

# HOW TRADE AND IMMIGRATION AFFECTED THE VOTE SHARE FOR BREXIT ACROSS THE UK: AN EXTENDED LITERATURE REVIEW

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## Table of Contents

Abstract.....	3
1. Introduction.....	4
2. Literature Overview.....	5
2.1. Introduction.....	5
2.2. The Role of International Trade in Brexit.....	5
2.3. The Role of Migration in Brexit .....	7
3. Trade and Brexit .....	9
3.1. Trade Developments and Effects in the UK .....	9
3.2. Possible Effects of Trade on Brexit Voting Behaviour.....	14
4. Migration and Brexit.....	18
4.1. Migration Trends in the UK.....	19
4.2. Possible Effects of Migration on Brexit Voting Behaviour .....	22
4.2.1. Economic Effects .....	22
4.2.2. Perceptions.....	23
5. Conclusion .....	24
References:.....	25

## Abstract

This study provides a critical review of the relevant literature on the roles of migration and trade in Brexit. The Brexit process has been one of the most important economic and political developments in the UK during recent decades. Trade and migration stand out as important factors driving this decision. The analysis indicates that the UK witnessed strong trade integration starting from the early 1980s. These developments contributed to the stagnant real wages, rising income inequality, and the loss of medium-pay and secure jobs. In return, the adverse distributional effects of trade affected the voting behaviour of citizens in the Brexit referendum. Hence, the evidence on the role of trade is relatively strong. The UK also experienced strong migration inflows (both from EU and non-EU countries) starting from the mid-1990s. The empirical evidence argues that these flows had limited adverse economic effects. In addition, the economic effects of migration are not found to be statistically significant. However, the perceptions and non-economic factors about migration were very important in Brexit, while it is technically difficult to document these effects fully. Overall, both factors are found to be important to varying degrees.

# 1. Introduction

The UK took a historical decision in the summer of 2016 by voting in favour of leaving the European Union (EU) (Clarke et al., 2018, p1). Given that the world economy has experienced rising integration and globalisation processes since the early 1980s, the Brexit decision stood out as a backlash against these trends (Van Reenen, 2017, p.1). The UK joined the European Economic Community (EEC) in 1973 after a politically difficult process between the UK and the existing European members (Ludlow, 1997, p.1). Then, the UK was one of the main countries in the union, with both a large economy and a large population. However, as the EU members continued to increase their economic, social, and political integration, the UK preferred to follow a more restricted stance, for example, by not participating in the common currency (i.e., euro) or the common visa scheme. In addition, the UK started to have different views of the joint economic and political measures after the global financial crisis regarding the EU sovereign debt crisis and the banking regulations. In addition, the UK diverged from the EU policies on the migration issues as well, both migration flows among the EU countries and from non-EU countries (Baldwin-Edwards and Schain, 2013). As the perspectives on many issues between the UK and the other EU countries diverged to a large extent, momentum accumulated in the UK to leave the EU (Thompson, 2021). In this context, the country decided to leave the EU in a referendum in the summer of 2016 and the separation took full effect at the end of 2020.

There are many studies that examine the causes and consequences of Brexit (Riley and Ghilès, 2016; Wincott et al., 2017; Evans et al., 2018; Adam, 2019). These studies examine a broad range of economic, social, political, and cultural factors. In this context, trade and migration stand out as important determinants of Brexit. The trade view is an economic approach to Brexit and argues that the negative effects of international trade and globalisation, especially the distributional effects, were instrumental in the negative perceptions of some citizens towards the EU and the regions affected by the trade developments voted in favour of leaving the EU. A similar argument is put forward by the migration view in the sense that regions affected adversely by migration flows (in terms of both economic and cultural dimensions) voted in

favour of leaving the EU. While there are studies that put forward these arguments, there is no clear consensus on the relative importance of these factors. In this context, given that trade and migration can be important factors in the Brexit decision, the aim of this critical literature review study is to document their effects on Brexit through a critical review of the relevant literature. In this context, the research question can be stated as follows: “What are the roles of trade and migration in Brexit?”. After investigating the relevant studies and evidence in a critical and systemic way, the essay argues that regions affected by trade (such as higher levels of Chinese imports or manufacturing declines) voted more in favour of leaving the EU, and migration perceptions also played a role in these voter shares. Hence, both factors were important, while the debate still continues on the relative weights of these factors. The critical literature review study is structured as follows. The next chapter provides a short literature review of the topic. Then, the ensuing two chapters provide a critical review of the trade and migration views, respectively. The last section concludes the study.

## 2. Literature Overview

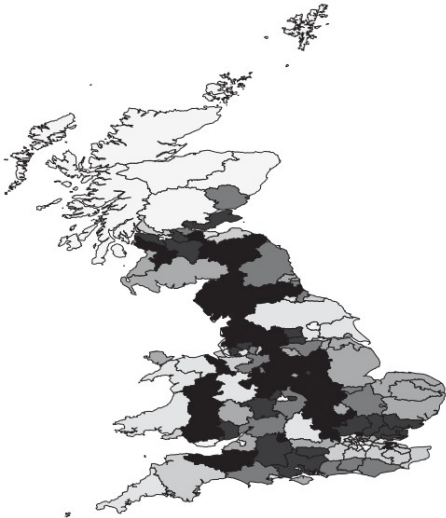
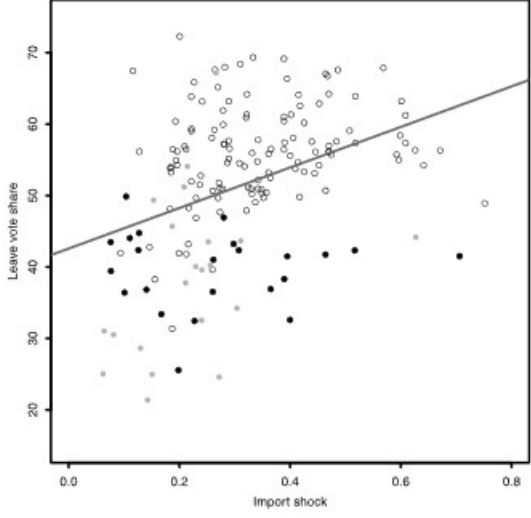
### 2.1. *Introduction*

Given the importance of Brexit for social, economic, political, and international developments, a large body of literature has developed examining the causes, mechanisms, and effects of Brexit (Bachmann and Sidaway, 2016, p.47; Menon and Salter, 2016, p.1297; Pettifor, 2017, p.127; Arnorsson and Zoega, 2018, p.301; O'Rourke, 2019, p.1). These studies focus on many factors such as economic problems, cultural issues, and migration in terms of driving the Brexit process. In addition, there are detailed studies that look at how the Brexit decision would affect the economies of both the UK and the EU. While a large body of literature has already formed on the issues, based on the critical analysis of the Brexit developments, it can be argued that there is no broad consensus on the main drivers of this decision. In this context, the present study provides a critical and systemic review of the determinants of Brexit by examining the possible roles of trade and immigration in affecting voter shares for Brexit across the UK. Both issues were debated widely during the Brexit referendum process (Colantone and Stanig, 2018, p.201; Outhwaite and Menjívar, 2021, p.93). This chapter provides a short overview of these two factors, while the following chapters go into the details of the existing studies and evidence.

