



Facultad de Ciencias Económicas y Empresariales

Universidad de León

Grado en Comercio Internacional

Curso 2018/2019

**ESCOCIA EN LA ENCRUCIJADA: DE LA INDEPENDENCIA AL  
BREXIT Y RETORNO AL INICIO**

**SCOTLAND AT A CROSSROAD: FROM INDEPENDENCE TO  
BREXIT AND RETURN.**

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León a 6 de julio de 2019

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## 1 Abstract

Already in 1603, the Union of the Crowns of Scotland and England was the first step for the creation of the United Kingdom, as we know it nowadays. Since then, the discontent of a Scotland subjugated to a powerful England has been growing because of historical, religious, social, linguistic and economic factors. The discovering of the North Sea oil implied for Scotland a dramatic rise of the independentism, already pushed long before by the Devolution of powers that Scotland has been demanding for decades.

In 2014, a referendum for independence of Scotland was performed and the Remain won by little difference due to some uncertainty-driver elements. As a paradox, no long after this decision of remaining within the United Kingdom, the decision was compromised by a Brexit referendum where the option of leaving the European Union won in England, but was defeated in Scotland. Since then, the Scottish situation has been a tussle for the independent desire opposed by a need of remaining within the United Kingdom. In this paper, an historical and economic analysis of the Scottish independentism is made, as well as a study of the Brexit repercussions, current and future, and a search for the ways out for a Scotland trapped in a crossroads hard to sort out.

*Keywords: Union of the Crowns, Westminster, Union Act, British Parliament, England, Scotland, Brexit, Devolution Debate, Scottish Parliament, independentism, hard Brexit, Labour party, Conservative party, Scottish National Party, Referendum, European Union.*

## 2 Resumen

Ya en 1603, la unificación de los tronos de Escocia e Inglaterra supuso el primer paso para la creación del Reino Unido que a día de hoy conocemos. Desde entonces, el descontento de Escocia, subyugada a una Inglaterra más poderosa, ha ido en incremento debido a factores históricos, religiosos, sociales, económicos e incluso del propio lenguaje. El descubrimiento de petróleo en el Mar del Norte supuso en Escocia un auge todavía más fuerte del independentismo, ya empujado tiempo atrás por la devolución de poderes que Escocia ha exigido a Westminster durante décadas.

En 2014 se llevó a cabo el referéndum para la independencia en Escocia, donde la permanencia ganó por una escasa diferencia debido a ciertos factores impulsores de incertidumbre. Como una paradoja, no mucho tiempo después esta decisión de permanecer en el Reino Unido se vio comprometida por un referéndum del Brexit donde la opción de abandonar la Unión Europea ganó en Inglaterra, pero perdió en Escocia. Desde entonces la situación de Escocia ha sido un tira y afloja de deseo independentista contrapuesto a una necesidad de permanecer en el Reino Unido. Se realiza en este trabajo un análisis histórico y económico de independentismo escocés, así como un estudio de las repercusiones del Brexit, tanto actuales como futuras, y se buscan las salidas para una Escocia atrapada en una encrucijada difícil de resolver.

Palabras clave: *Unión de las Coronas, Westminster, Acta de Unión, Parlamento británico, Inglaterra, Escocia, Brexit, Devolución de Poderes, Parlamento escocés, independentismo, Brexit duro, partido Laborista, Partido Conservador, Partido Nacionalista Escocés, Referéndum, Unión Europea.*

### 3 Memoria del trabajo de fin de grado (versión lengua española)

El día 23 de junio de 2016 se celebraba en el Reino Unido el llamado Referéndum del Brexit en el que el pueblo británico podía decidir la permanencia o la salida de la Unión Europea. La opción de la permanencia fue la ganadora en Escocia con más de un 62% de los votos emitidos. Solo dos años antes, Escocia había sido convocada a otro referéndum: el de la independencia de Escocia del Reino Unido, aunque conservando la monarquía parlamentaria como forma de Estado. Actualmente, en 2019, Escocia se encuentra en una encrucijada que va desde las tentaciones de la convocatoria de un segundo referéndum de independencia y la solución imprecisa e imprevista que pueda tener el futuro Primer Ministro británico.

Estudiando el pasado histórico de Escocia nos situamos en 1603, cuando Escocia unificaba el trono con el inglés tras la muerte de Isabel I, cuyo reinado finalizaba sin descendencia. Debido a ello, Jacobo VI de Escocia pasaba a ser, también, Jacobo I de Inglaterra, sumando la monarquía de ambos países en lo que a día de hoy se conoce como Unión de las Coronas. Sin embargo, su reinado no duró demasiado debido a las diferencias religiosas entre ambos países y no fue hasta la llegada al trono de la reina Ana de Gran Bretaña que esa unión realmente se consolidó. En 1707 el Parlamento Escocés fue suprimido, así como el poder legislativo que se concentró, entonces, en Londres.

A día de hoy el enfrentamiento permanece latente. Las diferencias culturales, religiosas, económicas, legislativas e incluso relacionadas con la gastronomía y educación son una barrera invisible entre ambos países. Esta situación de recelo contra la “Inglaterra invasora” continúa a día de hoy, pero tuvo una gran influencia en la Escocia tras la Segunda Guerra Mundial. Con las elecciones de 1946 fuera del alcance de Winston Churchill, el Partido Laborista se hizo con el timón de Reino Unido por primera vez y bajo su mandato el Imperio comenzó a desmoronarse. A principio de los años cincuenta, Winston Churchill volvía a Downing Street bajo la actual monarca Isabel II. La Guerra del Canal de Suez, la de Medio Oriente y la continua pérdida del Imperio dejaron malparado tanto a Reino Unido como a su dirigente y, de nuevo, otro líder conservador le siguió. Por otro lado, Reino Unido pasaba de ser un enorme imperio distribuido a lo largo de todo el mundo a ser un país constituido por cuatro naciones y sin grandes poderes a nivel internacional. Mientras todo esto se sucedía a escala de Reino Unido, Escocia comenzaba a sufrir los reveses de la situación: la industria pesada fue en declive y el paro ascendió considerablemente.

La crisis doméstica junto a otros factores como Suez o la continua petición de independencia de países pertenecientes al Imperio volvieron a causar un cambio de manos del gobierno, volviendo a los laboristas. Irlanda se mantenía en una situación crítica y fue éste gobierno quien se enfrentó al reto de achicar lo máximo posible el enfrentamiento. En 1970 el Partido Conservador volvía al poder de la mano del Primer

Ministro Edward Heath. Los intentos anteriores de ingresar en la Unión Europea frustrados por el General De Gaulle y su oposición personal a Winston Churchill quedaron atrás y el ingreso de Reino Unido finalmente se realizó en 1973, junto a la República de Irlanda. El pueblo británico apoyó este ingreso con un 67% del electorado, pero la crisis del petróleo de ese mismo año ponía a Reino Unido entre la espada y la pared, y el Primer Ministro entendió esta entrada como una forma de avanzar políticamente y ganar un segundo mandato. Edward Heath, no obstante, se equivocó. Perdió las elecciones y el Partido Laborista volvió al gobierno, con una mayoría insuficiente. También perdió el liderazgo del partido, que pasó a manos Margaret Thatcher. La insuficiente mayoría laborista y un voto de censura aceleraron en 1978 la llamada a las urnas que ganó la líder conservadora.

Debe destacarse el carácter anti-conservador de Escocia, que comenzó a exigir el denominado “Devolution Debate”. Este Devolution Debate hace referencia a la devolución de poderes perdidos en la unión de ambos países, donde el Parlamento escocés había sido disuelto y los poderes escoceses habían terminado en manos de Londres. Esta petición trataba de alcanzar la recuperación de ese parlamento y un gobierno autónomo, similar al que pronto conocería España por entonces. Bajo la mano de la Primera Ministra, los escoceses no consiguieron sus objetivos y Margaret Thatcher se encargó de que en un período de aproximadamente 25 años la opinión del pueblo escocés no volviese a tenerse en cuenta: Escocia se gobernaría a través del Secretario de Estado para Escocia.

El gobierno de Margaret Thatcher se caracterizaba por una añoranza al Imperio y un deseo de volver a los valores victorianos. Pronto comenzaron las críticas a la Comunidad Europea y un distanciamiento de la misma. Tras eventos bélicos que llevaron a Reino Unido a degustar de nuevo la gloria de la época victoriana tan admirada por Thatcher, ésta volvió a ganar las elecciones.

Por otro lado, Escocia se encontraba en una situación más bien frustrante, caracterizada por una sufrida economía cuyas minas se cerraban, las factorías como la British Leyland cerraban sus puertas y la industria pesada, situada principalmente en Glasgow, desaparecía. La Dama de Hierro había ganado el pulso a Escocia, pero su distanciamiento y continuo enfrentamiento con Bruselas no terminó bien parado: el propio partido exigió su dimisión y la siguió su discípulo John Major, limitado a seguir la estela de su antecesora.

A mediados de los noventa, tras un largo período conservador, llegó a Downing Street el Primer Ministro laborista Tony Blair. Antes de que finalizase el siglo XX, se llevaron a cabo dos acontecimientos realmente importantes en su mandato: se alcanzaban los Acuerdos del Viernes Santo, procurando la paz en Irlanda del Norte, y volvía la discusión del Devolution Debate. Finalmente, en 1999, se abrieron las puertas a la creación del primer gobierno autónomo: Escocia recuperaba parte de lo que durante tanto tiempo había exigido como suyo. El laborismo perdió sus fuerzas y en 2010 dio

paso a un nuevo líder conservador, David Cameron, bajo una coalición con los liberaldemócratas.

Cameron se inició en una serie de errores donde Escocia, a día de hoy, sigue manteniendo un papel importante. Acordó con el Ministro Principal la celebración de un referéndum de independencia, celebrado en 2014 y arropado por un importante apoyo por parte de la población escocesa y también del Partido Independentista Escocés (SNP por sus siglas en inglés). Los planes independentistas no estaban tan ligados al sentimiento de identidad escocés, sino más bien a una sensación de distanciamiento de la política británica, ya que, durante muchos años a lo largo de la historia, el pueblo escocés no se había sentido representado. El 18 de septiembre de 2014 se llamó a las urnas en Escocia para decidir su futuro en el Reino Unido y así terminar con lo que hasta entonces habría sido una unión de 307 años. A pesar de los esfuerzos del gobierno escocés por enfatizar los beneficios de una Escocia independiente, basados principalmente en una toma de decisiones descentralizada de Westminster y capacidad total para la administración del país, la opción de quedarse dentro del Reino Unido ganó con un 55% de los votos. La razón se situaba más en el lado de las cuestiones sin responder que en un deseo de permanencia. Muchos habían sido los puntos en blanco para los que el gobierno escocés no tenía respuesta, principalmente los siguientes:

- a) La ausencia de un Banco Central. Al no disponer de uno y tampoco tener una moneda propia, Escocia debería atender entonces a una política monetaria establecida desde Westminster. Otra opción podría ser la adopción del euro como moneda nacional, lo que llevaba al resurgimiento de una duda todavía más profunda: la pertenencia a la Unión Europea que más adelante será expuesta. Volviendo a la situación monetaria, la ausencia de una política monetaria propia dejaba a Escocia con una independencia truncada ya que, de alguna manera, el país debía depender del Reino Unido o, en su defecto, de la Unión Europea.
- b) Un PIB bastante modesto. A pesar de que Escocia tiene un PIB muy por encima de la media británica, sigue siendo bastante bajo, similar al de algunos pequeños países nórdicos. Ciertas recomendaciones fueron escuchadas por la población escocesa, dirigidas a la actuación de dichos países durante la crisis económica de 2008 y cómo se desarrollaron dificultosamente en ella. Por otro lado, la industria bancaria también fue puesta en entredicho debido a la relación con dicha crisis, teniendo en cuenta que los bancos escoceses habían sido rescatados por el Reino Unido y no volverían a serlo en caso de una independencia, además de la participación que el gobierno británico tiene en los mismos tras la mencionada crisis.
- c) El gasto gubernamental, muy superior a la media del Reino Unido.
- d) El Tridente. El Tridente se trata del programa nuclear de Reino Unido y está situado en Escocia. En caso de independizarse ésta, el programa debería cancelarse y moverse a otra parte del Reino Unido, lo que conllevaría un período de aproximadamente 20 años, al margen de los puestos de trabajo que se perderían en Escocia (las estimaciones apuntan a aproximadamente 7.000



trabajos tanto civiles como militares). Por otro lado, Escocia se convertiría en un país sin un programa de seguridad.

- e) La Unión Europea. Uno de los motivos más importantes que condujeron a la negativa de abandonar el Reino Unido residió en la pertenencia a la Unión Europea: al no obtener ninguna respuesta por parte del gobierno, los escoceses encontraron este punto como una fuente de incertidumbre que finalmente impactó negativamente en el movimiento independentista escocés.

