citizens in the UK working in health and social care - this is left as a matter for Brexit negotiations. “We will make it a priority in our negotiations with the European Union that the 140,000 staff from EU countries can carry on making their vital contribution to our health and care system.”

In addition, the Conservative manifesto states that “..... we cannot continue to rely on bringing in clinical staff instead of training sufficient numbers ourselves. Last year we announced an increase in the number of students in medical training of 1,500 a year; we will continue this investment, doing something the NHS has never done before, and train the doctors our hospitals and surgeries need.” It goes on to say that “We will break down the barriers to public sector workers taking on more qualified roles because of their prior educational attainment. For instance, we will ensure that.....healthcare assistants can become nurses via a degree apprenticeship route, in addition to other routes.”

Yet while the Conservative party intends to increase the numbers of students being trained, in practice

it will take years to fill the gap in staffing which may result from Brexit given the time it takes to educate and train doctors to registrar and consultant level. At the same time, their manifesto also provides that “...we will increase the Immigration Health Surcharge, to £600 for migrant workers and £450 for international students, to cover their use of the NHS.” This could have a further deterrent effect on health and social care staff who wish to work in the UK post Brexit if they themselves have to pay more for accessing healthcare.

Delivery of public services across borders

Leaving the EU also has implications for cross-border health care provision. This includes the European Health Insurance Card (EHIC) which provides free or reduced cost emergency care to UK citizens travelling to another member state. Only the Liberal Democrat manifesto addresses this question. It states that “We will strive to retain traveller and tourist benefits such as the European Health Insurance Card” The absence of the EHIC card is likely to lead to UK citizens being charged upfront for emergency care in EU member states post Brexit.

Major challenges also exist for the delivery of public services across the border between Northern Ireland and the Republic of Ireland. Returning to a hard border would cause serious problems for cross-border healthcare provision, not least because there is already joint working and provision of healthcare, with patients travelling from north to south and vice versa to obtain more rapid treatment, or in some cases because treatment has been centralised e.g. some cardiac children services.

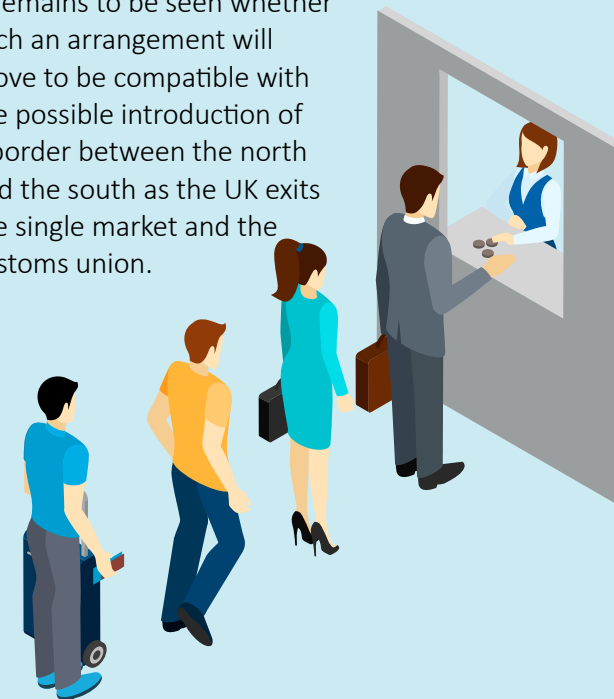
The Conservative manifesto states that “We will maintain the Common Travel Area and maintain as frictionless



a border as possible for people, goods and services between Northern Ireland and the Republic of Ireland.”

The Labour Party manifesto also provides that “Labour will ensure there is no return to a hard border between Northern Ireland and the Republic of Ireland.” The Liberal Democrats manifesto states that it will “Maintain the common travel area and freedom of movement.”

It remains to be seen whether such an arrangement will prove to be compatible with the possible introduction of a border between the north and the south as the UK exits the single market and the customs union.