### 2.2. *The Role of International Trade in Brexit*

One of the main dimensions of the globalisation trend of the last four decades has been the significant rise of international trade flows across countries. According to the World Bank (2021, n.p.), global exports increased from 18% of the world GDP in 1985 to 21% in 1992 and 30% in 2007. In the UK, international trade (measured as the sum of exports and imports) as a ratio of GDP increased from 45% in 1991 to 62% in 2011. While economic theory (such as the Ricardian theory of trade and the Heckscher-Ohlin (HO) theory of trade) argues that international trade would benefit the partner countries, it is also possible that some segments of the population would lose from trade flows (Feenstra and Taylor, 2014, p.1). For example, in the HO trade theory, countries would export goods that they relative abundance, like advanced countries with high levels of capital input exporting goods intensive in capital and developing countries with high levels of unskilled labour exporting goods intensive in labour. Since the UK is an advanced country with a relative abundance of capital input, she would import labour-intensive goods from the rest of the world. In return, the labour input in the UK would lose from participation in international trade. The relevant research shows that rising income inequality and the loss of medium-wage jobs are partly connected to the rising shares of international trade, in general, and higher trade relationship with China, in particular (Haskel and Slaughter, 2001, p.163; Van Reenen, 2011, p.730). Hence, the literature shows that trade has affected economic conditions and income distribution in the UK.

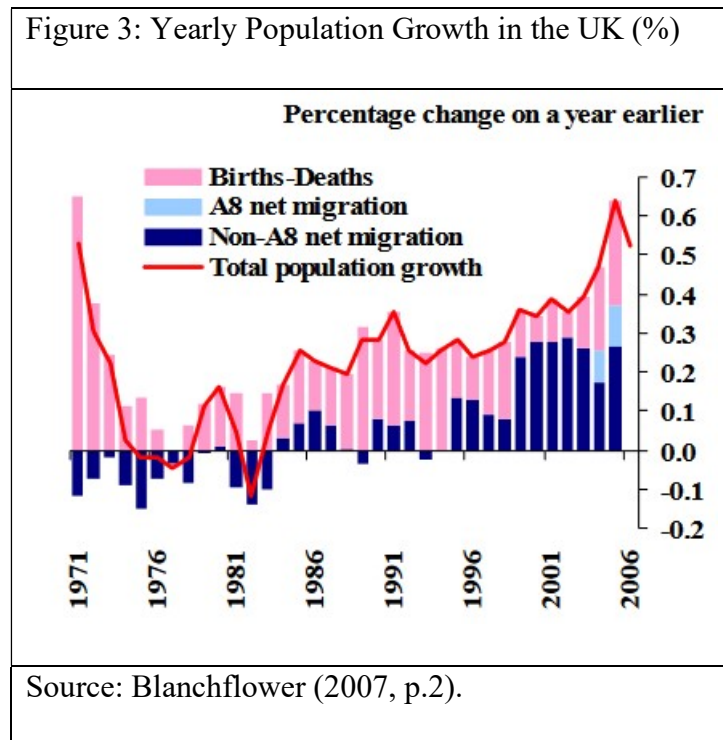
The above discussions imply that trade is an important factor affecting the economic conditions of citizens in the UK. Rising import levels, off-shoring, and the declining share of manufacturing jobs in the labour markets can be connected to trade dynamics. These dynamics also do not affect all regions of the UK homogenously as the previously industrialised regions experienced larger declines in their economies. In return, it can be expected that these economic conditions connected to international trade would affect the voting preferences of people living in these regions.

Figure 1: Import Shock Intensity	Figure 2: Imports and Leave Vote Share
	
Source: Colantone and Stanig (2018, p.5).	Source: Colantone and Stanig (2018, p.9).

In fact, this relationship between trade and Brexit vote share is studied by Colantone and Stanig (2018, p.1) in detail. The authors first identify an import shock coming from China for the regions of the UK depending on the exposure of regions to trade and import flows. Figure 1 shows the intensity of import shocks across regions in the UK, with the darker shades showing higher levels of import shocks. Then, the authors check whether the intensity of import shocks is associated with the Brexit vote shares. In this context, Figure 2 shows the scatter plot between import shocks and the leave vote shares. A positive association is observed in the graph, implying that higher exposure to import shocks is associated with higher support levels for the leave decision. Based on a more detailed empirical analysis, Colantone and Stanig (2018, p.1) display that the support for the leave option in the Brexit referendum was systematically higher in regions hit harder by economic globalisation. This effect was driven by the displacement determined by globalization in the absence of effective compensation for its losers. Hence, these findings are consistent with the trade theory that there can be losers from trade and this study finds that losers from trade voted heavily in favour of leaving the EU. Therefore, there is strong evidence of the role of trade in the Brexit decision.

### 2.3. The Role of Migration in Brexit

The UK has been a target country for migration flows, especially starting from the 1990s (Glover et al., 2001, p.1; Blanchflower, 2007, p.131; Dustmann et al., 2008). Figure 3 shows the composition of the population growth in the UK for the 1971-2006 period. It is seen from the graph the net migration flows to the UK were negative for the 1970s and around zero for most of the 1980s and the early 1990s. Hence, migration was not a major issue for the UK during the 1970s, 1980s, and early 1990s. However, as the EU adopted the single market policy in 1993, the union became more open to internal EU migration. In addition, the UK started to attract significant non-EU migration as well starting from the mid-1990s. Figure 3 shows that during the late 1990s and the early 2000s, the population growth was around 0.4% per year and around 0.3% points were due to net migration flows to the UK. The more recent data (as examined in the fourth chapter) shows that the UK has been attracting high levels of immigration flows during the 2000s and 2010s, as well.



The rising levels of migration flows from both the new EU countries (such as Poland, Romania, and Bulgaria during the 2000s) and non-EU countries (such as Syria, Iraq, and North African countries during the 2010s) were also argued to be important in the Brexit views of the citizens (Outhwaite and Menjivar, 2021, p.93). The migration can have both economic and non-economic effects on the UK economy and society. For example, migration can lead to higher



unemployment rates and lower wages for the low-skilled citizens in the UK (Blanchflower, 2007, p.2). These effects can be economically sizeable or just perceptions and can affect the views of the citizens about the EU migration policies. In addition, migration can create cultural reactions in terms of citizens' view of Britishness of the UK society. Hence, migration can work through various economic and non-economic channels to affect the voting behaviour of citizens in the Brexit referendum.