Cameron llegó a una falsa conclusión de que había ganado el referéndum y comprendió erróneamente que, dado que había ganado la independencia escocesa, podía lanzar la proposición de un referéndum para la independencia europea y ganarlo. Tal y como nos ha enseñado la historia, se equivocó por segunda vez. Su intención para ofrecer dicho referéndum se basaba en la posibilidad de ganar las elecciones del 2015 con una minoría y que necesitaría el apoyo de los liberaldemócratas (confesos europeístas) para gobernar. Éstos se negarían a la celebración del referéndum como amenaza de romper la coalición y por tanto, el referéndum no se llevaría a cabo. Cameron se equivocó por tercera vez y ganó las elecciones con una mayoría absoluta siendo, por tanto, deudor de la promesa de convocar el Referéndum del Brexit.

El 23 de junio de 2016 ocurrió lo inevitable y el Reino Unido tomó la decisión de abandonar la Unión Europea. Inmediatamente después comenzaron a surgir una serie de consecuencias. David Cameron dimitió como Primer Ministro y Theresa May tomó la dirección del país. El gobierno hizo un llamamiento al artículo 50 del Tratado de Lisboa y puso en movimiento el proceso de separación. Las negociaciones dentro del gabinete de May comenzaron finalmente, así como aquellas con la Unión Europea para acordar los términos de la separación.

Como ya ha sido mencionado previamente, en septiembre de 2014 los escoceses votaron permanecer dentro del Reino Unido. Sin embargo, dos años después de ese referéndum de independencia, el electorado escocés votó permanecer dentro de la Unión Europea. Para comprender el balance entre las dos opciones, irse o permanecer, el voto en el referéndum de 2016 sobre el Brexit resultó de la siguiente manera en Escocia: el 38% de la población quería irse, mientras que el 62% de los escoceses votó por quedarse.

Muchos fueron los motivos por los cuales este referéndum falló estrepitosamente en Escocia:

- a) El sentimiento británico y el inglés son más o menos lo mismo. Escocia, por otro lado, no tiene tanta cercanía respecto a ese sentimiento británico. Socialmente hablando, podría decirse que los ingleses se sienten más amenazados por la existencia de una identidad europea sobre la suya propia.
- b) Otro punto importante del Brexit fue la inmigración. Una de las campañas más populares en favor del Brexit fue la conocida “Leave.EU”, apoyada fuertemente por el líder del Partido por la Independencia del Reino Unido (UKIP por sus siglas en inglés) Nigel Farage, basó su estrategia en ella. Un estudio realizado

por el Observatorio de Migración en 2014 mostró que los escoceses tienen una menor inclinación a calificar a cualquier persona proveniente de un país extranjero con intención de quedarse como “inmigrante ilegal”. También señaló que los escoceses son menos proclives a describir la inmigración como algo negativo o a un deseo de su reducción.

- c) El sistema legal inglés, galés y norirlandés está basado en el Derecho consuetudinario o común. La Unión Europea, por otra parte, utiliza el sistema de Derecho civil. Escocia hace uso de un híbrido entre ambas, motivo por el cual, posiblemente, esta distancia no es tan abismal entre ella y la Unión Europea.
- d) Las diferencias de religión, educación, gastronómicas, sociales, etc. constituyen una mayor diferencia entre la propia Escocia y el Reino Unido que con la Unión Europea.
- e) Por último, la Unión Europea ha ayudado a la devolución de poderes.

Sin embargo esta decisión fue tomada en conjunto, así lo dictaminó la Primera Ministra Theresa May. Las zonas rurales de Inglaterra y los votantes con menor nivel de estudios se hicieron con la victoria de un Brexit con una campaña electoral llena de inexactitudes, cuando no de mentiras.

Ninguno de los tres Ministros para el Brexit logró grandes resultados en las negociaciones con las autoridades comunitarias. Con el reloj en marcha, fue la Primera Ministra la que llegó a un acuerdo con Bruselas en noviembre de 2018. El Parlamento Británico rechazó el mismo tres veces, lo que finalmente llevó a la renuncia de May el 7 de junio de 2019 a seguir dirigiendo el país y también a su liderazgo del partido conservador.

Las diferencias con la Unión Europea se remontan a hechos históricos y a una reticencia ya en la entrada a la misma que la población denunció en su día. Sin embargo, los expertos han analizado la situación con profundidad y han concluido que la opción de abandonar la Unión Europea no es una posibilidad que económicamente pueda sostenerse debido a las grandes y costosas repercusiones del mismo.

Un elemento esencial son las implicaciones sociales y económicas que el Brexit tiene para el futuro de Escocia. La membresía de la Unión Europea no es importante meramente por el comercio entre países, sino porque pertenecer a ella atrae inversiones y crea un fácil acceso a las mismas. Hay aproximadamente 1000 empresas europeas situadas en Escocia y emplean a más de 115.000 personas. Las barreras, por otro lado, no serían el único problema que sufriría la economía. El libre movimiento de personas establecido en la UE facilita la rotación de personas y capacidades de un país a otro. Se estima que viven en Escocia 173.000 ciudadanos europeos: la salida del Reino Unido podría suponer una restricción del trabajo, escasez de habilidades y también desalentar la inversión extranjera.

Obviamente el grado de estas repercusiones dependerá de los términos con los que se realice esta salida. En cualquiera de los casos, tanto el Reino Unido como la Unión Europea se encontrarán en una peor situación. No obstante, el peor caso posible sería un

Brexit duro, que se refiere a que ambos bloques no tendrían ningún tipo de relación una vez la salida se realizase por completo. El impacto de un Brexit duro estima unas cifras desorbitantes a la vez que preocupantes para el futuro británico. Tanto expertos en la materia como los propios gobiernos de las partes implicadas en el divorcio han hecho eco de la preocupación ante esta posibilidad. En caso de tomar esta opción de salida, el escenario para Escocia sería catastrófico. Las dimensiones de dichas repercusiones para Escocia recogen una caída de entre el 10 y el 20 por ciento de las exportaciones lo que podría conllevar, también, a una reducción de inversión extranjera que a su vez crearía una ralentización de la economía y depreciaría la moneda entre el 10 y el 30 por ciento. Una vez el Reino Unido hubiese salido de la Unión, tanto las importaciones como las exportaciones estarían sujetas a los aranceles acordados por la Organización Mundial del Comercio, ya que ambos bloques se tratarían como tercer país. Algunos productos que no son producidos en el país sufrirían una subida de precio y muchos de ellos crearían grandes problemas en el espectro británico, como pueden ser, por ejemplo, las medicinas o los productos farmacéuticos. Ya se ha mencionado previamente que la inversión empresarial se reduciría y también surgiría la existencia de una escasez de habilidades por parte de los trabajadores. Por otro lado, debido a la ralentización económica, el desempleo desencadenaría un aumento de entre el 5.5% y el 8%, lo que se traduciría en una cantidad de aproximadamente 100.000 personas. Si bien ya hablamos de una ralentización económica, es muy posible que el PIB se contraiga entre un 2,5%, en el mejor de los escenarios, y un 7%. Tales cantidades suponen el comienzo de una recesión económica debido a todas estas presiones conjuntas.

La extensión de la duración de todas estas consecuencias es un misterio y constituye una mayor incertidumbre para el país. El gobierno escocés, en conjunto con otras organizaciones, ha ido diseñando diferentes escenarios que reúnen las consecuencias mencionadas y que, además, estudian otras a mayores en caso de una salida abrupta de la Unión Europea. Para Escocia, la caída en las importaciones implicaría un enfoque hacia el mercado local. En caso de recesión, una compañía centrada en el mercado doméstico dejaría de ser resiliente y la economía sufriría incluso más. Por otro lado, la demanda de la libra esterlina caería debido a todas las razones mencionadas previamente. El índice de precios al consumo se estima en crecimiento hasta alcanzar su máximo de un 4,25% y un 6,5% para 2020. También existiría una disrupción en las cadenas de suministro que crearían consecuencias desastrosas en determinados sectores necesarios para la supervivencia de otros ligados a ellos o, en cualquier caso, que constituyan parte esencial de la economía y la sociedad.

Se ha estimado, también, qué sectores sufrirán más fuertemente este tipo de salida. Los sectores pertenecientes al primario como lo son la agricultura, pesca, químicos y alimentos serán los más dañados de la economía. Teniendo en cuenta que la economía rural es una pieza esencial del panorama escocés, es de esperar que todas las repercusiones queden reflejadas en la misma: la inmigración (Escocia depende de los trabajadores estacionales provenientes de la Unión Europea) y las ayudas provenientes de la Política Agraria Común además de otras ayudas a la industria pesquera. No solo se

pone en peligro el sistema agrario y los puestos de trabajo escoceses, sino que también la salida de la Unión Europea afecta a los intereses sanitarios de Escocia: el país no tendrá acceso a los laboratorios e instituciones que garanticen los suficientes certificados sanitarios, tampoco a los grupos de asesoramiento y otras organizaciones necesarias para el buen funcionamiento del sistema rural europeo y, con mayor impacto, aquellas que velan por la seguridad física de los ciudadanos.

Todas estas consecuencias están destinadas a desaparecer tras un largo período de tiempo. Cuanto más perdure el shock inicial, más difícil será recuperarse de la posible crisis que el país pueda enfrentar.

El acuerdo de Theresa May con la Unión Europea ha sido el epicentro de la controversia desde el inicio de las negociaciones, y las negativas del Parlamento Británico no han hecho más que exacerbar la inexactitud con la que el mismo trata de solventar los problemas generados por la salida. Este acuerdo de retirada cubre en sus 580 páginas los ámbitos de: el arreglo financiero con la Unión Europea, los derechos de los ciudadanos europeos a vivir en el Reino Unido y viceversa, un mecanismo para prever una frontera entre Irlanda del Norte y la República de Irlanda y por último describe una breve pero no vinculante declaración de un posible acuerdo comercial entre ambas partes.

El gobierno escocés ha dictaminado que ningún acuerdo podrá ser beneficioso para el país y que este, en concreto, supondría una caída del 6% del PIB para 2030, lo que significa una caída de 1.600 libras por persona en Escocia. Además, el libre movimiento de personas, capital y bienes se cortarían por completo, traducido de otra manera: la posibilidad de estudiar o vivir en la Unión Europea requerirá permisos especiales y no se podrá realizar con la facilidad que hasta ahora se ha garantizado. Otro caso preocupante para Escocia (y en este caso, también, afectará al Reino Unido al completo) es la escasez de personal cualificado en el Sistema Nacional de Sanidad, que sufrirá una caída importante y posiblemente se enfrentará a un desbordamiento de su sistema.

La Primera Ministra se ha enfrentado a las críticas con un espíritu optimista que daba oportunidades a Escocia y al resto del Reino Unido, basándose en posibles nuevos acuerdos que a lo largo de este trabajo se han demostrado como insuficientes a la hora de compensar el mercado Europeo. Por un lado, la Commonwealth no es lo suficientemente potente para cubrir la pérdida que la Unión Europea supondrá para el Reino Unido. Los países son, en su gran mayoría, de pequeño tamaño y comercian con productos que suelen ser primarios. Por otro lado, aquellas potencias integrantes se encuentran demasiado lejos del Reino Unido y bajo el Modelo de Gravedad utilizado en el análisis, es posible que no puedan cubrir el vacío comercial que dejará la Unión. Basándonos también en datos actuales, el otro posible acuerdo, aquel anunciado a viva voz por el Presidente Donald Trump, tampoco podría esclarecer un futuro mejor para el Reino Unido. A pesar de que el comercio con Estados Unidos es muy superior a aquel realizado con los miembros pertenecientes a la Commonwealth, su flujo no llega a ser lo suficientemente alto para asemejarse al actual con la Unión Europea y, por otra parte, las relaciones de distancia y profundidad desarrolladas durante años entre Gran Bretaña

y la Unión no pueden ser fácilmente imitadas en el caso de una economía en shock debido a su salida del bloque comunitario.

Las raíces que unen a la Unión Europea son profundas y presentan una enorme barrera, así como una consecuencia más que añadir a esta tan debatida salida. La relación de importaciones y exportaciones entre Escocia y la UE es importante. Las exportaciones representan casi la mitad del PIB escocés y aquellas dirigidas a la Unión Europea suponen un 42% de las exportaciones internacionales del país. Si esta cantidad se considera, en cualquier caso, pequeña, también debe entenderse que Escocia no se beneficia solo del comercio con el bloque comunitario, sino que también lo hace de los acuerdos comerciales que éste mantiene con el resto de países del mundo. Es importante matizar que la población escocesa está envejeciendo y que la migración europea ha ayudado a mitigar este proceso tan importante en los sectores primarios, dependientes del movimiento de personas dentro de la Unión. Las universidades y el programa ERASMUS suponen, por otro lado, una ventaja para todos los estudiantes. En Escocia hay más de 13.000 estudiantes provenientes de la Unión europea. Profesores y otros profesionales académicos suponen un 17% y los investigadores un 25%. El futuro de estas personas crea cierta problemática debido a que su estatus podría influenciar la atracción de futuro talento global.