Public health provision

The EU has been extremely influential in the development of public health law and policy across member states in areas such as tobacco control. All the manifestos address smoking to some extent. However, there is no examination by any of the parties as to the long-term implications for smoking policy after Brexit.

None of the manifestos comprehensively address or discuss what will happen in relation to EU public health law and policy in other areas such as blood, organs and tissue safety. The Liberal Democrats manifesto does refer to further investigation and compensation in relation to the contaminated blood scandal, and the review of the rules concerning blood donation by the Advisory Group on the Safety of Blood, Tissue and Organs, but this is solely discussed

in relation to the domestic context. Otherwise there is silence. Such lack of engagement is likely to be a real concern for the public health community.

Research and pharmaceuticals

The Conservative manifesto states its commitment to “support research into the diagnosis and treatment of rare cancers and other diseases, including Genomics England’s work in decoding 100,000 genomes. This, together with the development of stronger research links with the NHS, can help scientists and doctors design more effective and personalised treatments, and help maintain our position as the European hub for life sciences.” It does not, however, address the question of the UK’s relationship with the European Medicines Agency, which is set to move out of London after Brexit, and the status of pharmaceutical regulation in the UK currently rooted in EU law and policy. In contrast, the Labour Party and Lib Dem manifestos state that the UK will continue to be part of EU research programmes such as Horizon 2020 (Lib Dems) or will fight to retain access to it (Labour).

Even here, however, the commitments are very vague. Will the EU want us to be part of Horizon 2020? How would we fund our involvement? Will the EU want us to work closely with the European Medicines Agency and what will we do if they don’t? These are important questions which remain entirely unaddressed by each party’s manifesto.



Immigration

Immigration in general – and free movement within the European Union in particular, were central issues during the referendum campaign. Concerns about the level of immigration was one of the principal reasons why the UK voted to Leave. However, Brexit does not automatically imply an end to free movement. Norway and Switzerland are both outside the EU but within its free movement area. Meanwhile, the status of EU nationals living in the UK and UK nationals elsewhere in the EU is yet to be decided. Nor does Brexit imply anything about immigration policy towards non-EEA (European Economic Area) nationals.

Immigration was a central issue in previous elections but policy offerings were constrained by EU membership. By contrast, in 2017 the next government will have some important choices to make.

The Conservatives have made it clear that Brexit means that free movement will end. The manifesto states

“Leaving the European Union means, for the first time in decades, that we will be able to control immigration from the European Union too. We will therefore establish an immigration policy that allows us to reduce and control the number of people who come to Britain from the European Union, while still allowing us to attract the skilled workers our economy needs.”



Perhaps the most important point here is what isn't said. The lack of a date by which free movement will definitely end leaves open the possibility that it might continue in some form, for a lengthy “transitional period” after Brexit. It also suggests that a preferential status for EU citizens in the UK immigration system is likely to continue after Brexit. Labour is, if anything, more definitive, stating simply that “free movement will end when we leave the EU”, although the substance of Labour's manifesto is effectively identical.

By contrast, the Liberal Democrats offer a clear and explicit commitment to remaining in the single market and retaining free movement as now: “We support the principle of freedom of movement – to abandon it would threaten Britain's prosperity and reputation as an open, tolerant society. Any deal negotiated for the UK outside the EU must protect the right to work, travel, study and retire across the EU.” This presumably implies a Norway or Swiss style arrangement.

For EU nationals, both Labour and the Liberal Democrats would immediately guarantee all existing rights and seek to negotiate the same rights for UK nationals elsewhere in the EU, which is broadly what the EU-27 have already proposed. This would obviously make the negotiations easier, although numerous detailed technical issues would still need to be resolved, such as how to determine which EU citizens in fact have the right to reside in the UK absent any reliable mechanism such as worker registration documents to prove their entitlement. The Conservatives are even vaguer, merely saying that they will “secure the entitlements” of both groups; it remains unclear whether they accept the EU-27's proposals in principle.