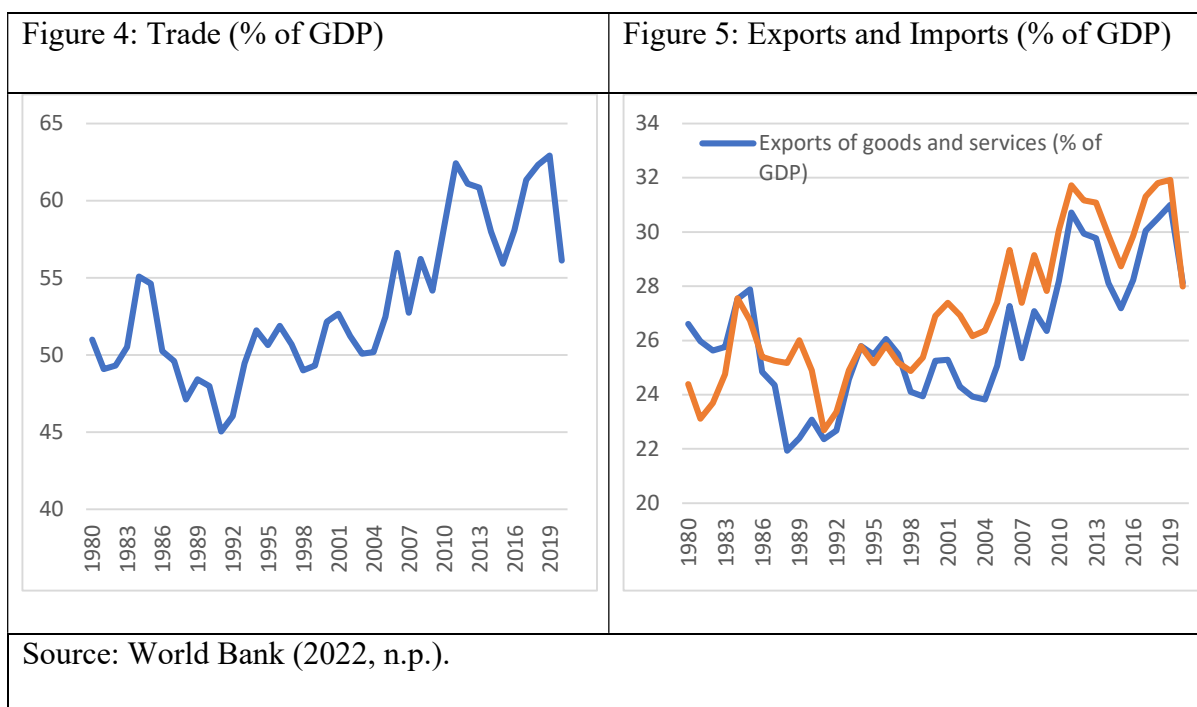
As a summary of the preliminary evidence, it seems that both factors were important in the voting behaviour of citizens. In the case of trade, regions that were affected negatively by trade and import developments, including off-shoring and the loss of manufacturing jobs, voted heavily for Brexit. Similarly, migration perceptions were instrumental in the Brexit referendum. These findings imply that globalisation trends can create losers in the economy, with important consequences for government policies. These points on the role of trade and migration are examined in more detail in the following two sections, respectively.

### 3. Trade and Brexit

The previous literature review chapter has provided an introduction to the possible effects of trade and migration. Then, the following two chapters go into the analysis of trade effects and migration effects in more detailed and critical ways. In this context, the present chapter provides a critical review of the relevant literature on the role of trade in the Brexit decision. In order to understand how and through which mechanisms trade can affect the Brexit process, it would be informative to first review the trade dynamics in the UK during the last four decades. In this context, the first part of the chapter provides an overview of trade developments in the UK and discusses its economic and distributional effects. Then, the second part critically examines the possible roles of trade in Brexit.

#### 3.1. *Trade Developments and Effects in the UK*

The UK has been a global leader in international trade since the colonialization process and Industrial Revolution. Hence, it generally maintained an open economy approach in its trade policy. This policy stance is also reflected in the trade dynamics of the country.



In order to examine the trade dynamics in the UK, Figure 4 presents the trade ratio (i.e., the sum of exports and imports relative to GDP) and Figure 5 presents the exports and imports. It is seen that the trade ratio had a minimum value of 45% in 1990. Then, the UK experienced a strong growth trend in the trade ratio, especially during the 2000s. The trade ratio reached 62% in 2009 but followed a downward and volatile pattern after the global financial crisis and especially the Brexit decision. Figure 5 shows that both imports and exports increased significantly during the last three decades. However, imports have been generally higher than exports, thereby creating current account deficits in the UK (Forbes, 2018).

Figure 6 presents the relationship between the UK and the EU in terms of the UK's import flows. It is seen that between 1950 and the entry of the UK into the union in 1973, the growth of imports as a ratio to GDO was relatively moderate. Then, between the entry into the EEC and the launch of the single EU market in the early 1990s, the import accelerated to some extent. Then, with the initiation of the single market, UK imports displayed a very strong growth trend. Overall, the import to GDP ratio increased from around 10% of GDP during the 1950s and 1960s to more than 30% of GDP before the global financial crisis and again during the 2010s.

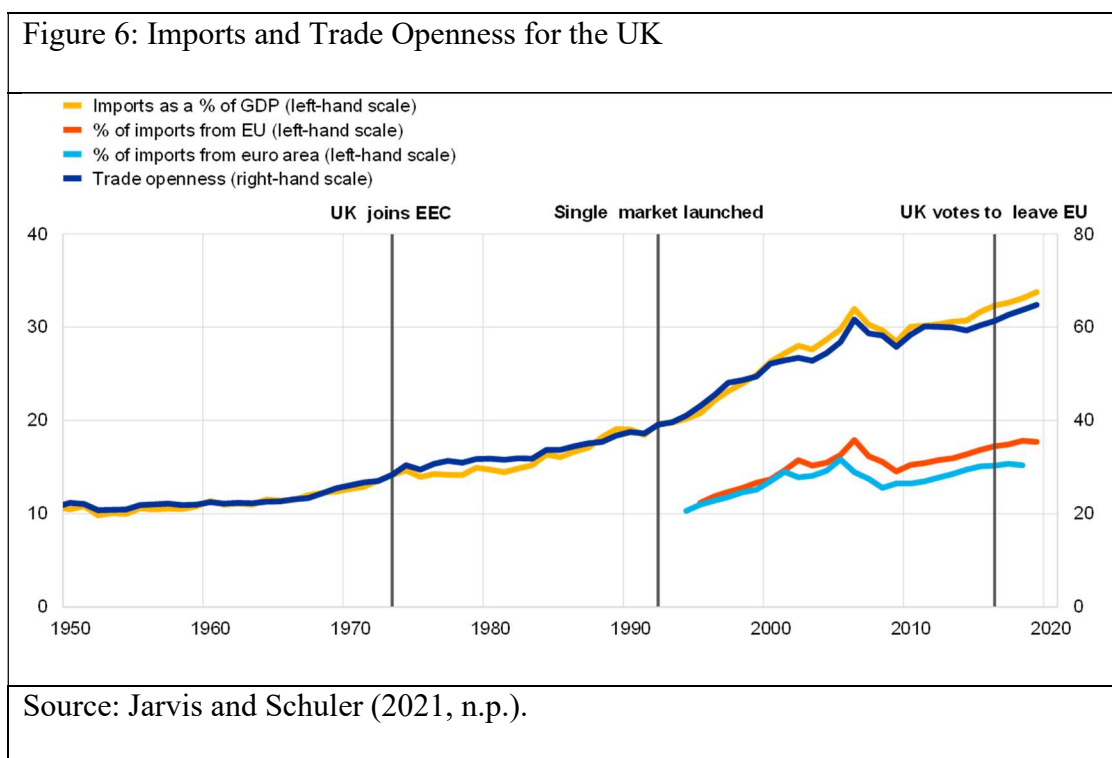
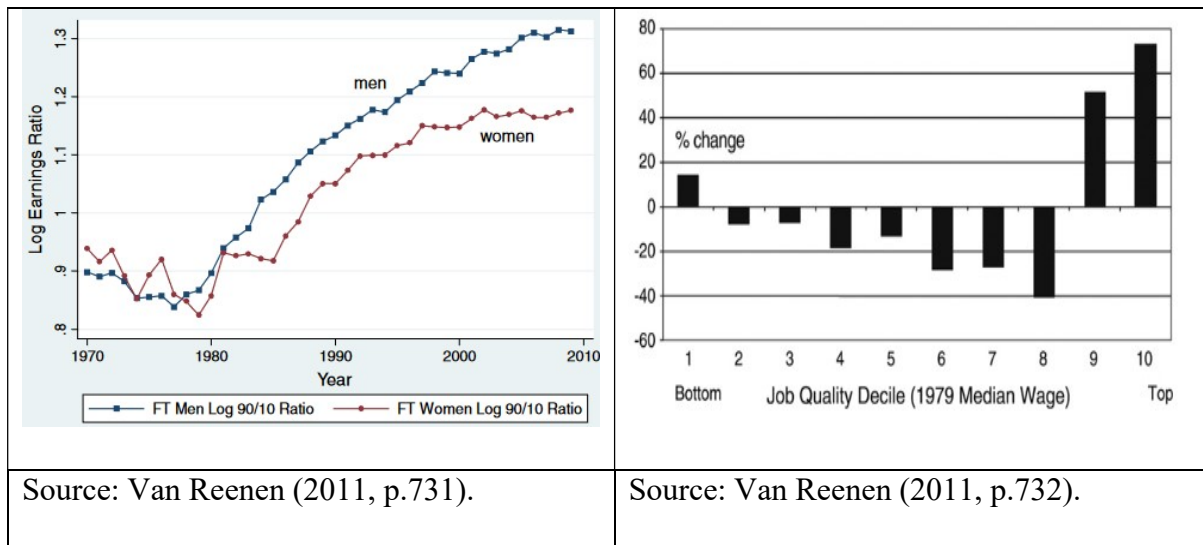