Se ha hablado de la libertad de movimiento de personas, pero también debe señalarse el libre movimiento de capital. El sector financiero emplea a más de 200.000 personas en Escocia y la Unión Europea es una importante fuente de demanda. Este libre movimiento de capital se realiza a través del “passporting system”. Los bancos no pertenecientes a la Unión se enfrentan a barreras regulatorias muy duras, mientras que la legislación europea ayuda a las empresas a desarrollarse en el mercado europeo y en mercados exteriores dada la dificultad de hacerlo rápidamente en terceros países sin un acuerdo comercial de servicios.

Es fácil de determinar, por tanto, que el peso de los países integrantes de la Unión Europea es importante para la economía escocesa dado que representan casi la mitad de sus exportaciones. Sin embargo, no es el único factor a tener en cuenta cuando definimos esta relación. Ayudas monetarias, sistemas financieros y estándares sanitarios han influido a todos los Estados Miembro y, por tanto, también a Escocia. Durante años los países se han apoyado unos en otros y se han desarrollado como un solo bloque. La naturaleza de esta relación es profunda y, desde luego, una ruptura de la misma puede causar consecuencias que incluso los expertos no han podido todavía determinar.

La estimación de responsabilidades y consecuencias ha sido una amplia sección de este estudio y encarna la mayor parte de las especulaciones realizadas desde el referéndum del Brexit hasta ahora. En ellas se basan los motivos por los cuales los expertos, e incluso miembros de algunos gobiernos, recomiendan que esta salida se realice, por lo menos, bajo un acuerdo que garantice una situación estable para el futuro del Reino Unido, incluso si muchos de ellos resumen la situación en que la salida es dañina en cualquiera de sus formas.

Es por ello que hasta ahora se ha hablado de las implicaciones que el Brexit tendrá en la economía británica y escocesa, pero para demostrar su realidad es importante concentrarse en cómo el Brexit ha afectado hasta ahora en ella.

A lo largo del trabajo se ha lidiado con datos estadísticos que han presentado ciertas características: dependiendo del caso presentado por las estadísticas oficiales, no hay información desagregada de las cuatro naciones integrantes del Reino Unido. Y en caso de ser desglosada, ésta suele estar ligada a asuntos inocuos. Por ello, ha sido difícil hacer un estudio de las repercusiones reales de la situación escocesa, en cuyo caso los efectos del Brexit se duplican. Por tanto, hablando de las repercusiones que recaen sobre Escocia, debe entenderse que los datos obtenidos han sido proveídos por parte de la Organización Nacional de Estadística británica y que pertenecen al Reino Unido en su conjunto. Entonces, ¿cómo ha afectado el Brexit hasta ahora?

Las economías siguen un ciclo de crecimientos y caídas, es cierto, pero el Brexit ha causado ciertos daños a la economía británica desde el referéndum de independencia de la Unión Europea en 2016. El punto muerto al que llegó el acuerdo de May también ha repelido la economía y ha pesado sobre la libra en los últimos años. En enero de 2019, el miedo a una salida sin acuerdo consiguió poner a la economía y a las autoridades internacionales en velo, a pesar de lo cual terminó recuperándose cuando la fecha límite fue extendida. Tal vez esto sean buenas noticias para la economía británica, sin embargo, la moneda ha estado durante todos estos años por debajo de los valores que se alcanzaron en la víspera del voto del Brexit. Por otro lado, las oscilaciones en los precios también han sido superiores a aquellas sufridas por el euro. Una caída de la libra causada por la salida puede conllevar también una mayor inflación y afectar a las finanzas domésticas.

El miedo a no obtener acuerdos comerciales con grandes economías tras el Brexit (recordar que aquellos acuerdos existentes actualmente pertenecen a la Unión Europea y no al Reino Unido) ha creado cierto pánico entre las empresas. El déficit comercial ha bajado en el último año, pero no tanto como se esperaba y a lo largo del año ha ido ensanchándose cada vez más hasta alcanzar cifras superiores a las previsiones de los expertos.

La continua incertidumbre también ha llevado a la economía a un estancamiento y está en riesgo de deslizarse hacia una recesión. La actividad empresarial muestra que las compañías han dejado de lado las decisiones de gasto. IHS Markit es una empresa dedicada al análisis de información y su índice IHS Markit/Cips (un índice de compras de todos los sectores al que también puede referirse como PMI en inglés) cayó en enero de 2019 hasta un 50,3. Para entender la importancia de este índice, el punto de referencia “50,0” es lo que separa el crecimiento de la recesión. Importante es señalar que este índice ha oscilado a lo largo del año, creciendo en marzo debido a la extensión de la fecha límite del Brexit y después cayendo de nuevo al mes siguiente.

Un aspecto positivo en el análisis macroeconómico del impacto del Brexit ha sido el desempleo. Los sueldos de los trabajos a tiempo completo se han incrementado en un

3,5% en 2018 y el desempleo se mantiene en su nivel más bajo desde los años setenta. Escocia, por otro lado, cuenta con un desempleo incluso inferior y se presenta en abril de 2019 en un 3,3%. De todas formas, ciertos economistas han advertido de esta incertidumbre prolongada podría afectar a los puestos de trabajo en el futuro. Un buen ejemplo es el sector automovilístico, en riesgo debido a las relaciones comerciales internacionales y los cambios en el sector. Honda cerrará su planta en Swindon para 2022 y 3.500 empleos serán retirados. La decisión lleva consigo el traslado de la planta a Japón ya que éste tiene capacidad para exportar a la Unión Europea sin ningún tipo de arancel, lo que no ocurriría una vez el Reino Unido hubiese salido de la Unión. Por otro lado, Rover y Ford también han tomado la misma decisión, lo que supondría un hachazo de 2.000 puestos de trabajo.

El índice de producción es el impulsor a largo plazo más importante para aumentar los estándares de vida. La cantidad cayó en 2018 y el Reino Unido ha conseguido únicamente un cuarto del crecimiento de la productividad que tuvo previo a la crisis de 2008. La productividad está relacionada a la inversión y, como ya se ha mencionado, el Brexit ha empujado a las empresas a cesar el gasto. Una menor inversión lleva a una menor productividad y podría conllevar, incluso, a un menor PIB.

Quizás las previsiones de la situación no fuesen acertadas, pero según pasa el tiempo hay cada vez mayor evidencia del daño gradual que el voto ha causado en la economía. El crecimiento económico se ha ralentizado mientras que el resto del mundo ha registrado un período de crecimiento. Expertos como Andrew Sentence han descrito la actual situación de Reino Unido como “estar en tierra de nadie”. Lo que significa que, por un lado, Reino Unido no se beneficia de ser un miembro de la Unión Europea, pero tampoco está experimentando el impacto de un Brexit real. El país no experimentaba un crecimiento tan débil desde la Segunda Guerra Mundial.

Se puede decir, por tanto, que es difícil descubrir las repercusiones a corto plazo de la situación y que aquellas a largo plazo aún están por aparecer.

Hasta ahora los índices han representado datos macroeconómicos de la situación británica y, dado que no es posible el estudio de los mismos dada la ausencia de información, es posible descubrir las repercusiones en el país escocés echando un vistazo a sus principales sectores económicos.

Ya ha sido mencionado que la agricultura y, en general, el sector primario conforman una piedra angular de la economía escocesa. Añadiendo a los mismos el petróleo descubierto en el Mar del Norte y que causó, también, un importante empuje del independentismo, así como el turismo, podemos decir que con ellas es posible visualizar la columna vertebral de Escocia.

Es difícil estimar la repercusión del Brexit en el sector petrolífero teniendo en cuenta los enormes aumentos de precio que el petróleo ha vivido durante el 2017 y el 2018. Así pues, conviene echar un vistazo al sector turístico que creció intensamente en el período entre el 2005 y el 2016. De acuerdo con los datos extraídos de la Organización Nacional

del Turismo escocesa, 2017 fue un año de crecimiento para el sector. Sin embargo, 2018 no fue tan positivo como el año previo. El gasto total de los visitantes descendió un 7,4% y los viajes un 7,7%.

Por ahora, incluso si el Brexit no ha golpeado al Reino Unido en general y a Escocia en particular, algunas consecuencias ya se dibujan en la economía. Los indicadores principales muestran que un daño se está realizando en la economía y que las peores consecuencias aún están por llegar. Si la economía ya está experimentando ciertos daños, ¿qué ocurrirá cuando el Brexit finalmente se lleve a cabo?

El estado de incertidumbre, agravado todavía más en Escocia, ha llevado a la Ministra Principal a amenazar con la convocatoria de un segundo referéndum de independencia, al que Downing Street se opone frontalmente. Su celebración podría conllevar la salida automática de la Unión Europea, siempre y cuando, claro, ésta no se hubiese realizado ya a través de un Brexit duro. Ante todo este miedo, la industria turística, las solicitudes estudiantiles, las sedes principales de los bancos y las empresas comienzan a sufrir los primeros reveses de este proceso tan complejo. Queda claro que el futuro de Escocia es tan incierto como el resto de la situación y que solo con un segundo referéndum del Brexit puede superarse esta situación donde ni la salida del Reino Unido ni la salida de la Unión Europea, demostrada la enorme dependencia en todos los sectores y especialmente en el comercial, pueden generar un beneficio para el país.

La incertidumbre continúa creciendo. En la cuestión británica, es un misterio que posiblemente ni el candidato Johnson ni el candidato Hunt podrán explicar. Lo que queda claro es que la situación escocesa está siendo apartada y que la Ministra Principal está dispuesta a llevar a cabo un referéndum de independencia que ya no se basa en razones históricas, sino en un Brexit culpable del revés económico.

Puede decirse que se ha arrojado una visión negativa del futuro escocés. Y por ello, la historia ha sido tan necesaria en el discurso de este trabajo: el problema comenzó en 1603 y no puede resolverse en un quinquenio que define una especie de encrucijada donde el escocés se ve atrapado en todas sus salidas.



#### 4 Introduction

On the 23 June 2016, the so-called Brexit Referendum was held in the United Kingdom allowing the British people to decide between remaining and leaving the European Union. The “remain” option was the winner in Scotland with more than 62% of the votes. After all, only two years before Scotland had convened for another referendum: one for the independence of Scotland from the United Kingdom, albeit preserving the parliamentary monarchy as state form. In 2019, Scotland found itself at a crossroads that went from the appeal of calling for a second referendum for independence to vague and unforeseen solution that the future British Prime Minister could have.

But let us go back to the union of thrones between Scotland and England in 1603. The Scottish monarch became, then, the English monarch as well, since Elizabeth I had no offspring. It should be noted, from now on, that the Scottish Parliament survived for another century yet. Only in 1707 was the Parliament suppressed and all its legislative power focused in London’s Parliament. The Scots were never willing to acknowledge that new situation. The following armed confrontations forced the Scottish Royal Family to confront, with little to no success, the new Crown.

That animosity brewed back then between Scotland and England has lied dormant until today. Not in vain, Scots know perfectly that their legislation, religion, education and even their gastronomic habits differ widely from the English. The justice system is underpinned by the European law rather than in the Common English Law; Scotland lacks a National Bank that could be the safeguard of that long-awaited independence that we will go back to further on.

However, the greatness of the Empire had its perks. It helped the spread of the industrial revolution so it reached cities as Glasgow and allowed the less well-off social classes to take shelter on the mining, fishing or farming sectors. Unsurprisingly, the Scots also found another way to fulfill their needs in the migration to four important enclaves: Canada, Australia, New Zealand and South Africa. If there is something in the British society that is clearly defined is the class divide. The London government representatives used to be, and in some way still are, English-born.