Differences are much sharper on non-EU migration. Both Labour and the Liberal Democrats decry the “scapegoating” of immigrants, describe foreign students and skilled workers as essential to the economy, and suggest that the UK should be more open to refugees. Although there are few specifics, the implication is very much a return to the broadly liberal approach to economic migration of the Blair-Brown years. Both would reinstate and expand the Migration Impact Fund, intended to help those areas which have struggled due to a large influx of migrants.



By contrast, the Conservatives state explicitly that migration is too high, and propose a number of measures designed to reduce non-EU migration of students (further tightening of visa rules), skilled workers (a doubling of the skills charge) and family members (a rise in the earnings threshold, which Labour would abolish). Considerable emphasis is placed on the responsibility of employers to train British workers to fill skilled jobs currently done by migrants. However, when it comes to occupations where the government itself could act directly – for example nursing – there are few if any firm commitments.

But of course the most important single commitment in the eyes of the public is the Conservative manifesto pledge to reduce migration to the tens of thousands – explicitly rejected by Labour, and not mentioned by the Liberal Democrats. The Conservative policy raises, but does not answer, two important questions – is the pledge credible, and what would the impact be? The pledge does include concrete proposals that will reduce non-EU immigration. Moreover, after free movement does eventually end, if the UK extends the current arrangements for non-EU nationals to Europeans, it would exclude at least three quarters of them, and even before that there are likely to be economic and psychological factors that will reduce EU migration. The Office of National Statistics (ONS) has just reported a drop of 84,000 in net migration to the UK, in large part accounted for by EU citizens leaving the UK. So while actually hitting the target will depend to a large extent on factors outside the government's control, considerable reductions in migration are likely. May's immigration figures, showing a fall in net migration, largely as a result of EU nationals leaving the UK, indicate this may already be happening.

The economic impact of reducing the migration figure to the tens of thousands is likely to be severe. The proposals to reduce skilled workers and students from outside the EU will be particularly damaging at a time when migration from the EU is likely to fall. And, while the manifesto implies that the UK will remain open to skilled workers from the EU, this is not consistent with the scale of reductions required to meet the target. Moreover, ending free movement – which will be enforced not by “taking back control” of our borders, but rather by new obligations on employers – is also likely to reduce the flexibility of the UK labour market.

The Conservative manifesto does not attempt to quantify the impact of these policies. However, the independent Office for Budget Responsibility has done so. Back in November, it estimated that the fiscal impact of a forecast reduction of net migration from 265,000 to 185,000 at about £6bn a year by 2021; it follows a further reduction to 100,000 would have a similar cost. While their calculations are – as they admit – crude, they matter since, by law, they enter into the official Budget arithmetic. So if the OBR believes the government means it this time, then the government will have to “find” an extra £6bn, from taxes, spending or borrowing.

But the narrow fiscal cost is less important (although easier to calculate) than the wider economic implications; recent research suggests that large Brexit-induced reductions in immigration would have a significant impact on UK growth, adding to any negative impacts resulting from the reductions in trade, discussed in the [trade](#) section.



Economy and public finance

It has become conventional wisdom that while EU membership and globalisation and the trade, labour market flexibility and openness to immigration that accompanied them, have benefited the UK economy as a whole, those benefits have not been evenly distributed; and that the Brexit vote represented a reaction against this. This thesis is not entirely convincing – after all, if any section of UK society has done well over the last 20 years, it is pensioners, who voted overwhelmingly for Brexit. But it has certainly been taken on board by the main parties. Compare this:

“Britain’s economy is unbalanced. There are stark contrasts between regions, between old and young, and between the successful and those left behind.... There is much to be done to create an economy that ensures that the whole population benefits from the technological advances ahead.”

..with this..

“In Britain today, there is a division between those people and places that have benefited from a changed global market, where opportunity is displayed in affluence and a good quality of life; and those people and places that have experienced a struggling economy, where opportunity has receded and people worry about their children’s futures. This is not right. So we will forge an economy that works for everyone in every part of this country”

..and then contrast this..