Figure 6 also shows the share of the EU countries in the UK's imports. It is seen that this share was around 10% in the mid-1990s and displayed a gradual increase in the following decades, reaching above 15% around the Brexit decision. Finally, the graph shows that the UK had a strong trade openness trend in the last four decades as the relevant index more than doubled in the same period. Overall, the analysis of trade developments presented in Figures 4-6 shows that the UK experienced rising trade openness and integration levels in the recent decades, along with persistent current account deficits. It is natural that these major economic developments would have also important social, economic, and political consequences. In return, these developments would create possible effects on the voting behaviour of people in the Brexit referendum. Before examining these Brexit effects, this part provides a review of the consequences of trade and globalisation in the UK economy.

As discussed in the literature review section, the trade theories (such as the Ricardian trade theory or the H-O model) imply that participating in free trade would increase social welfare and production for all participating countries. However, trade integration also produces distributional effects in the sense that some sectors of the economy, some businesses, and some portions of the labour force would face negative consequences of the trade developments. For

example, as the UK has comparative advantages in relatively capital-intensive and high-tech goods, it would import low-skill and low-tech goods from other countries such as China. In return, the sectors that use low-skilled labour in the UK would experience a decline over time and the relative earnings of the low-skilled workforce (in real terms) would decline or stagnate. So, from a theoretical perspective, it is quite possible that trade would create some losers in the economy and society. In addition to these direct trade effects, it is also possible that trade induces changes in technology that would affect wages and income inequality in major ways. Van Reenen (2011, p.) examines the role of trade and technology in income and wage inequality in the UK. The author first documents the rising levels of income inequality in the country. Figure 7 shows the log ratio of the earnings in the top 10% and the bottom 10% for full-time male and female employees. It is seen that this ratio (which shows wage inequality in the economy) increased significantly (by more than 40% in the case of men and 30% in the case of women) between 1980 and 2010. Hence, income distribution worsened greatly in the UK during the last four decades. The author notes that trade can be one of the relevant factors driving the rise in inequality levels. Another important labour market development has been the changes in the job growth rates. Figure 8 shows the deciles of jobs according to the wage level, with the low-wage jobs being in the bottom deciles and high-wage jobs being in the upper deciles. Then, the horizontal axis shows the growth rate of these jobs in the three decades after 1979. Van Reenen (2011, p.732) interprets these developments in Figure 8 as the decline of middle-wage jobs for the middle class in the UK. Namely, lovely jobs (i.e., jobs with top-wage levels such as professionals, bankers, lawyers, economists, management consultants, etc.) and lousy jobs (i.e., jobs with low-wage levels such as check-out employees, cleaners, hairdressers, shelf-stackers, etc.) experienced strong growth in the last decades. However, the middle-wage jobs (such as manufacturing jobs) experienced major declines in the same period in the UK.

Figure 7: Wage Inequality in the UK	Figure 8: Job Growth in the UK
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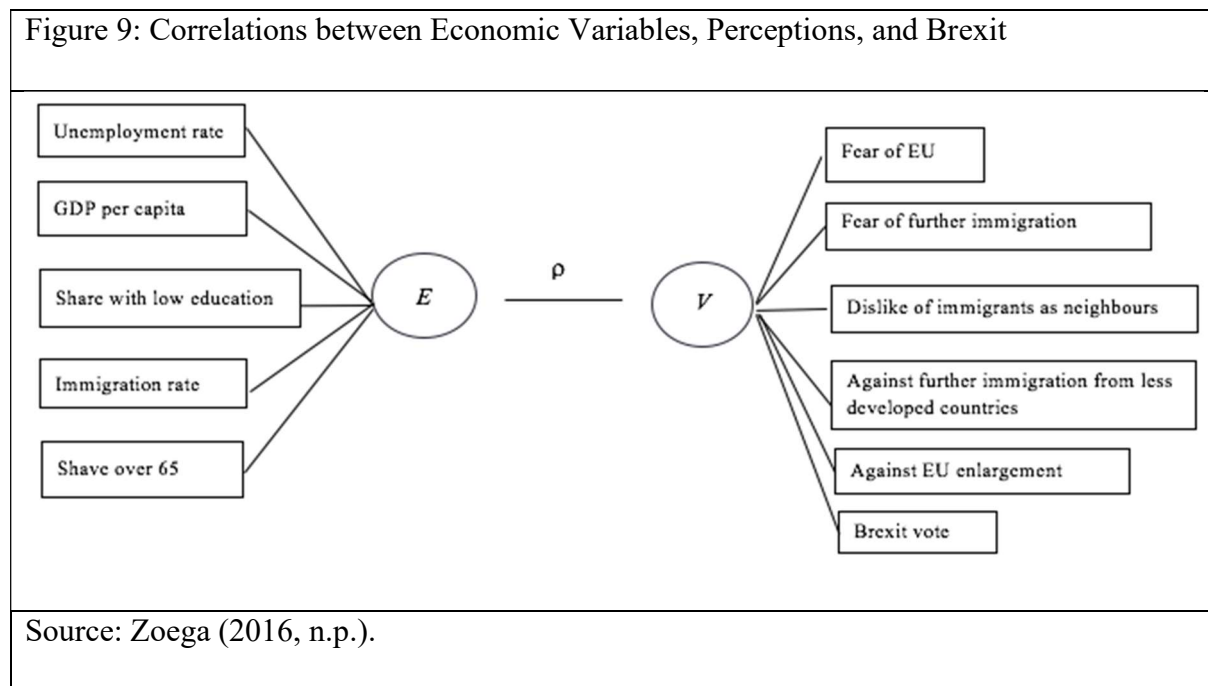
Van Reenen (2011, p.730) examines the roles of trade and technology in driving the above developments in terms of rising wage inequality and the decline of middle-wage jobs. The relevant regression analysis indicates technological developments and technology-skill complementarity were crucial in these developments. However, trade also played direct and indirect roles in explaining labour market developments. Specifically, according to Van Reenen (2011, p.740), there seems to be proof that trade with low-wage countries like China gives rise to quicker technological advancement because firms are compelled to "innovate or die." Consequently, trade creates significant dynamic benefits by increasing productivity, but it also has profound impacts on the labor market, which has political repercussions. For example, the median voters are in the centre of the distribution of income, and if they grow increasingly "squeezed" from both rich and poor, they will be drawn to policies that seek to overturn these trends. This last point is very crucial for the present study in terms of the possible effects of trade developments on the Brexit decision. Namely, according to Van Reenen (2011, p.730), the trade developments have been instrumental in creating some adverse effects for the middle class in the UK due to rising wage inequality and the decline of middle-wage jobs. In return, there would be political consequences in the sense the median voter or the middle class would try to avoid these trade trends. Hence, when faced with an opportunity such as Brexit, the median voter can try to decrease the trade integration level of the economy by opting to leave the EU single market. While there were no issues of Brexit at the time of the writing of Van Reenen (2011, p.730), the implications of the paper in terms of political consequences of trade are very indicative of the Brexit voting behaviour. The arguments of this paper about the