This mistrust of the “invading” England has been a feeling that most people have experienced in the northern nation at some extent. It is well worth looking now to the new horizon that opened for the United Kingdom in general and for Scotland in particular, by the end of the Second World War. Unexpectedly, Churchill lost the 1946 election and the Labour Party governed the United Kingdom for the first time (we must bear in mind that, for decades, the 59 Scottish Westminster seats have been occupied, with a majority of two thirds, by the Labour Party). Besides the reforms in terms of living and health conditions, two historical events raised the alarm during the labour government: the independence of India in 1947 and the independence of the Republic of Ireland in 1949. The Empire started to fall apart and Great Britain needed to find other alternatives. The process was long and at the beginning of the 50s, Churchill came back

to Downing Street under a new monarch, the currently reigning, Elizabeth II. Churchill did not seem to be willing to lose the Empire, but the strength of the facts proved the contrary. In 1956 the United Kingdom got the worse of the Suez Crisis. The war was lost alongside the territories of Middle West, still waiting peace. Likewise, Downing Street changed its tenant and Churchill was followed by a new conservative leader. Those moments, contrary to what tales tell, were not appropriate for the United Kingdom to join the European Economic Community (EEC) by virtue of the Treaty of Rome. It is said that General De Gaulle, more opposing Churchill than the United Kingdom, opposed its admission. What it is true is that, besides the aforementioned war, the United Kingdom received the petition for independence from the majority of the colonies located in Africa.

The United Kingdom, in a gap of 25 years, turned from being an empire extended all over the world to a country constituted by four nations, located in Europe and without strong global power. The partition of Ireland entailed a very important setback for the United Kingdom and Scotland started to suffer a drastic crisis in its heavy industry due to the colony loss, colonies that preferred to trade with other countries that were not the British “invader”. Unemployment grew drastically and from that new status of the United Kingdom, the so-called “angry young men” generation was born. These angry men did not see many future opportunities in a country that, overnight, became small.

Suez, the disbanding of the Empire and the domestic crisis helped, already in the 60s, the government to change hands and come back to the labours. These had to make decisions to minimize the Irish crisis in which, once the police was withdrawn, the army was in charge of guarding Northern Ireland in a constant process of deaths by confrontations. In 1970, conservatives came back to power. The new Prime Minister, Edward Heath, was aware of the modest place that the United Kingdom had to occupy at the moment. Since 1969, General De Gaulle was no longer president of France and the formalities for the United Kingdom’s admission in the CEE started. In 1973, the United Kingdom joins the Communitarian Europe at the same time as the Republic of Ireland. By virtue of a referendum, the British people agreed to the admission with 67% of the electorate. The petrol crisis in 1973 created difficulties for the United Kingdom and the Prime Minister understood that the new membership in the European Community could yield the opportunity to call for elections and win a second mandate.

Edward Heath, who was a great orchestra conductor, but a politician with scarce sense of smell, was wrong. He lost the elections and the Labour Party came back to the government, although with an insufficient majority according to the British standards. Heath also lost the leadership of the Conservative Party, which later fell into Margaret Thatcher’s hands. In 1978, the insufficient labour majority and a conservative vote of no confidence led the nation to an earlier call of a general election won by the new conservative leader.

In what Scotland is concerned, opposed as it has been for decades to conservative governments, it started to demand the so-called “Devolution Debate”. It must be clear

that the petition developed to the London government was some type of request to obtain an autonomic parliament and government on the grounds of what Spain was about to know. However, Scots did not make it and the Prime Minister made sure that, in an almost 25-year period, the Scottish people's opinion would not be asked again. Scotland would continue to be governed from London, under the hand of the Secretary of State for Scotland and from the named "Scottish Office".

Margaret Thatcher, who had undertaken a government deeply involved in coming back to the "Victorian values" (see here the yearning for the Empire and the start of the detachment from the European Community) soon started to get critical with the European Commission, the European Parliament and the Court of Justice of the European Union. The Iron Lady understood that Europe was taking away the sovereignty of the United Kingdom and that the country was giving more than what it was receiving (remember that this message was constantly repeated during the 2016 Referendum). The beginning of 1980 was marked by two important events, undertaken by the London government, but hitting on the Scottish nation. The first was "The Falklands War". The United Kingdom overwhelmed the Argentinian dictatorship and brought back that Victorian-age glory that Thatcher admired so much (the following decades have made a true comment and at the same time cruel about that war: England put the generals and Scotland the casualties). After that war, Margaret Thatcher won another election and with a number of around 400 representatives, she understood that the path for defining the British future was free.

The closing of the Scottish mines; the closing of the British Leyland factories, the disappearance of the heavy industry in Glasgow, the rejection of the Scottish identity.... All of that drove Scotland to a situation of frustration that, furthermore, got worse with the railway privatization, water services, telephony and some other things that were yet to come. It looked like the Iron Lady came out victorious of the confrontation with Scotland. Scotland, as it was said by then, was stained in red. Nonetheless, Thatcher had to cope with a critical approach the detachment she started from the European Union, who was slowly growing in number of countries (Spain joined in 1986). The confrontation with Brussels became such that the Conservative Party itself demanded Thatcher to resign. The status of Great Britain was in danger and the risk of coming out impoverish of the European experience was starting to be an issue. She was followed by her disciple, John Major, who merely limited to follow her path.

In the mid 90's, after a long period of conservative governments, a new labour Prime Minister arrived to Downing Street, Tony Blair, who embodied a new movement called "New Labour". Before the end of the XX century, two remarkable events happened: the Good Friday Agreement, which guaranteed peace in Northern Ireland, and the revival of the Devolution Debate discussion. Thereby, in 1999, the doors to the British Parliament opened again and the first autonomic government led by a labour. Meanwhile, the United Kingdom refused to participate in the Schengen Agreement and in the discussions referred to adopting a new currency: the euro. Blair promised that in a few years he would make a euro referendum, a referendum that has never been named again.

The arrival of the XXI century, and especially the dubious role of the United Kingdom in Irak, made labourism lose its strength until its end in 2010. The conservative leader David Cameron arrived to Downing Street with a meagre majority and the United Kingdom had to try for the first time a new government model: the coalition with the Liberal Democrats. Down the road, a huge number of conservative Euro-skeptics were left.

Cameron started himself in a bunch of mistakes in which Scotland occupied, and keeps occupying, an important role. He agreed with the First Minister of Scotland holding a referendum for independence. The lack of answers to which currency the new Scotland would adopt, who would pay the government officers' allowances; and in which state should Scotland remain before requesting its entry in the European Union, ruined the independent hopes. In the air was also left the property of the North Sea oil and the property of the refineries. The Scottish voter got scared due to uncertainty and young Cameron reached the false conclusion that he was the one winning the referendum. In that same year, 2014, the UKIP Euro-skeptics won the European elections and the election result rang the alarm in the conservative headquarters. Cameron, who persisted on his own mistake, understood that, in the same way he had "won" the Scottish referendum for independence, he would offer a "European referendum for independence" and win again. As the history has taught us, he was mistaken again. Cameron thought that the general elections of 2015 would be won by the Conservative party again, although without majority. He would need the support of his government associates, the Liberal Democrats, confessed Euro-enthusiasts, that would refuse to the celebration of the referendum under the threat of breaking the coalition. Cameron was wrong for a third time. He won the elections with an absolute majority and, thus, debtor of a Brexit Referendum call.

The country was divided in two: Northern Ireland, Scotland and the cities who voted for the remain, whereas the England's rural area and lower study level voters won a Brexit with an electoral campaign filled of inaccuracies, if not lies. Cameron resigned the following day and in a hurried process, British conservatives elected Theresa May, Home Secretary until then, as the successor. Since the middle of July 2016 until March 2018, the London government did nothing related to Brexit. Only the ambassador before the European Union submitted in Brussels and the European Council the claim of Article 50 of the Lisbon Treaty, by virtue of whom the date March 2019 was established as the end of the negotiations (with an extension until December 2020 to complete the whole divorce period).

The Prime Minister called, unexpectedly, for advanced general elections, thinking that Cameron's 333 parliamentarians could turn into her 400 parliamentarians to better negotiate with the European authorities. May was also mistaken. Far from the dreamed number, she was left with 319, not enough for her absolute majority and she had to call upon the Northern Ireland DUP members "a sort of radical conservatives" that could lend her their 10 seats to carry the laws forward. The collaboration of the DUP involved jeopardizing the survival of the Irish Good Friday Agreement and the complaints of

Wales and Scotland, who understood that London “had bought” the Irish for a cause that had nothing to do with them.

Since then, the three Brexit Secretaries had been unable to reach any agreement with the Communitarian authorities. With the clock ticking, it had to be the Prime Minister who, in November 2018, reached an agreement with Brussels. The British Parliament rejected it three consecutive times and forced May’s resignation to keep leading the British government and her leadership of the Conservative Party. The resignation of the second took shape on June 7 2019. Only in the third week of July, the next leader and Prime Minister will be known, ending May’s mandate and one of the most embarrassing stories in the British politics.

Subsequently, everything that is yet to come is mere speculation. No one knows who is going to win. No one can certainly claim that before the end of October 2019 an agreement with the European Union will be reached. What is true is that this small extension for negotiations until next October has forced the British government to call for European elections. It is important to recall that the Conservative Party could hardly reach the fifth place with a modest 8% of the electorate in the government.

It does not seem, then, that the new Prime Minister will decide to call for a new general election that would be lost almost certainly. It seems more like in two short months a new agreement would be intended to be renegotiated with the European Union, even though it has already claimed that May’s agreement has been reached and they are not willing to renegotiate. Still, it could happen that the deadlines could only afford to leave the European Union without agreement, which entails an immediate call for elections. It is difficult to guess the winners. However, what is easy to guess is that, whoever wins, will do so with the promise of a second referendum.

This uncertainty is even more aggravated in Scotland. The First Minister threatens with the call for a second referendum for independence, which Downing Street totally opposes. Its celebration could imply the automatic exit of the European Union (if the London government does not go ahead with a hard Brexit). In light of this uncertainty, fear has taken over the Scottish touristic industry; the student applications for a place in one of its twelve universities and of the head offices of the Scottish banks that, afraid of the decision of both London government and Edinburgh, are willing to move to the European continent.

The current state of the question makes our work a more attractive field. Nevertheless, it should be understood that the problematic with Brexit in what Scotland is concerned is the same as with England, although multiplied by two. Scottish reality entails a national crisis; a European crisis and an unheard perspective in the elapsing of historical facts in that part of the world. There is, still, another point of support (or if you may, of uncertainty): the role that the Commonwealth could play in the future. Suffice it to say, for now, that since 2018 is a responsibility relying on the Crown’s heir. This gesture from the Crown offers a good perspective in what Scotland and the United Kingdom can expect from the countries that once shaped the Empire. For those pranks that

sometimes the history plays, it would remain to be seen if, in the case of the United Kingdom initiating a new trade phase in the Commonwealth, it would not ask for the expulsion of Scotland.

## 5 Objectives

The main objective of this paper is to deepen the study of the current situation of Scotland within the United Kingdom and its relation with the European Union through a historical and economic analysis of the variables that are impacting the Scottish economy and that could arise in a possible future outside the European Union, as well as the increase of the Scottish independent feeling. The actual situation of Scotland is difficult to understand if history is not studied, but it also reflects a political instability guided by the different goals that the four nations composing the United Kingdom have set. It is our duty, then, to elucidate how independentism has peaked in the last years and why the Scottish identity is so important, as well as the repercussions that Brexit is having in the Scottish independent wishes, its economy and the country's stability and future.

This general objective is also divided into secondary objectives that are also important throughout the paper:

- Describe the historical perspective of independentism, studying first the historical perspective of the creation of the United Kingdom as well as the evolution of Scotland from being an independent country to the loss of its Parliament and powers, and back to the Devolution Debate where some of them were devolved.
- Study the rise of the independentism later in history, the creation of the Scottish National Party and its role in the Devolution, independentism and current situation.
- Point out the Scottish situation regarding England and its government: the Thatcher years, how the Conservative leadership has affected the Scottish independent desires and the influence of the Westminster-centered-powers related to Scotland.
- Know the reasons behind the Scottish referendum for independence of 2014 and why it failed.
- Analyze the reasons why the Scottish referendum for independence lost and the uncertainty sources.
- Make a general picture of the Brexit situation in Scotland and the United Kingdom: the different results in both countries, the effect the result had in Scotland and the reasons behind the decision of Scotland regarding Brexit.
- Speculate about the future, the possible Brexit effects in the economy in both cases: a hard Brexit and a Brexit under Theresa May's deal.
- Study the ways to overcome the possible losses that the country may confront based on possible trade deals with the Commonwealth and the United States, and a comparison of those with the current free-trade relation with the European Union.
- Carry out an insight of the Scottish economy: main economic sectors, emphasizing the oil and gas sector and the touristic sector.

- Related to the Scottish economy, also clarify the dependent relationship between Scotland and the European Union through different perspectives, but highlighting international trade as a key feature.
- Studying the data extracted from the current economic situation of both the United Kingdom and Scotland and how Brexit has damaged the economy so far.
- Speculate about Scotland's future based on the study made throughout the paper and basing it on historical framework.



## 6 Methodology

The events studied in a paper with such characteristics rely on data that comes from an historical process to which only a documented historiographic analysis can be applied to and must be constituted with the sequencing of facts. History is what it has been; it never is what it could have been or what we would have wanted to happen. In not many occasions, not to say any, historical speculation has enjoyed a long life. Facts can be adamant and can be criticized and even analyzed, but cannot be changed.