“Britain is the only major developed economy where earnings have fallen even as growth has returned after the financial crisis. Most working people in Britain today are earning less, after inflation, than they did ten years ago. Too many of us are in low-paid and insecure work. Too many of us fear our children will not enjoy the same opportunities that we have. We will turn this around. We will upgrade our economy, breaking down the barriers that hold too many of us back.”

That’s Liberal Democrats, Conservatives, and Labour, in that order. The similarity is remarkable.

The Conservative Party manifesto is the most statist and interventionist produced by a governing party in living memory. Labour has made an even sharper break with its own recent past, proposing a massive expansion of state control of the economy, direct and indirect, including the reversal of several of the major Thatcher-era privatisations.

To begin with the similarities, each manifesto argues strongly that the UK suffers from a long-standing lack of investment, public and private, and that state intervention is required to address this. Equally, all parties are committed to a “modern” industrial strategy that is not about “picking winners” but supports “strategic” sectors; and to not just preserving current levels of labour market regulation after Brexit, but to expanding them in some respects.

The Conservatives’ plans are the most modest, with little new money, but are still ambitious: for example, they set a target of matching the OECD average for R&D spend (public and private) of 2.4% of GDP. There will be a £23bn National Productivity Investment Fund (largely a rebadging of existing commitments) and new sovereign wealth funds - “Future Britain” funds – which “will hold in trust the investments of the British people.” Political historians will wish to note the similarities with the Labour Party constitution before Tony Blair got his hands on it.

Meanwhile, the Liberal Democrats commit to £100bn extra infrastructure spending over the Parliament,



while Labour’s National Transformation Fund will have somewhat more - £250bn over ten years. Moreover, Labour’s National Investment Bank will “bring in private capital finance to deliver £250bn of lending power”.

What then are the differences? Most eye-catching are Labour’s proposals to renationalise rail, water, Royal Mail and (in part) electricity supply; but there is precious little detail on precisely how nationalisation would either solve the current problems of these industries, or avoid the failures of public sector management that led to privatisation in the first place.

Meanwhile, on [immigration](#) (discussed in this report), it is the Conservatives who are proposing a radical expansion of state control, with the end of free movement, an increase in the “skills charge”, and the possibility of various sectoral visa schemes – a move to a much more regulated and planned labour market.

But the biggest differences surround tax and spending. The Conservatives promise “a balanced budget by the middle of the next decade”. Both Labour and the Liberal Democrats would aim to balance the current budget (the former by 2022 the latter by 2020) rather than an achieve overall surplus. But frankly, given the long list of missed and changed deficit targets under the Conservatives, it is not clear either that anyone cares, or that they should.

Of course, the future path of the public finances will be determined largely by economic growth. While the economy has so far held up well, the OBR and international institutions have already reduced their forecasts for growth over the medium term as a result of Brexit. The analysis presented elsewhere in this publication, on [trade](#) and [migration](#), suggest this pessimism is well-founded. And the most recent available data, on both growth and migration, suggest the economy is already slowing.

But the OBR’s current projections assume a relatively “soft” Brexit; if a hard Brexit, or still worse a disorderly one, becomes likely, deficits are likely to continue indefinitely at a relatively high level by historical standards, whoever is in power.

But while the dividing lines on the deficit are much more blurred, the differences on taxing and spending



are nevertheless stark. Labour have outlined a long list of tax rises, focusing particularly on corporation tax and the higher paid, and spending increases, on the NHS, the abolition of tuition fees, public sector pay and much else besides. This would return tax revenues to their postwar highs as a proportion of GDP, and stabilise public spending, in contrast with the large further cuts implied by Conservative plans. The Liberal Democrats would increase income tax by 1p to boost NHS spending; they also note that avoiding a “hard Brexit” might ease some of the pressure on the public finances.

Do the sums add up? Labour’s probably don’t – the estimates of extra tax revenue look somewhere between optimistic and Panglossian. But the level of detail contrasts sharply with the Conservatives’ refusal to even attempt to cost their policies: essentially, they are telling both voters and markets that they neither need nor are entitled to know what’s going to happen to tax and spending. “Trust us” is the message.