distributional effects of trade are also acknowledged in other studies such as De Santis (2003, p.893) and Engelmann (2014, p.223). Overall, these discussions on the economic and social effects of trade and globalisation imply that trade can be an important factor affecting voting behaviour in the Brexit referendum. The following part of the present chapter examines this link in more detail.

### *3.2. Possible Effects of Trade on Brexit Voting Behaviour*

There are various studies that connect the trade developments and globalisation trends to the Brexit voting shares. For example, Coyle (2016, p.23) examines the possible determinants of the Brexit vote and finds that there was a close relationship between the leave vote share and the uneven economic development among the regions of the UK. Namely, regions with average income stagnation and de-industrialisation (such as the North of England and the Midlands) were supportive of leaving the EU at a higher rate than other regions. The literature already shows that wage stagnation and the loss of manufacturing jobs are closely related to trade and globalisation developments (Van Reenen, 2011, p.730). The de-industrialisation process started at the end of the 1970s and accelerated in the 1980s and 1990s. The manufacturing sector generally provided well-paid and secure jobs (i.e., the middle-wage jobs as shown in Figure 8); however, millions of jobs were lost in the process. In addition, these losses were mainly concentrated in formerly industrialised regions of the UK such as the Midlands and the North of England). Given that spatial movements are not very high or costless, these effects also persisted for the following generations and created a downward spiral in the relevant communities. Hence, the losses were not only economic but also social, such as the negative social effects of high unemployment levels, stagnant incomes, and insecure jobs. Therefore, the analysis of Coyle (2016, p.23) implies that trade was a crucial factor explaining the regional differences in the Brexit vote shares. Similar arguments are also put forward by Arnorsson and Zoega (2018, p.301). These authors also examine the correlation of different economic factors with the Brexit voting shares. Zoega (2016, n.p.) provides a conceptual model of these possible correlations, which are presented in Figure 9. On the left-hand side of the graph, there are some economic factors that the author considers to be important for the Brexit vote share. These

variables are the unemployment rate, GDP per capita, the share of population and workforce with low education, immigration rates in the regions, and the share of the population over 65 years.



The analysis of Zoega (2016, n.p.) and Arnorsson and Zoega (2018, p.301) reveal that the listed economic factors were closely associated with the Brexit decision. For example, regions with higher leave vote shares had higher unemployment rates, lower GDP per capita levels, higher shares of people with low education levels, higher migration levels, and higher shares of the population over 65 years. Some of the relevant indicators such as low GDP per capita levels and high unemployment rates are also correlated with trade and globalisation developments as discussed above. Hence, the arguments of Arnorsson and Zoega (2018, p.301) provide important evidence on the possible roles of trade in the Brexit decision. Figure 9 has also a set of variables called V for values. These variables include the fear of the EU, the fear of further immigration, the dislike of immigrants as neighbours, having negative perceptions against the

immigration from low-income and developing countries, and being against the further enlargement of the EU. Hence, the authors show that the economic factors (i.e., the E variable in Figure 9) affect the value factors (i.e., the V variable in Figure 9). In return, all of these economic and value factors become important in the voting behaviour in the Brexit referendum. These two studies by Zoega (2016, n.p.) and Arnorsson and Zoega (2018, p.301) provide important findings on the possible mechanisms for the effects of both trade and migration to the point that they affect the given economic and value factors.

The study by Colantone and Stanig (2018, p.201) has already been discussed in the literature review as a paper that provides detailed quantitative analyses of the possible effects of trade and globalisation developments on the Brexit decision. The paper shows that the regions exposed to the Chinese import shocks registered higher shares of the leave vote in the referendum. Specifically, the authors demonstrate that endorsement for the leave option in the Brexit vote was systematically higher in areas that had been disproportionately impacted by globalization process. They emphasize the shock of surging Chinese imports over the last three decades as a systemic driver of disparities in economic performance across UK territories. The paper utilises an IV regression approach to identify the causal effects of the Chinese import shocks. The paper then claims that the trade effect on Brexit is driven by globalization's displacement in the absence of effective compensation for its losers arising from the Chinese import shocks. Hence, it is an important study to document the role of trade in a causal and quantitative way. In another study, Nicoli et al. (2021, p.1) extend this analysis to include trade relationships with the Central and Eastern European (CEE) countries. These countries joined the EU during the early 2000s and thanks to the single market structure of the union, their trade integration increased significantly in the last couple of decades. Then, Nicoli et al. (2021, p.1) argue that the trade relationship with the CEE countries can be another important factor in the Brexit decision. The authors follow a very similar identification strategy as Colantone and Stanig (2018, p.201) and quantify the impact of various factors on the Brexit voting behaviour. Their results are presented in Figure 10.