This could be a good summary of the methodology used in our study of Brexit in general and what Scotland, specifically, is concerned. It must not be forgotten that Scotland, a country that until 1603 was independent, has always enjoyed sympathy for Europe. This is shown in the written law, which is structured in a European way and different from the English Common Law; this is shown in their religion, far from the Anglican reform and close to the European Calvinist Presbyterianism. The people considered the Union of the Crowns, and some still keep that belief, as subjugation to the English.

It is true that the industrial revolution, the heavy industry enclaves and the glory of the Empire set into motion a successful British society in which the Scottish nationalistic spirit did not break but kept asleep. The history of the XX century Scotland, marked out by two world wars, did not left time or strength to take back past riots against the English. However, in the second half of the XX century, a series of events revived the Scottish identity: the Empire was being dismantled, the productive crisis was being reduced, the debate about power devolution to Scotland was being rejected, the syndicates were losing their strength and the industrial restructuration was finishing in privatization, mostly into English hands and with the closing of solitary industrial enclaves: Glasgow as the most outstanding place.

In the last quarter of the XX century, two things opened the hopes for the Scottish people: the North Sea oil and the touristic swirl around the city of Edinburgh. All in all, Scottish oil refineries were not, and still are, in Scottish territory. Oil pipelines connect with the South of England. The galvanization of tourism crashed against the Scottish Office, headed by the Secretary of State for Scotland named by the First Minister on duty. It is not a surprise, then, that under this picture, and by the traditional rejection of the English, the parliamentarians representing Scotland in Westminster were traditionally labours. The long mandate of the conservative term in the Thatcher and Major era radicalized the opinion of the society, who understood that the London government used Scotland as a way to get their oil, as a test bench for new taxes and as a place where the nuclear defense plan could be settled. Slowly, the Scottish society, far as it was from the Tories, stopped sympathizing with the Labour party. Although it should not be forgotten that in 1999, the devolution of powers came through Blair, as well as the re-opening of the gates of the Scottish Parliament and the Scottish government, akin to the Spanish autonomies.

The Scottish awareness understood that Scotland did not receive what it deserved and did not enjoy the welfare of South England. Slowly, the nationalistic spirit resurfaced and soon it got hold of the Scottish government. The Euro-skeptic English doubts fired up, even more, the demands of an independent, monarchical and European Scotland. Prime Minister Cameron's lack of knowledge of this reality pushed him to agree on a referendum for the Scottish independence, held in 2014. Defeat thwarted one more time the Scottish desires. It is, therefore, not surprising that the First Minister has considered in recent times to hold the referendum for independence again, although it has immediately received the rejection of May's government.

Brexit, mostly discarded in Scotland, opens uncertainty in the Scottish lands. On the third week of July the name of the new Prime Minister will be known and the decisions that could be taken (from a hard Brexit to a negotiated one or simply a call for an early general election) give lots of things to Scotland, all but reassurance. In that concern, its government is moving around the attempt of a second referendum, the volatility of companies and the change of the most important bank's headquarters that are already preparing a B plan to move to the European continent.

It is this gloomy image who describes the current state of a society that needs to keep working with a threaten tourism by the possible migration rules; universities that have started suffering the drop of European students and a livestock that has no reassurance that its products can keep being exported to the European Union.

Alongside history, placing the critical history with the mistakes of London with regard to Scotland needs to be drawn. This critique must be forcefully exegetical, as the announcement of a possible hard Brexit would involve a kind of civil, commercial and financial disobedience difficult to gauge.

One of our main objectives is to amend the concept of the United Kingdom Europe has. To put it another way: in some occasions, the communitarian authorities have taken the whole country only through England without considering the historical, economic and financial specificity of Scotland. However, on the other hand, the British uncertainty has radicalized political sides that could drive to a fictional creation of a new/old country devoid of a Central Bank and without guarantees of coming back in to the European Union.

September 19 2014, the referendum date for independence, entailed a warning to the London government. Until today, not Cameron or May, and probably, not the successor, have paid attention to the Scottish nation. It could be said that the Brexit referendum labyrinth have not allowed them to take care of the Scottish people's demands related to unemployment, migration, education and housing. The solution to these problems, at the very least, would delay the independentism aspirations of Scotland. The lack of solutions to these needs will fuel the achievement of the independence as the solution to all the illnesses. An independence that, in many points, is close to the impossible.

## 7 Scotland: historical framework

England and Scotland had always been independent countries until the early XVI century, when things dramatically changed following Queen Elizabeth I of England's death. She was notorious for not being interested in men, fact that never stopped her willingness to lead her country. She passed away on March 24 1603, having become a historic legend: unmarried and childless (The Royal Family, n.d.). Since she died without offspring, the next heir had to be the closest member in the family. That is when her cousin, James VI King of Scotland, unified the monarchy of both countries in what it is known as Union of the Crowns.

He was not satisfied with the actual picture of both countries and wanted a single state: laws, economy and parliaments shared by both countries. It was a hard battle in Westminster and although they agreed on repealing hostile laws against the Scots, no union came out of the negotiations.

Defeat weighed on James and he had to content with other gestures and laws to win the hearts of the population, which never happened. He was a Roman Catholic and wanted his religion to be tolerated throughout the country. In the end, his religion caused his overthrow:

“Therfor the Estates of the Kingdom of Scotland Find and Declaire that King James the seventh, being a profest papist, Did assume the royall power, and acted as king without ever taking the Oath required by Law, and hath by the advyce of Evill and wicked Counsellors, Invaded the fundamental Constitution of the Kingdome, and altered it from a Legall Limited monarchy, To ane arbitrary Despotick power, and hath Exercised the same to the subversione of the protestant religion, and the violation of the Lawes and Liberties of the Kingdome, Inverting all the Ends of Government, Wherby he hath forefaulted the right to the Crowne, and the throne is become vacant.

And wheras His Royall Highnes Wiliam then Prince of Orange now King of Inland whom it hath pleased almighty God to make the Glorious instrument of Delyvering these Kingdomes from Popery and arbitrary power, Did, By the advyce of severall Lords and Gentlemen of this nation [...] Takeing to their most serious consideration, the best meanes for attaining the ends aforesaid Do... Declare That By the law of this Kingdome no papist can be King or Queen of this realme, nor bear any office whatsomever therin; nor can any protestant successor exercise the royall power until he or she swear the Coronation Oat” (National Records of Scotland, n.d.).

But Jame's battle did not fall on deaf ears. In 1606 a flag that combined both St. George and St. Andrew crosses was made: what now it is known as Union Jack, Jack as a shortening of Jacobus, the Latin version of James (UK Parliament, n.d.).

In these Brexit days, it is important to remember that James did not only hope for the union of two independent countries, but encouraged peace, ending the long war with Spain in 1604.

As The Claim of Right stated, William III was the next king of England and Scotland. However, it was under the reign of Queen Anne that the real union emerged. It was believed that the debate opened in Westminster would end as another failure, as happened before under James' mandate (Johnson, 1957). Queen Anne's wishes of controlling Scotland became even more intense when she found the rejection to the Hanoverian line imposed by the succession of William instead of James' line. To this fact, it is needed to add the financial problems derived from the Spanish Succession war. England had no disposition of the necessary resources to fight the ongoing war and Scots seemed to be a good backup to come up to in said situation (Macinnes, 2011).

The surprise arose in 1707 under the form of an agreement and the acceptance of the parliament, that passed the Act of Union in which England and Scotland disappeared as independent countries. For the first time, the United Kingdom of Great Britain came to life (Johnson, 1957).

Scottish economy was exceptionally resilient, in spite of imports overcoming with profit the exports of products, although data about that period did no count with some sea routes in addition to leaving aside some other aspects of trade. The poor negotiation of the Union conditions led to reductions on the Scottish activities, as the number of nobles in the House of Lords or the number of MPs in the Commons. That is to say, Scottish representation was meager in the British Parliament (Macinnes, 2011).

One of the main reasons for the union was the economic factor. The Scottish elites found enormous advantages because the union gave them part of the British East India Company, the English colonies, the English System of Navigation Acts and mercantilism. Obviously, all these advantages affected only the rich segments in society that already possessed a lot of money and could invest in all those activities (Rigler, 1998).

There is no answer for the question of why Scots accepted the dissolution of their parliament. Although it is important to highlight the instability of the country and the poor English-Scottish relations during Anne's reign. The English domination came to an end when both countries merged into a single one (Johnson, 1957).

The general discontent with the Treaty led to a voting for its rescission in Westminster that lost by merely four votes.

Wales was already part of the English kingdom in 1543, but Ireland, notwithstanding its dependence, did not incorporate to the kingdom. Tudor monarchs tried to conquer the territory, but they did not reach any optimum result. On the other hand, the Irish radicalization and the instability were perceived by England as a threat that increased with the French Revolution. The role of France continued to be another motivation for the English kingdom to find allies in case of a possible war and French invasion, so Scotland and Ireland were the perfect tools to face that possibility (Macinnes, 2011).

When catholic movements started to emerge in Westminster, the Irish Protestants decided that the union was better than sharing powers.

The Union Act in 1800 continued to not embrace the catholic religion, what left out a very important feature of the Irish society. As happened with Scotland, the Irish economy walked into recession.

It is true that the union with Scotland did not end in a high governmental intervention by England. However, in the case of Ireland, it only lasted a siècle. There were plenty of reasons why the collaboration was not promising: the Irish famine derived from the dependence on potato harvest and the plague that affected it, the huge emigration caused by the famine, the industrialization limited to the cities of Dublin and Belfast, besides other factors that contributed to the general discontent with England and a vision of this union as an absurd burden.

The 1707 union involved some difficult-to-ignore consequences for the Scottish population. The elites enjoyed economic prosperity whilst the working class struggled with the situation of the country. For a long time, these had no support from big political parties until the formalization of the Scottish National Party. There were previous attempts of creating a political party with these features, but finding oil in the North Sea helped the SNP to obtain a bigger support and formalize itself as an important political party in Scotland that directly threatened the hegemony of the most influent party until then: the Labour Party (Rigler, 1998).

Before going into further details, it is important to define the term “devolution”. As mentioned before, in 1707 all Scottish legislative powers were given to Westminster. The legal system stayed, same happened with the separation of church that was, in this case, different from the Church of England (Scottish Devolution, n.d). For devolution we understand the devolution of powers for a better organization within the country, which leaves Scotland with two governments in charge of different aspects: the Scottish government and the United Kingdom government. Along the years, some powers have been returned to the Scottish government that until then were possessed by Westminster. Hence, devolution refers to the transfer of powers between the central government (the government of the UK) to other subordinate branches (Scottish government), without turning down the control over those branches.

In the next table, it can be found how the responsibilities of the different governments are distributed nowadays:

**Table 7.1 - Division of powers between the UK government and the Scottish government**

<b>Scottish Government</b>	<b>UK Government</b>
Education	National Security
Health and social services	Employment
Law	International Relations
Transport, Housing, culture...	Social security, pensions and immigration
Strategic economic sectors: agriculture, forestry and fisheries	Macroeconomic, fiscal, trade, industry and international trade
Local government and territory administration	Constitution

(Source: Delivering for Scotland)

As it can be seen in Table 3.1, the UK is the one maintaining the bigger powers of the administration whilst through the Scottish Office the powers are more directed towards local and regional capabilities to offer a more effective administration and respond to the wishes of the citizens.

Devolution is not only a remedy to achieve a better administration and it is not only exclusive to Scotland. Plenty of countries have seen the effective result of power devolution inside their borders to keep the peace between different regions. It is even more important when we are talking about two very different countries as Scotland and England, with so many social, religious, legal and many other differences. Another point of view to take into account of this situation is the fact that the complaint from Scotland is based on the existence of a previous Parliament in the country and powers that belonged to them before the Union. It is not about concessions made by the government, but devolution of the powers that previously belonged to the country. This devolution does not represent the independence of Scotland, as it could be understood. The devolution represents equality between both governments, English and Scottish, that would leave a situation of collaboration instead of the hegemony of England over Scotland (Scottish Devolution, 1997).

Needless to say, then, that devolution is a complicated process where political, economic and nationalist factors participate, but whose success lives in the collaboration of all the dominant political parties. This, without doubt, is exposed in the huge influence that the Labour party had in the devolution of 1997 that will be explained further in this paper.

Some of the administrative Scottish powers were devolved in 1885 in the form of what is named as “Scottish Office”, which guaranteed capability to face situations that could harm the welfare of the country and that are crucial as, for example, education, health and key economic sectors like agriculture and breeding (Scottish Devolution, n.d).