And both strategies risk disappointing voters, particularly those who voted to Leave. Brexit will make it hard enough for the UK to compete for inward investment and highly skilled migrants without the much higher personal and corporate taxes promised by Labour. And, far from offering £350m a week for the NHS, the Conservatives are promising a level of funding which more or less guarantees continued deterioration in services at best, with even more stringent cuts elsewhere in the public sector.

So the 2017 election offers consensus on some things – efforts to boost investment, more government intervention in the economy, and increased regulation. Free-market liberals will have to make the best of a very bad job. At the same time, there’s a clear choice between higher taxes and public spending on the one hand, and lower overall taxes and a continued severe squeeze on public services on the other.

Repatriation of competences

Immigration, education and health are all big ticket electoral issues. However, for voters in Northern Ireland, Wales and Scotland, only the first falls solely within the policy responsibility of the Westminster Parliament. The rest are devolved competences, dealt with in Belfast, Cardiff and Edinburgh. Since 1999, the Westminster electoral cycle has been supplemented by elections to the devolved parliaments, which have been granted legal powers over a growing number of areas, including agriculture, environment, fisheries, as well as certain taxation powers, and (for Scotland at least) some areas of welfare. Knowing who does what is not always a straightforward matter.

The prospect of the UK's withdrawal from the EU raises the issue of what will happen to responsibility for policy areas currently dealt with at an EU level when they are 'returned' to the UK. For the devolved administrations, the issue is straightforward. Areas which have been devolved should come back to Belfast, Cardiff, and Edinburgh. Anything else is tantamount to an unwarranted power grab on the part of the central government.

However, the UK's experiences with devolution and the way powers are shared reflect the rights and obligations that flow from EU membership. EU law has provided a common set of rules and regulations within which the devolved administrations exercise their powers, providing them with both constraints, and opportunities for action. As the government foresaw in its White Paper on Legislating for the UK's withdrawal from the EU, the Great Repeal Bill will convert these EU frameworks into UK wide frameworks, in the interests of legal stability and consistency. Post-withdrawal, 'extensive discussions' would take place between central government and the devolved regions as to where common frameworks may be required, in the interests of a UK internal market and the UK's ability to advance a consistent UK-wide negotiating line in its future international trade talks. But the

clear indications from the devolved nations are that attempts to centralise these powers to London will cause considerable political fall-out – the UK Government will have a fight on its hands.

How sensitive are the main UK party manifestos to the political controversies around the repatriation of powers?

The Conservative manifesto adds little to what we have already heard. Its Chapter on 'A strong and united nation in a changing world' repeats the promise that the existing distribution of powers will be respected – and that 'no decision-making that has been devolved will be taken back to Westminster'.

What is not clear, however, is what 'decision making' means here. Does it include those very many situations in which the devolved administrations are operating within EU frameworks, giving effect to EU law and implementing EU policies – or is this merely implementation of a decision taken elsewhere? Does it depend on how much room for manoeuvre the relevant measure provides for the devolveds? A little ominously perhaps for the devolved administrations, the manifesto promises to reverse the trend of 'devolve and forget', and instead pledges 'active government, in every part of the UK'. Specifically on repatriating EU law, the manifesto provides that 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 it chooses, as will the devolved legislatures, where they have the power to do so'.

So full devolved competence over currently devolved areas is very clearly not foreseen, given the reference to the creation of new UK wide frameworks for farming, a new agri-environment system, and a new regime for commercial fishing, along with a replacement for structural funding through a UK Shared Prosperity Fund. In all cases, the manifesto assumes that there will be recentralisation, and whilst it is foreseen that the UK government will 'work with' the devolved administrations' in the creation of these new frameworks, there is nothing on the machinery for intergovernmental and interparliamentary relations that will need to be at the heart of the making of these new frameworks. There are no foundational principles for how the UK constitution will operate, and certainly

no commitment to a constitutional order premised on 'subsidiarity' – the principle drawn from the EU system which provides that decisions should be taken at the level closest to the citizen unless the demands of policy effectiveness requires that centralised decision making takes place.