As shown in Figure 10, Nicoli et al. (2021, p.1) examine the impact of many factors in their regression analyses. These factors include the instrumented Chinese import shock, the share of the migrant population, new migrant arrivals (as a percentage share of the working-age population), austerity measures during the 2010-2015 period, the share of cancer patients in

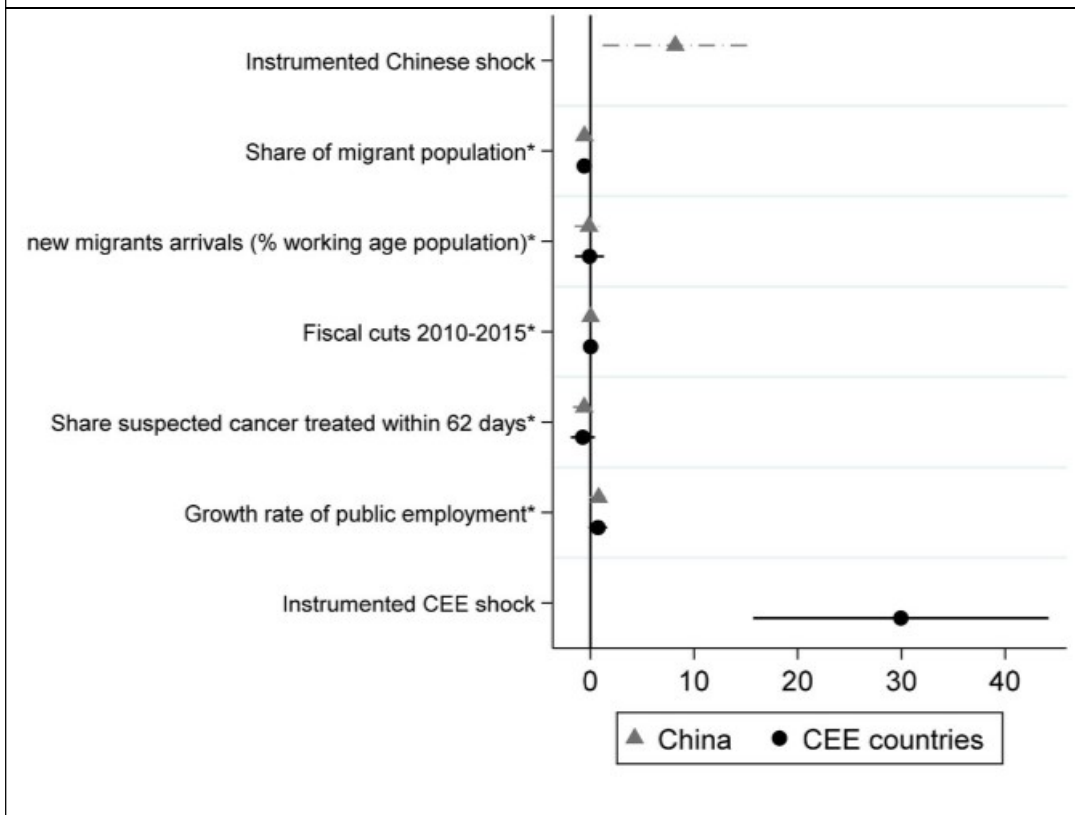


the recent months, the growth rate of public employment, and the instrumented CEE import shock. The results in Figure 10 show that both trade shocks (i.e., Chinese import shocks and the CEE import shocks) have statistically significant effects on the Brexit voting behaviour. Hence, this paper, along with Colantone and Stanig (2018, p.201), provides strong support for the argument that trade mattered greatly for the Brexit decision. Interestingly, the other factors like austerity measures and two migration indicators (i.e., the share of migrant population and the new arrivals of immigrants) are not found to be statistically significant in the regression analyses. However, these findings do not imply that migration developments were not important in the Brexit decision. It is possible that migration affects voting behaviour not only through its economic impacts but also through its impact on perceptions and values. These points were already displayed by Zoega (2016, n.p.) and Arnorsson and Zoega (2018, p.301). Hence, one needs to be careful when interpreting the quantitative results in the literature as there can be other channels and mechanisms that are overlooked or not measured in the relevant regression analyses.

Overall, the analysis of i) the trade dynamics and developments in the UK during the last four decades, ii) economic effects of trade in the UK, and iii) the possible channels from trade to the Brexit decision provides important findings and evidence about the research question of the present study. The analysis of the data reveals that the UK experienced a strong globalisation trend since the early 1980s. In this period, the trade ratio increased significantly but the country also experienced persistent trade deficits. In terms of economic effects, the relevant theories imply that trade integration would increase overall social welfare but would also create some losers in the economy and society. The empirical studies confirm these theoretical arguments. Namely, they show that trade was instrumental in the stagnation of real wages, the rising income inequality in the UK, the de-industrialisation process, and the loss of medium-wage and secure jobs in the economy. The impact of these distributional developments was heavily felt by the middle class in the country. In return, the political analysis and the median-voter approach imply that there would be political consequences of the trade dynamics and developments as the median voter and the middle class would try to limit and reverse the trade integration process if their losses are not compensated in a sufficient way. Then, the relevant empirical studies show that the trade-induced effects on the economy were very

important in shaping the Brexit voting behaviour in 2016. The next chapter provides a similar critical review of the possible effects of migration on Brexit.

Figure 10: Impact of Various Factors on the Leave Vote Share



Source: Nicoli et al. (2021, p.11).

## 4. Migration and Brexit

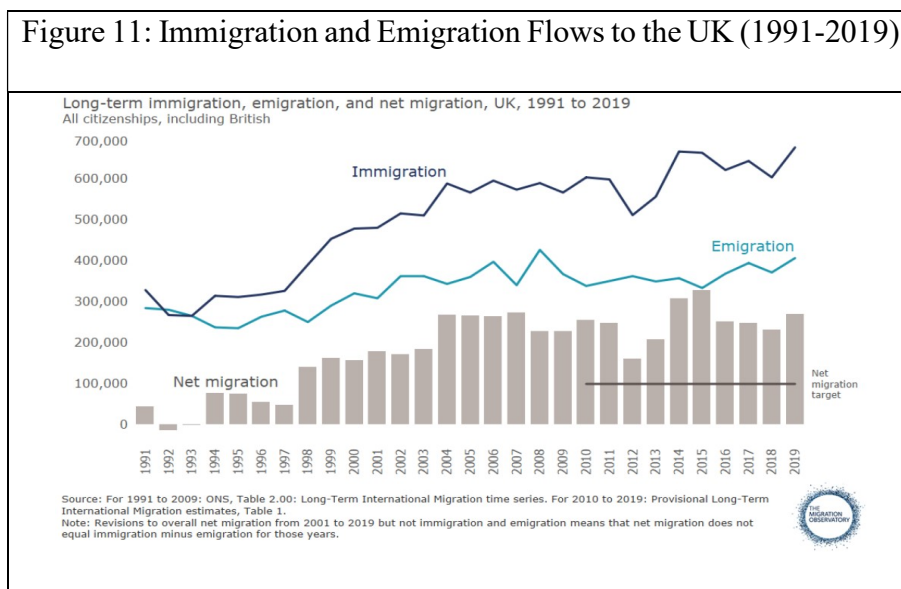
This chapter provides a critical review of the relevant literature on the role of migration in the Brexit decision. In order to understand how and through which mechanisms migration can affect the Brexit voting behaviour, it would be informative to first review the migration flows

in the UK during recent decades, especially in the context of EU migration from the eastern countries and non-EU migration from Syria and North Africa. In this context, the first part of the chapter provides an overview of migration dynamics and flows in the UK and discusses its economic and distributional effects. Then, the second part critically examines the possible roles of migration in Brexit.