It is essential to understand the general discontent that the union with England implied in the Scottish territory, albeit it is true that during the first years of economic prosperity free trade between both countries seemed to keep at bay the nationalist nature of Scotland. The squabbles among Jacobites were centered in some regions, and not the whole of Scotland considered it a national movement.

The Scottish National Party (SNP) was born in 1934 with the goal of unifying the country, putting all the factions together with a shared objective. The SNP advocates for the total independence of Scotland, but its success was not transferred to reality until years later, when the local elections showed some sympathy from the population and they reached 40% of the votes in the 1968 Council Elections, what represents a considerable increase in the popularity of the party and pushed, again, the nationalist ideals to become a closer reality.

It is in the mid-70s when the North Sea oil is discovered and the nationalism begins to weight in the electoral campaigns: Scotland is not as dependent from England as it seems, and the possibility of petrol being part of the economy helps supporting the independentism ideas that so fervently have been growing in the last years. An independent economy implies national capacity against trade and England starts to become more and more useless in what Scottish sustainability concerns. This is translated into seats for the SNP in the Parliament and the idea of power devolution seemed a viable strategy for the country. It finally led to a referendum on devolution in 1978 that did not pass due to the low participation of the population. This mistake led to a period of downturn for the SNP. The instability inside the party because of the differences between the nationalist factions under the roof of the SNP (brought to the surface by the deteriorated popularity) increased years later with Thatcher's government (Rigler, 1998).

Industrialization was a step further in the improvement of the Scottish society until the middle of 1950, when the Scottish economy started to suffer an important recession. In this decade and the two following, the unemployment rate started to escalate because of the obsolescence of the heavy industry, with almost 90,000 people having lost their jobs (Rigler, 1998).

All these factors started to influence the discontent of the population whose interest about a better economy was more than obvious. This made the discovering of oil push citizens to claim the oil as their own and refused to share the discovering with the English. It cannot be said that this fact was the reason why the devolution movement appeared or became more important, many other reasons also encouraged this feeling to grow, but it is an important fact that made the idea of devolution and independentism more reasonable.

That the Scottish elites received a huge benefit from the relation with England whilst big population sectors suffered all the socioeconomic setbacks, led to the creation of the Scottish Office in 1885. The office, as it has been mentioned previously, is centered in some aspects that help regulating the country, independently from Westminster decisions. It is also important to highlight that its powers are limited and, in general, all the capabilities have been reduced to punctual activities. Now, of course, the British Parliament has found itself forced to make bigger concessions to face the problems related to Scotland.

However, obtaining some power was not enough and the discontent led to the creation of the SNP as a movement against the English oppression.

The SNP is a political party that fights for the total Independence of Scotland from the United Kingdom, based on the impoverish economy and the poor political conditions because of the union (Sharpe, 1985). Its apparition was previous to the situation of the country; however, it was by then when its presence in the Parliament got stronger. Until then, the Labour party was the strongest in Scotland and its situation proved threatened by the revival of the SNP. It forced the Labour Party to also face devolution (Geekie and Levy, 1989). The fight for devolution was truncated by the division inside the parties and the awful decisions between them. No devolution plan could be made (Mitchell, 1996).

The structure of the questions in the referendum and the lack of radicalization of the ideals of the Liberal and Labour party made most of their voters refuse participating in the devolution referendum made in Scotland in 1979. The lack of changes for Scotland and the weak promise of autonomy proposed by them ended in a failed referendum (Rigler, 1998). Other fears also inspired this failure like the complete separation of both England and Scotland (source of uncertainty), regionalism or disintegration, engines for this political blow.

Even with this failure, devolution never disappeared from the political purposes, although they moved into the background in some cases where parties seemed to focus on more relevant matters of the Scottish socioeconomic panorama. The idea of devolution did not disappear. Under the conservative government of Margaret Thatcher, known to be an implacable woman, the Scottish nationalism saw its revival. Thatcher's government was taking decisions that left aside Scotland's welfare. Again, the irrelevant picture of Scotland, always under the shadow of England, caused the population to start thinking again about independentism. This feeling grew among the Scottish political parties that renewed a devolution plan to offer the Scots (Rallings et al., 1996).

The popularity of the Conservative party started to fall whilst the devolution movements, made through cohesion between Liberal, National and Labour parties, grew. Tony Blair saw the opportunity of devolution as a weapon to use and gain popularity that would help him in the next elections. The labour leader turned power devolution into a national issue and not only Scottish. This gave some weight to the movement, called Constitutional Convention, and a credibility that helped get more support from the population (Rigler, 1998).

It can be concluded, then, that the role of the Labour party was key so the devolution movement could gain some importance.

Another referendum came through on September 11, 1999. This time, Scottish people decided for a devolved Scottish Parliament with tax-varying powers. On July 1, 1999, the new Scottish Parliament was opened in Edinburgh (National Records of Scotland, nd.) with the following results in what Seats and parties involved are concerned:



Table 7.2 - Summary of Seats by Party

	<b>Constituency MSPs Elected</b>	<b>Regional List MSPs Elected</b>	<b>Total MSPs Elected</b>
<b>Labour</b>	53	3	<b>56</b>
<b>SNP</b>	7	28	<b>35</b>
<b>Liberal Democrat</b>	12	5	<b>17</b>
<b>Conservative</b>	0	18	<b>18</b>
<b>Green</b>	0	1	<b>1</b>

(Source: Scottish Parliament)

It is easy to fall in the idea that, once the Parliament and a quantity of powers were devolved to Scotland, the nationalist movement would become a past trend and Scottish citizens would be content with the current government set up. However, Devolution was not the end of the independent movement.

## 8 The Referendum for Independence (2014)

The independent support was increasing in the period between 2007 and 2011 as people thought the SNP was doing a good job in what devolution is concerned. It was in 2011 that the SNP achieved an absolute majority in the Scottish Parliament. The reason behind the support was the perception of the SNP being able to take its own decisions without looking at Westminster, as Labour had been doing until then. As a result of the SNP's independent plans, the referendum was carried out in 2014. Scottish independence was not about the Scottish identity among the population, but the feeling of detachment from British politics, as they did not feel represented by the Conservative party, not very popular among the Scots (Keating, 2015).

On September 18 2014, Scottish citizens were called to vote whether they wanted a future in the United Kingdom or they preferred to be an independent country, which would end the historical relationship between Scotland and England, a 307-year union. The voting was as simple as a question: "Should Scotland be an independent country?" to what Scots should answer with a yes or a no. The idea arose from the Scottish government, led by the SNP, claiming that Scotland's future should be in Scotland's hands, whilst the British Prime Minister, David Cameron, emphasized the importance of security, which Scotland would only have under Great Britain's wing, and warned about the not-going-back condition of the decision (Smith-Spark, 2014).

The Scottish government published in 2013 some gains that Scotland would have by separating itself from the United Kingdom:

- Decisions about Scotland would be taken by Scottish people. This means that the government would be formed by Scottish parties instead of having to cope with key decisions taken by governments that do not have relation with the Scottish electorate.
- An independent Parliament elected by Scottish people instead of the Westminster system they currently have.
- Tax and social security would be set to cover the wishes of the Scots.
- There would not be any possibility of Westminster privatizing some services as the public mail or the NHS. In that way, Scotland could maintain them public.
- Allocation of public spending and access to Scottish resources.
- The investment of oil wealth would be decided by Scotland.
- The removal of the Trident and removal of taxes nuclear-related.

The results were not far from each other. The decision of remaining, that is to say "no" to independence, won by 55% of the votes. This could have settled the question of whether Scotland should be independent or not. As a paradox, not long after the decision, the remaining side has been plugged into complicated situations.

Why did the "no" win if the British politics were not very popular among the Scots?

First of all, it is important to highlight that there was not a huge distance between both sides of the referendum. This matter did not create a social gap, but rather disagreements.

A fact that influenced the confusion of a total independence was the currency: the SNP presented an attenuated version of independence in which Scotland would retain the Pound Sterling while possessing control over the monetary policy (Keating, 2015). Scotland does not have a National Bank, which means the financial and monetary issues rely on Westminster. In case of a currency union with the UK, then Scotland's economic policy would be decided in London instead of Edinburgh. The Euro could be the other option, but independence also questioned the membership of Scotland in the European Union. The uncertainty about the currency truncated the economic policy for independence. Whether Scotland liked it or not, it should depend on either the United Kingdom or the European Union, a question that was never answered and aggravated the confused questions raised by independence.

Another important field of discussion that the “no” accentuated was the union of the territory and the allusion to being part of a bigger picture: Scotland is not only part of Great Britain; it is also part of a political, monarchical, monetary, European and defense union. This helped the unionist side to reassure voters (Keating, 2015). Later, this issue will be brought back with the Brexit referendum. For now, let us focus on the fact that Scots found the European Union's membership as a reason to stay in the United Kingdom, as independence would push them to request entering again the Union and then all the members would vote the admission (including Spain).

On the other hand, Conservatives did not play their cards properly. There was a battle between Conservatives, Liberal Democrats and Labours about devolution on tax income. Furthermore, the Scottish identity that Conservatives have not denied over the years had to be modified into “Britishness” to accentuate the union and incarnate some values as democracy. In this way, Scottishness was reduced to a mere cultural variation (Keating, 2015).

Obviously, social issues and morals are not the main reason why the “no” won the referendum. Economic and financial issues caused a tremendous impact in the independent movement. In every country that has dealt with independence issues, the “what will the country do once it leaves” question has not failed. Scotland is not an exception to this rule.

The independence uncertainty revolved around the consequences of leaving Great Britain. As it is known, Scotland is neither a rich country nor a poor country. Its GDP is lower than some territories as London and higher than other regions in the United Kingdom. This was seen as an opportunity for independence. Of course, the unionists appointed the latest crisis and how the examples that preceded other countries with rather modest GDPs (small Northern Europe countries, mostly) were not good to follow. They also highlighted the risks of the banking industry, as the biggest Scottish banks, Royal Bank of Scotland and Bank of Scotland, would not be bailed out and

would suffer the setback in their profit because both have most of the operations in England and, since the crisis, the UK Government has a huge participation in them (Keating, 2015).

Public expenditure captured another preoccupation of Scots as Scotland has had over the years higher expenditure than the average of the United Kingdom.

And what about defense? As mentioned before, one of the important issues pointed out by the “no” side was the security of the country.

The SNP is known for not being especially pro-violence and because of their anti-nuclear ideas. This collides with the existence of the Trident, United Kingdom’s nuclear program, settled in Scotland. Following this idea, the nuclear program would have to be cancelled in Scotland and moved somewhere else (UK’s Parliament, n.d.). The Trident was created as a request of Thatcher’s government in the early 80s. It started working in the 90s and, as the name describes, it is shaped by three parts: missiles, warheads and submarines (UK’s government, 2018). There is a deep controversy on whether Trident should be removed or renewed (as war materials need to be changed periodically, it is estimated that the period for a new renewal would end in 2020). But let us go back to the independence issue. An independent Scotland would be unable to remove Trident for a period of at least 20 years. Scotland would have to lease Trident’s facilities to the United Kingdom’s government, a proposal carried out by Stuart Crawford, former army officer. A facility with Faslane’s characteristics would take, at least, two decades to build. Dismantling Trident would also cause the loss of 7,000 military and civilian jobs in Scotland (Peterkin, 2018). Losing Trident would make Scotland a country without a security program, although some experts speculate about the possibility of Scotland being a non-nuclear Nato member, even if the organization is based on nuclear defense. At that moment, doubt was enough to cause citizens to feel displeased with the non-answered questions, and uncertainty kept growing.

As to finish, the European Union membership was also another question that helped Scots make their mind. The SNP changed their opinion about the EU in the 80s and now has become one of the strongest pro-European parties in the UK. No answer was thrown into this matter and, for this reason, the unclear uncertainty of being out of the European Union created a negative impact in the independent movement (Currie, 2014).

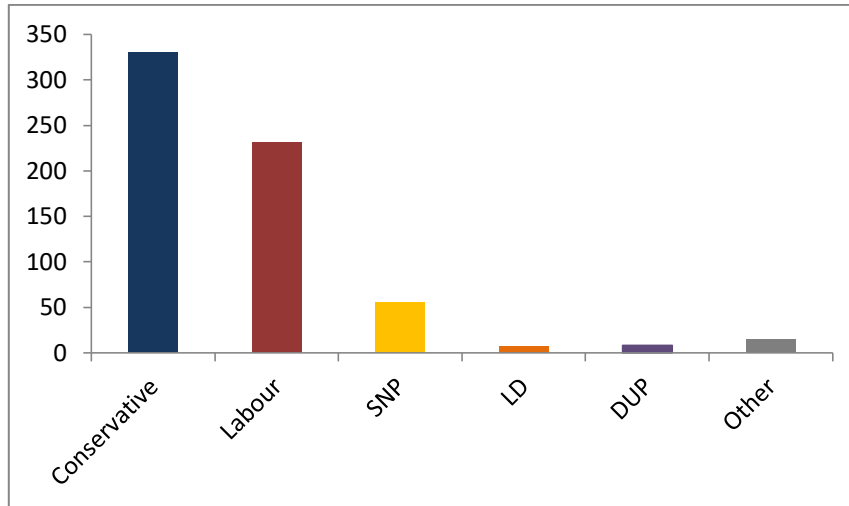
As a conclusion, it can be said that several issues caused the “yes” to fail in the referendum:

- The currency along not having a Scottish National Bank.
- Modest GDP and size of the country.
- Scotland’s high expenditure.
- The Trident.
- Whether they would be in the European Union or not.