In its manifesto, meanwhile, the Labour party presents itself as 'the party of devolution', and commits to introducing a 'presumption of devolution' where devolved powers transferred from the EU will go straight to the relevant region or nation'. However, the manifesto does not contain any detail about the sorts of circumstances in which the presumption might be overridden, the procedures through which decision making will take place, and whether there would be any opportunity for the devolveds to challenge decisions to centralise. Again, the language used is of central government 'working with' the devolved administrations.

The challenges to the existing constitutional settlement and the demands for new ways of working are not grappled with in either of the main parties' manifestos. A more fundamental constitutional shift is however envisaged by the Liberal Democrat manifesto. The commitment to allocate to the devolveds 'any powers repatriated as a result of Brexit in their areas of responsibility' comes as part of a broader approach which promises greater decentralisation of powers, and 'home rule to each of the nations' as part of a 'strong, federal and united United Kingdom'. A 'UK constitutional convention' would be convened to work on creating a new codified constitution.

The different parties' approaches to competence repatriation present different perspectives on the nature of the UK state and its constitutional order, and the place of the devolved nations within it. The process of withdrawing from the EU has never been just about one Union – but is fundamentally about the UK's own union of nations and its future.



Brexit: What the manifestos say

Single Market & Customs Union	Immigration	Transition	EU ‘Divorce’ Bill/ EU Budget	No Deal	Role of Parliament	2nd Ref on Deal	EU Legislation	Foreign Policy/Security	Rights of EU Citizens/ Other	What to keep (Programmes, agencies, agreements)
Conservative										
No A comprehensive free trade and customs agreement ECJ not explicitly mentioned	<100,000 (inc. students) Higher charge on non-EU workers	‘A smooth, orderly Brexit’ A transitional deal - or the ‘implementation phase’ discussed in the Government’s White Paper on Brexit- is not explicitly mentioned in the manifesto	A ‘fair settlement of rights and obligations’ Might pay to participate in certain programmes	No Deal is better than a bad deal	Parliament votes on the final deal, but rejection means exit with no deal	No	Great Repeal Bill Retain labour, consumer and environmental protections in 2019. Will not keep Charter of Fundamental Rights	Retain cooperation in counter-terrorism & crime Deep & Special Partnership Global Britain	No unilateral guarantee of EU Citizens’ rights Ireland: Keep Common Travel Area	Science and innovation collaboration Door open to participation in certain programmes- no specifics
Labour										
Unclear Priority to retain benefits of the SEM and customs union Seek tariff free trade w/ EU w/ no new non tariff barriers Role of ECJ not mentioned	Freedom of movement will end- replaced by a new ‘fair’ migration management system	‘if needs be’ Labour will be willing to “negotiate transitional arrangements to avoid a ‘cliff-edge’ for the economy”	Unclear	We will reject ‘no deal’ as a viable option	Increased role in negotiations; meaningful vote on final deal Unclear what happens if rejected	No	EU Rights and Protections Bill Guarantees workplace laws, consumer rights and environmental protections	Retain cooperation in counter-terrorism & crime Global Britain Continue to with the EU on a range of operational missions to promote and support global and regional security. ‘No gaps in national security and criminal justice arrangements’	Unilateral guarantee of EU citizens’ rights New powers to be devolved No return to a hard border between N.Ireland and the Republic	Euratom; European Medicines Agencies; Europol; Eurojust; Erasmus; Horizon 2020; Funding for Irish peace and rec projects
Liberal Democrats										
Want to remain members of SEM and CU ECJ not mentioned	Keep freedom of movement	N/A	Unclear	N/A We continue to believe that there is no deal as good for the UK outside the EU as the one it already has as a member	No vote; deal needs to be signed off by the people	Yes	Unclear	Retain cooperation in counter-terrorism & crime Build on European Defence cooperation & EU defence integration	Unilateral guarantee of EU Citizens’ Rights Ireland: Maintain Common Travel Area	Europol EAW European databases Euratom Horizon 2020 Marie Curie funding. Erasmus Funding for Irish peace and rec projects



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