#### 4.1. Migration Trends in the UK

In addition to the rising non-EU migration starting from the mid-1990s, another major development was the joining of 8 Eastern European countries to the EU in May 2004. These countries (i.e., A8 countries in Figure 11) are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. Among these Hungary and Poland had sizeable populations. In addition, economic development levels between the A8 countries and the UK were significant. As a result, the UK started to experience strong migration flows from the A8 countries after 2004. Figure 3 shows that these flows were around one-third of the population growth in the UK in the two years after 2004 (Blanchflower, 2007, p.2). This impetus was strengthened by the joining of the A2 countries (i.e., Bulgaria and Romania) to the EU in 2007. Hence, the EU become a very heterogeneous union in terms of uneven economic development levels between the eastern and western countries. Then, it is natural and consistent with the economic theory that labour would flow from the low-wage regions to the high-wage regions. Hence, the UK started to experience a strong trend of migration during the 2000s.

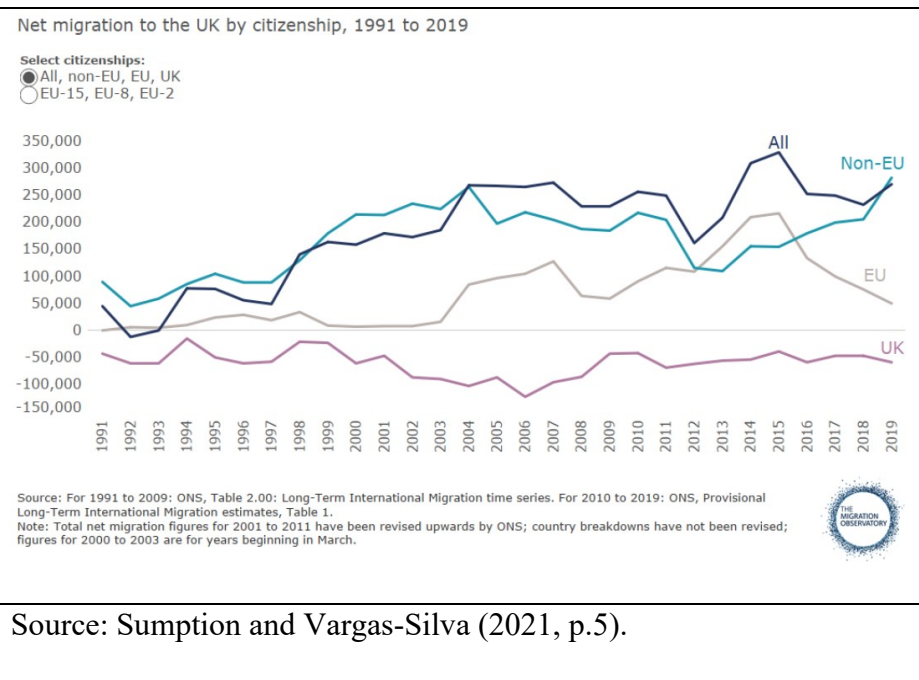
Figure 11: Immigration and Emigration Flows to the UK (1991-2019)



Source: Sumption and Vargas-Silva (2021, p.4).

As migration flows increased in size and their effects became more visible, more studies and reports started to examine the dynamics and developments of migration in the UK. In this context, the report by Sumption and Vargas-Silva (2021, p.1) provides a detailed and long-term analysis of the migration flows to the UK. Figure 11 from this report shows the long-term trends of immigration and emigration flows to the UK for the 1991-2019 period. It is seen that net migration flows were close to zero in the 1992-1993 period and stayed below 100 thousand people in the following years. However, during the early 2000s, the net inflows approached 200 thousand people per year and during the late 2000s, they approached close to 300 thousand people per year. The maximum levels were reached in 2014 and 2015 (as migration flows from Syria and North Africa intensified) just before the Brexit referendum in 2016. Then, with the referendum, the migration flows experienced a sizeable decline, while the main effects are expected to be more binding as the UK left the EU officially at the end of 2020.

Figure 12: Source Countries of Migration Flows in the UK (1991-2016)



Source: Sumption and Vargas-Silva (2021, p.5).

As an additional dimension on the migration issues, Figure 12 shows the composition of migration flows to the UK in terms of source countries (Sumption and Vargas-Silva, 2021, p.5). It is seen that during the late 1990s and the 2000s, migration flows from non-EU countries

were the dominant type. The migration flows from the EU countries started to increase after 2004 (when A8 countries joined the EU) and exceed the non-EU migration flows during the early 2010s. However, after the Brexit referendum in 2016, the migration flows from the EU countries displayed a strong downward trend (falling to around 50 thousand in 2019 compared to close to 200 thousand in 2015), whereas the non-EU migration flows continued to increase and reached their highest level in 2019.

Table 1: Composition of Population in the UK by country of Birth (2019)

<b>Estimated resident population of the UK, by country of birth, 2019</b>										
Thousands										
Nation/Region	Number					%				
	UK	EU27	EU14	EU8	Non-EU	UK	EU27	EU14	EU8	Non-EU
England	46,977	3,214	1,487	1,113	5,434	84%	6%	3%	2%	10%
North East	2,469	55	32	16	97	94%	2%	1%	1%	4%
North West	6,509	258	115	111	453	90%	4%	2%	2%	6%
Yorkshire & Hum.	4,903	209	76	103	313	90%	4%	1%	2%	6%
East Midlands	4,149	275	74	146	329	87%	6%	2%	3%	7%
West Midlands	5,030	294	108	123	521	86%	5%	2%	2%	9%
East	5,393	376	156	158	420	87%	6%	3%	3%	7%
London	5,659	1,055	552	241	2,262	63%	12%	6%	3%	25%
South East	7,848	452	252	132	763	87%	5%	3%	1%	8%
South West	5,017	239	123	84	277	91%	4%	2%	2%	5%
Wales	2,914	80	40	30	121	94%	3%	1%	1%	4%
Scotland	4,881	235	91	121	267	91%	4%	2%	2%	5%
Northern Ireland	1,730	87	44	38	44	93%	5%	2%	2%	2%
United Kingdom	56,502	3,616	1,662	1,303	5,866	86%	5%	3%	2%	9%

Source: Sturge (2021, p.20).

Due to the strong trend of net migration flows to the UK in the last three decades, a sizeable migration population has formed in the UK. Table 1 shows that, as of 2019, 16 % of the population was born in other countries, i.e., 6% points in the EU27 countries and 10% points in the non-EU countries. Hence, the analysis of the migration dynamics and developments in the above table and graphs shows that the UK experienced sizeable migration flows in the last three decades and accumulated a sizeable migrant population in the country. Then, it is possible

that these major migration developments would also have important social, political, and economic consequences.