## 9 Brexit: an endless flaw

The United Kingdom general elections followed a year after the Scottish referendum, in which the Conservative party won for a majority with 331 seats.

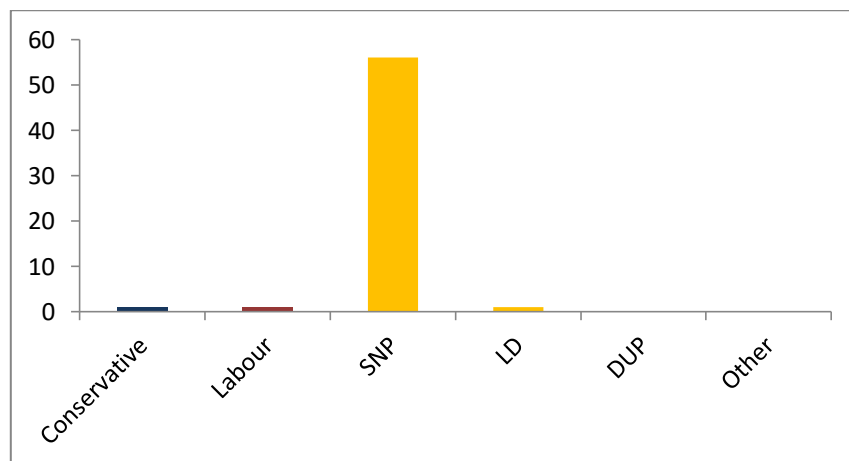
Graph 9.1 – 2015 UK's general election results



(Source: BBC)

It is important to notice that in Scotland the popularity of the Conservative party decreased in this elections. As to compare the result of the votes, the 59 seats from Scotland resulted as follows:

Graph 9.2 - Scotland's seats results in the UK's 2015 general election



(Source: BBC)

The Scottish vote changed dramatically since the 2010 elections. The SNP grew 30% in the votes, whilst the Conservative party and Labour party saw their share decreased in 1.8% and 17.7% respectively (BBC, 2017).

It could be said that this is the beginning of Brexit, but the starting point is situated back to a Cameron's speech in 2013:

“The next Conservative Manifesto in 2015 will ask for a mandate from the British people for a Conservative Government to negotiate a new settlement with our European partners in the next Parliament. [...] we will give the British people a referendum with a very simple in or out choice: to stay in the EU on these new terms; or come out altogether. It will be an in-out referendum”.

The promise of a referendum was highlighted during the Conservative election program. Of course, once the victory was achieved, the project started.

The 2016 referendum marked a watershed moment in the history of the United Kingdom. “Vote Leave” campaign based their reasons on taking back Britain’s sovereignty whereas “Leave.EU” centered their efforts on immigration. The influence of the UKIP party, a British party that stands up for British sovereignty and is known for their EU-skepticism, was also very important during the campaigns, as its popularity has grown in recent years.

On June 23, 2016, the inevitable happened and the UK took the decision of leaving the European Union. Afterwards, consequences started to rise as a result. David Cameron resigned as Prime Minister and Theresa May took the lead of the country. The government triggered article 50 of the Lisbon Treaty setting into motion the withdrawal process. Negotiations within May’s cabinet started as well as the bargaining of the leaving terms with the EU. In November 2018 the draft of the withdrawal agreement was finally done.

In September 2014, Scots voted to remain in the UK but two years after the independence referendum, the Scottish electorate voted to remain within the EU. This was an impressive victory for the “remain” in Scotland.

As to understand the balance between remain and leave, the voting of the 2016 referendum in Scotland ended with the following numbers: 38% of the population wanted to leave the European Union (1,018,322 votes) and 62% to remain (1,661,191 votes) (BBC, 2017).

Why did the “leave” fail in Scotland?

There are many reasons behind the decision to remain in the European Union. Whilst Wales and England decided to leave, Northern Ireland and Scotland seemed to be less willing to move out of the Union. Some of them are the following:

- The Britishness sentiment and Englishness are more or less the same. Scotland, on the other hand, does not feel so close to the “British” term. While English may be threatened by the existence of a European identity on top of it, Scots are not bothered or concerned about their identity being erased.
- Immigration was one of the most important topics that conducted the Brexit campaign. All “leave” sides touched this topic, some of them referring to it as a threat and others trying to modify the issue into sovereignty. A study carried out in 2014 by the Migration Observatory showed that Scots are less likely to say

that people coming to live in their country are illegal immigrants. It also shows that Scots are less likely to say that immigration should be reduced (especially in groups as students, immediate family members, extended family or refugees). (Brocklehurst, 2014).

- The legal system is different. England, Wales and Northern Ireland use Common Law systems. The European Union, on the other hand, has a Civil Law system. What about Scotland? Scotland unites both of them into a hybrid system. That is why England may have felt different from the European Union, whilst Scotland does not feel that far from it.
- Not only the legal system is different, but also religion, education and even food.
- The help that both Northern Ireland and Scotland receive from the European Union for regional development, as well as other funds it receives from the EU.
- The European Union has helped the devolution of powers, what translates into limited autonomy from Westminster (Moloney, 2016).

But in the end, the 2016 referendum was not just Scottish. The whole United Kingdom voted and the decision was from all of them, for all of them. Theresa May already insisted on this matter during a speech in a conference of the Conservative party: “Because we voted in the referendum as one United Kingdom, we will negotiate as one United Kingdom, and we will leave the European Union as one United Kingdom. There is no opt-out from Brexit” (May, 2016).

In the immediate aftermath of the referendum result, the First Minister of Scotland, Nicola Sturgeon, pledged not to ignore Scotland’s decision. The result of this referendum changed completely the result of the previous one, the referendum for independence of 2014, when Scotland decided to remain within the United Kingdom.

This open door of independentism creates a clear uncertainty of what would happen if Scotland finally leaves the United Kingdom and whether it could still be part of the European Union. In this case, rejoining the EU would not be easy, as the Spanish foreign minister, Alfonso Dastis said. Spain has a veto over applications, as all the other members, and the possibility of Scotland leaving the UK could trigger another round of problems due to Catalan separatism. This has set on the table the possibility of joining the European Trade Association (EFTA) whose members include Norway and Iceland. In this way, Scotland could have access to the single European market and avoid a Spanish veto. It would also help to content those Scots that voted to leave the EU (The Economist, n.d.).

### **9.1 Speculations about the future**

It is difficult to create a contextual framework about the United Kingdom’s future, as the options are getting more and more complex as time passes. Parliament does not seem to be willing to accept May’s deal and the problem of the Irish backstop remains as a lever for the European Union who does not want to accept any deal that does not cover this problem.

Something obvious is the economic and social implications for Scotland's future. Even in this short period of time since the EU referendum, the uncertainty of the situation has created a huge repercussion in the economy of the United Kingdom, damaging both consumer products and also discouraging investment, translated into a poor economic performance.

The EU membership is not only important because of the share of exports from Scotland it takes. Being an EU member helps attracting foreign investment as it allows easy access. Almost 1000 EU-owned companies are settled in Scotland and, according to the Scottish Government, they employ over 115,000 people. Foreign Investment is also attracted to Scotland and in 2015 it had more projects than any other part of the UK without London (EY, 2016).

Not only barriers would be a problem for the economy. Free movement of people inside the EU facilitates the rotation of people and skills from country to country. It is estimated that there are 173,000 EU citizens living in Scotland. UK leaving the European Union would have a repercussion in restricted labor, skill shortage and also discourage overseas investment.

The extent of repercussion will depend on the terms in which the UK leaves the European Union. In any type of situation, the UK and the EU would be worse off, but the worst case possible is a hard Brexit, meaning that the UK and the EU would not have any type of relation once Brexit is over.

### **9.1.1 Impact of a No-Deal Brexit**

According to the Scottish Government data, a hard Brexit would definitely be a terrible scenario for Scotland. The implications of this type of exit have been studied by experts and even the governments of the countries involved in the divorce. Some of the repercussions are the following:

- Further in this paper, the economic relation between Scotland and the European Union will be explained through international trade. But for now, in case of a hard Brexit, the Scottish exports could drop between 10% and 20%.
- As already mentioned, business investment would be reduced.
- The drop in exports and the reduction of overseas investment could harm the economy even further and create a slowdown that could depreciate the currency between 10% and 30%.
- Once the UK leaves, imports and exports will be subject to WTO tariffs. Goods that are not produced in the country will be more expensive. An important example would be medical and pharmaceutical goods.
- Migration would fall: it can cause skill shortage.
- Because of the economic slowdown, the unemployment rate would increase between 5.5% and 8%. It is estimated that unemployment rises by around 100,000 people.



- Recession could happen due to these pressures and GDP could be reduced between 2.5% and 7%.

The consequences of a No-Deal Brexit are clear, but the extension of the duration keeps being a mystery and creates greater uncertainty. The Scottish Government (2019), along with other organizations, has suggested two possible scenarios depending of the transition period that include some other consequences for Scotland in the case of an abrupt exit:

- The fall in exports would also create a fall on imports, which could cause companies to focus on the domestic market. In case of recession, a local-focused company would stop being resilient and economy could suffer even further.
- The demand of Sterling will also fall due to all the reasons mentioned. Using the examples of previous economic shocks, it is expected for the currency to depreciate between 10% and 30%.
- The Consumer Price Index (PCI) will rise in what is estimated a peak of 4.25% and 6.5% by 2020.
- A disruption in the supply chains could harm the citizens. For example: a disruption in the supply of medicines could cause people to get sick or to struggle to get their daily medicine.

It has also been predicted the possible sectors that may confront the hardest consequences of this type of exit. These will not be even across Scotland: fishing, agriculture, chemicals, food and construction among others will be the most negatively affected, although all sectors will be harmed.

Rural economy is a cornerstone in the Scottish economy. Recently, the External Affairs Directorate, through the Scottish Government (2019), has released a document in which it explains the negative impact that Brexit will have over Scotland's rural economy.

No rural constituency in Scotland voted in favor of leaving the European Union and yet, as the whole of Scotland and other British regions, they will be forced to leave. A No-Deal Brexit will affect migration. This means that skill shortages are likely to appear in industries as agriculture, which depends heavily on European seasonal workers. For example, 95% of the veterinarians are EU citizens (Food Standards Scotland, 2019), 10,000 EU citizens are employed in the food processing and manufacturing and drink industry and so happens with other jobs as fish processing. Besides this fact, the EU provides under the Common Agricultural Policy (CAP) £500m for Scotland's rural economy (External Affairs Directorate, 2019). For now, there has been no sign from the UK of a possible funding coming after 2020 and no funding would make it impossible to pay farmers and other workers, aside from services that the Scottish Government provides under the CAP funding.

The CAP is not the only help that Scotland receives from the European Union. The European and Maritime Fisheries Fund (EMFF) provides a quantity of £150 million for

investment in facilities, fishing vessels, aquaculture and other assets related to the industry (External Affairs Directorate, 2019).

No access to laboratories and other institutions will harm the Scottish rural economy and there are no Scottish experts that can guarantee the health certificates needed for seafood, fruits, or, in general, food exports. Some other aspects of leaving the European Union will also compromise the Scottish health interests: having no access to the Advisory Group of Food Chain and Animal and Plant Health, losing the membership of the European Food Standards Agency or the Plant variety Office (External Affairs Directorate, 2019). This is not only about losing privilege of counting with certain organizations but rather the danger of not having a healthy rural activity in which Scotland can easily fight exotic pests, diseases and plagues.

All things considered, Scotland's rural economy not only will be at risk, but it will face trade barriers that do not end with losses in time and resources. There will also be an increase in the costs of the additional specialists needed.

As it is common, all the consequences would disappear after an unknown period of time, albeit the growth will be lower than if remaining in the EU. Of course, the longer the initial shock of the economy persists, the longer and harder it will be to recover from the possible crisis the country may confront.