## 4.2. Possible Effects of Migration on Brexit Voting Behaviour

### 4.2.1. Economic Effects

In terms of economic effects, (Blanchflower, 2007, p.2) argues that the migration flows from the new EU member countries increased the labour supply more than the labour demand in the UK. As a result, they were effective in depressing wages and inflationary pressures in the economy. In another study, Dustmann et al. (2010, p.1) examine the fiscal effects of migration flows from the A8 countries. The authors find that migrants from these new EU member countries had a lower likelihood of receiving state benefits or using social housing. In addition, they have higher labour force participation levels and pay more taxes. As a result, the authors conclude that the net fiscal impact of migrants from the A8 countries was positive. Lemos and Portes (2014) examine the labour market effects of migration and find limited evidence of falling wages and rising unemployment rates. A government report by Devlin et al. (2014, p.1) also examines the issue of migration. The report finds limited evidence for the displacement effect on native workers. However, when the economy is in weak conditions (such as recessions), some displacement effects are documented. Overall, these studies find important effects of migration on the labour markets in the UK.

Above discussions have shown that there are important economic effects of migration. For example, Blanchflower (2007, p.2) finds that the labour supply increase due to migration flows limited inflation and wage pressures. While lower inflation levels and higher production capacity can be counted as some benefits of migration, the stagnation of wages would have distributional effects on the UK population. As discussed in the previous chapter, low and stagnant wages were important factors shaping the Brexit voting behaviour (Zoega, 2016, n.p.; Arnorsson and Zoega, 2018, p.301). Hence, when these studies are examined together, it can be argued that migration-induced effects were effective in the Brexit decision.

As another study on the effects of migration, the previous discussions and the general findings of Nicoli et al. (2021, p.11) can be used to make some arguments on the role of migration in the Brexit decision. Theoretically, migration can create some adverse economic effects and in return, these negative effects can be instrumental in the Brexit voting behaviour. However, the

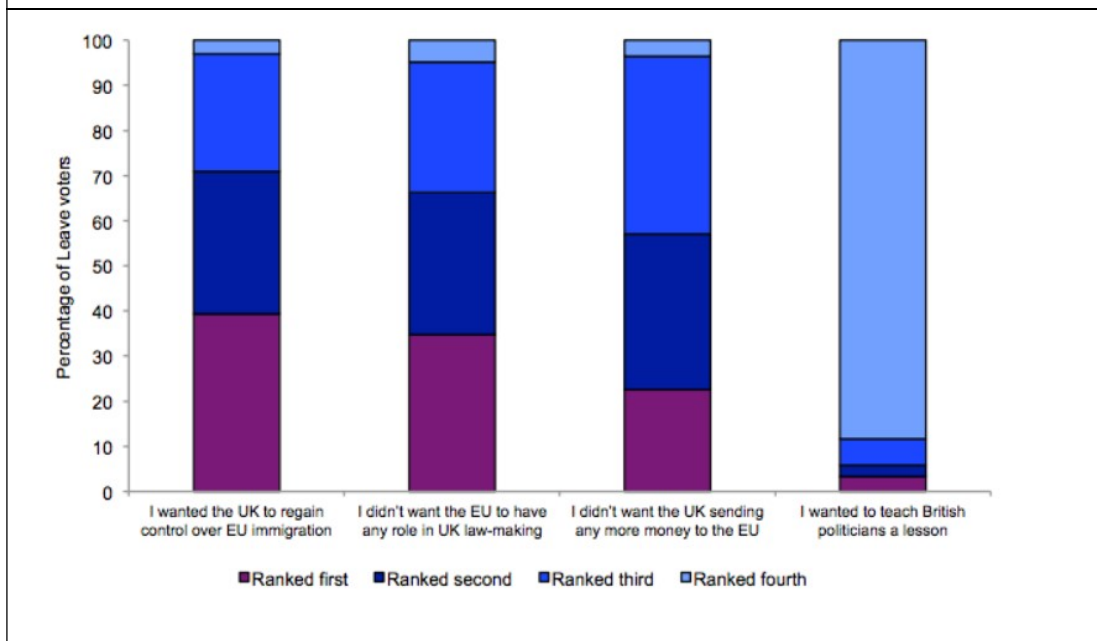
evidence found by Nicoli et al. (2021, p.11) (as presented in Figure 10) shows that these economic effects are not found to be statistically significant in the regression analyses. In addition, the previous section has shown that the labour displacement effects of migration flows were limited to a large extent.

#### 4.2.2. *Perceptions*

The previous part shows that the direct economic effects of migration can be limited. However, even if there are no direct and sizeable negative effects of migration on the economy, it is possible that there would be “perceived” negative effects involving economic, social, and cultural dimensions (Outhwaite and Menjívar, 2019, p.93). This perception channel is also confirmed by Taylor (2018, n.p.). Specifically, the author shows that people cited the reason as taking control of migration policies for their leave vote choices. While it is possible to document the role of migration perceptions through surveys with citizens, it can be very challenging to document the relative importance of these perceptions in the final outcome of the Brexit referendum. Hence, from a technical point of view, evidence of the effects of migration on Brexit is more difficult to document as it involves perceptions and direct economic effects are found to be relatively limited.

A hotly-debated topic during the Brexit referendum was migration flows (Burrell and Hopkins, 2019, p.4). Due to political conflicts in the Middle East and North Africa, along with economic problems, the European countries started to face rising waves of migration from these regions. These flows were especially very large in 2015, creating a migration crisis in the EU (Estevens, 2018, p.1; Scipioni, 2018, p.1357). Given that the EU countries were already experiencing negative economic outcomes (such as austerity measures and high unemployment rates) coming from the global financial crisis and the EU debt crisis, immigration flows were also economically costly for these countries. In the process of the Brexit referendum, the media and politics also played important roles in making migration a popular topic of the referendum (Outhwaite and Menjívar, 2019, p.93). Based on the above discussions, it can be expected that the economic effects of migration, as well as the perceptions and views of people about migration flows, would be important factors affecting Brexit voting behaviour. In this context, there are studies that examine the effects of migration on the Brexit decision. For example, people were surveyed about their decisions in the Brexit referendum and Figure 13 shows the reasons for leave votes (Taylor, 2018, n.p.).

Figure 13: Reasons for Leave Votes in the Brexit Referendum



Source: Taylor (2018, n.p.).

It is seen from Figure 13 that leave voters mentioned their first choice as wanting the UK to regain control over EU immigration. More empirical studies such as Abrams and Travaglino (2018, p.310) and Goodwin and Milazzo (2017, p.450) also show that people with more concerns over migration voted heavily in favour of leaving the EU. Hence, there is evidence of the role of migration in the Brexit decision

## 5. Conclusion



This critical literature review study has provided a critical review of the relevant literature on the roles of migration and trade in Brexit. In order to examine the possible effects of these two factors, the study examined the trade and migration dynamics in the UK in detail. The data analysis indicates that the UK experienced a major trade integration trend starting from the early 1980s. The empirical literature shows that these developments were instrumental in the stagnant real wages, rising income inequality, and the loss of medium-pay and secure jobs. In return, the relevant papers show that the adverse distributional effects of trade affected the voting behaviour of citizens in the Brexit referendum. Hence, the evidence on the role of trade is relatively strong. The UK also experienced strong migration inflows (both from EU and non-EU countries) starting from the mid-1990s. The empirical evidence argues that these flows had limited adverse economic effects. In addition, the economic effects of migration are not found to be statistically significant. However, the perceptions and non-economic factors about migration were very important in Brexit, while it is technically difficult to document these effects fully. Overall, both factors are found to be important to varying degrees.

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