Concerning the geographical areas, some are more exposed to the consequences related to unemployment depending of the proportion of EU workers situated in certain parts of the country. The most affected would be: Edinburgh, Aberdeen and Aberdeenshire.

As a conclusion it is safe to say that a No-Deal Brexit is practically non-viable for the United Kingdom if it wants to persist as a strong country, and certainly it is terribly dangerous for Scotland's economy. The EU membership has granted all countries the possibility of get stronger together, which is translated in a stable economy and improvement of the results for all the countries involved: whether if it is about the welfare of the citizens or a resilient economy.

### **9.1.2 Impact of Brexit under Theresa May's deal**

There has been two years and a half of negotiations since the referendum of 2016. Theresa May's deal, as it is known for the public and the press, has not created a good amount of fans. The deal is backed neither by the opposition nor by her own cabinet.

The withdrawal agreement is the separation agreement between the UK and the EU. It is about 580 pages long and covers the areas of:

- Britain's financial settlement with the EU.
- The rights of the European citizens living in the UK and the British citizens on the EU after Brexit.
- A mechanism to prevent a hard border between Northern Ireland and the Republic of Ireland.

- It also describes a brief and non-binding declaration of a possible trade agreement between both sides (Henley, 2018).

The deal was hard to draft not because of the rights of citizens but because of the issue of the Irish border. For now, it has been a border between two different countries, but inside the European Union the movement of people and goods is free, which caused it to not be a problem since customs are not present inside the EU.

Nonetheless, with Brexit it does become a border not only between Northern Ireland and the Republic of Ireland, but also between the European Union and the United Kingdom, which has arisen some problems since there is a troubled history between both countries. The issue resides in the frictions that this border may cause.

Why creating a border if it causes so much trouble? The Prime Minister promised in January 2017 that she would take the UK out of the single European market and the customs union (May, 2017). If this happens, customs and checks are not possible to avoid as their inexistence would cause the smuggling of products and people.

Under the terms of a Free Trade Agreement that both sides are supposed to sign after Britain's departure, the problem of the Irish border should not be a huge issue. However, the negotiations are taking long and the transition period will be due in December 2020. There is a probability of negotiations taking longer after the already extended leaving period (it was supposed to be March 29, but the EU accepted an extension to October 31) and the EU has insisted on a backstop arrangement to avoid a hard border until a FTA agreement comes into effect (Henley, 2018).

The problem of the backstop took long to negotiate. Britain has rejected the EU's proposal under the fact that not the entirety of the UK would be under the same conditions, as Northern Ireland would have a different system with the backstop, and the EU has rejected Britain's proposal of staying in a custom union that would allow them to withdraw under their choosing. In the end, the UK accepted staying as a whole in a custom union and in return they will not be allowed to exit until the EU agrees, once there is no prospect of the existence of a hard border (Henley, 2018).

It seems that Theresa May's deal only affects Northern Ireland, but it has some other implications for the whole of the United Kingdom, including Scotland. The Scottish Government has researched and shown that this proposed deal could imply harmful consequences for the country as, for example, a fall of 6% of the GDP by 2030, which would be a fall of £1,600 per person.

The Scottish Economy Secretary, Derek Mackay, already stated in the research that all forms of Brexit will harm Scotland's economy and thus, its welfare. And it will result in lower household incomes.

The SNP is working hard against May's deal and Brexit as whole. It cannot be denied that Scotland and the United Kingdom in general will be worse off out of the European

community, a fact that the government seems to ignore. The consequences of May's deal for Scotland could be:

- The fall in GDP that would leave all people in Scotland £1,600 worse off than remaining.
- The freedom of movement would be cut. That is translated into no opportunities of living and studying abroad in the EU without the required special permissions.
- Migration is not only a cut in travelling or studying. The National Health Service (NHS) would suffer under this. A good amount of experienced nurses and doctors come from the EU (Stando, 2018).

Although the negative consequences seem clear, Theresa May has insisted in the opportunities it may deliver to Scotland. As, for example, taking back the control of their seas and create a brighter future for Scottish fishermen. She has reinforced the idea of new world trade agreements and the possibilities these may bring for the whole of the UK.

Some people seem uncertain about the good side of this deal. Labours, Liberal Democrats, the SNP, Democratic Unionists and some Tory MPs do not share the same view as the Prime Minister. The loss of billions of pounds per year in welfare and the drop of the GDP is a risk some parties are not willing to take, even if her deal seems better than leaving without no deal at all.

## **9.2 How to overcome possible losses: new trade deals**

One of the main reasons for Brexit to keep going is the existence of possible trade deals that the UK could make with other countries. Not taking into account the EU, as hard Brexiteers are not willing to keep trading with the European block under the condition of a free trade area, some opportunities have appeared.

So far, the UK has tried to copy the EU's trade agreements so the country does not suffer that much under the possibility of a no-deal Brexit. The government stated that the amount of negotiated deals cover the 11% of total UK trade. Is that a progress to reach stability? Well, for now the UK has agreed to hold deals with the following countries:

**Table 9.1 - Amount of trade between the UK and the countries that it has trade agreements with**

<b>Country</b>	<b>Signing date</b>	<b>Total trade between the UK and the selected country(ies)</b>
Andean Countries (Colombia, Ecuador and Peru)	15 <sup>th</sup> May 2019	£2.1bn in 2018
Norway and Iceland	2 <sup>nd</sup> April 2019	£31.8bn in 2017. Although there is a huge difference between both countries. Trade with Norway goes up to £30bn whilst with Iceland stays in £1.8bn
Caribbean countries	22 <sup>nd</sup> march	£2.5bn in 2017
Pacific Islands	14 <sup>th</sup> march	£369m in 2017
Israel	18 <sup>th</sup> February	£3.9bn in 2017
Palestinian Authority	18 <sup>th</sup> February	£25m in 2017
Switzerland	11 <sup>th</sup> February	£32.1bn in 2017
The Faroe Islands	1 <sup>st</sup> February	£236m in 2017
Eastern and Southern Africa	31 <sup>st</sup> January	£1.5bn in 2017
Chile	30 <sup>th</sup> January	£1.8bn in 2017

(Source: BBC)

Even if the UK tries to replicate the deal that the EU holds with the rest of the world, it has also confronted the opposition of some countries to sign any type of deal with the same clauses, as for example Japan. Other deals will not be ready in case of a hard Brexit happening on October 31, as the ones with Turkey, Andorra or San Marino (Edgington, 2019).

As to compare data, the total trade between the UK and the EU was £616bn in 2017 (£274bn exported and £342bn imported) (Ward, 2019) an almost £573bn difference between the new trade deals reached by the UK's government and the current amount of trade with the EU.

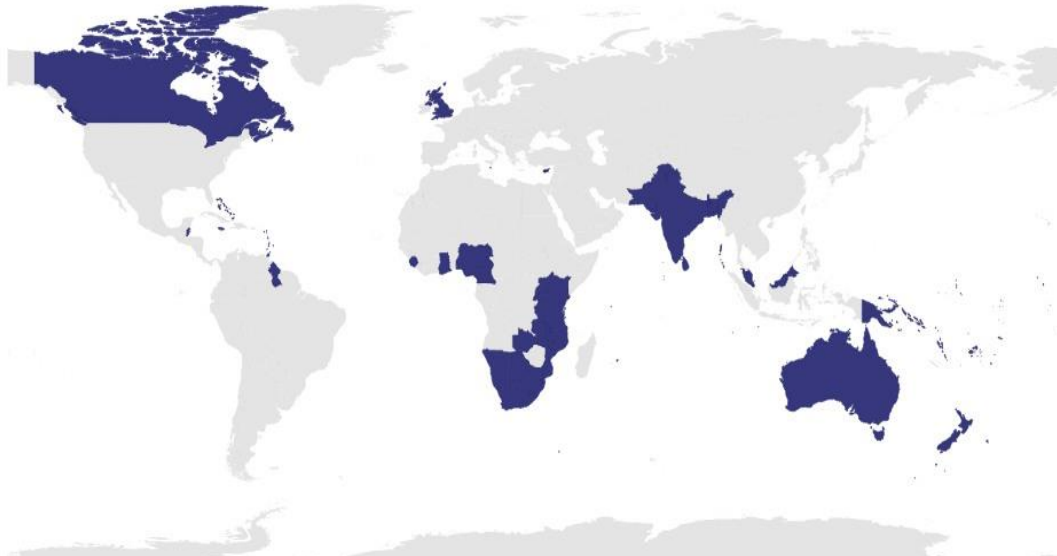
### **9.2.1 The Commonwealth**

The Commonwealth is an association of states all around the world. The roots of the Commonwealth reside in the old British Empire, when some of the countries had their own government but still had the British monarch as the Head of State. All these countries together, under the British Crown, are what is known as the British Commonwealth of Nations (Commonwealth, n.d).

In 1949, the Commonwealth we know today came alive and the membership is based on voluntary cooperation. Some countries as Rwanda and Mozambique were the last to

join the Commonwealth even though they have no historical ties with the British Empire. Today, fifty-three countries are part of the Commonwealth and they span across the world: from Africa to Asia and America (Commonwealth, n.d).

**Illustration 9.1 - Countries that are part of the Commonwealth nowadays**



(Source: Commonwealth)

According to Chi Onwurah, a Labour MP for Newcastle and chair of the all-party Parliamentary Group for Africa, the UK may be forced to focus on strengthening the ties with the Commonwealth countries in case of exiting the EU. He described the situation as "make the best of Brexit" to overcome possible future looms. U.K. may seek closer ties with the Commonwealth. Exiting the EU will leave the UK free to trade and create trade agreements with other countries. That is where the Commonwealth comes alive, as some of the countries inside the Commonwealth are economic giant as India, Australia, Canada or Singapore (Brexit Market Talk, 2016).

It is worth noting the challenges: trade in goods among Commonwealth nations is led by just six countries: Singapore, India, Malaysia, Australia, Britain and Canada. Together, they accounted for 84% of trade in 2011. Secondly, the smaller countries, many of whom are among the least developed in the Caribbean, have seen the preferential treatment eroded by the trade rules of the EU and the World Trade Organization. This means they are increasingly exporting their primary commodities to the US. Even if goods trade is declining, the trade of services is growing according to the Institute of Commonwealth Studies in London. Apparently, having in common language, laws and traditions, makes investment easier and creates a Commonwealth advantage (Brexit Market Talk, 2016).

In the last years, the exports to Commonwealth countries have risen faster than those to the EU. Indeed, while exports to the Commonwealth have shown a very strong growth, the ones targeted to the EU have actually been contracting. However, it is important to see the bigger picture. The amount of exports to Commonwealth countries hardly

account for 10% of the UK's exports, whilst exports to the EU account for almost half of them. The decline in exports to the EU is also related to the growth of China rather than with any other country belonging to the Commonwealth (Mint, 2016).

Canada is the main Commonwealth country the UK exports to, although when analyzing the top UK export markets list, Canada ranks number fourteen. Therefore, as to shortly conclude, Canada receives less than 2% of the UK's exports (Romei, 2017).

The former Australian Prime Minister, Kevin Rudd, said the idea of creating trade deals with Australia, Canada, New Zealand and India to make up for leaving the EU is an invalid argument made by Brexit supporters. Although he stated that Australia, Canada and New Zealand will do what they can to work free trade agreements, but cannot overshadow the power of the European market as the population of the three countries accounts for 65 million people whilst the closest market, Europe, counts with 450 million (Osborne, 2019).

Trade with the Commonwealth may be a way of making up for the loss of the European market but reality is that the UK is part of the EU supply chain. Industries send back and forth components across the UK's border until the final good is created. This does not happen with the Commonwealth countries as they often trade with raw materials and basic goods. The Commonwealth may be an opportunity for the UK but the data shows that it cannot replace the EU as a market. The Commonwealth is a marginal and fragmented market and lacks the economic integration of the EU single market that the UK may be losing (Romei, 2017).

### **9.2.2 The US: a possible trade agreement**

Even though it has not been as popular as the Commonwealth to cover up for the loss of the European market, the issue of a US-UK trade agreement has been on the table since 2017, when a US representative, Robert Lighthizer, and the International Trade Secretary, Dr. Liam Fox, established a working group to create a way so that the US and the UK could continue having a commercial relationship (Giles, 2019).

In 2018, the Congress of Trump Administration notified the intention of creating a trade agreement with the United Kingdom once the UK left the EU in March 2019 (Office of the United States Trade Representative, n.d.). As it has not happened, recently, Donald Trump himself stated that the trade deal was still real. In the President's visit to the UK on June 2019, he pointed out that this agreement could outweigh any loss that exiting the EU could provoke on the UK:

"One of the advantages of Brexit is the fact that now you can deal with the number one country by far" (Donald Trump, 2019).

He also encouraged a no-deal Brexit and no paying the divorce bill that settles the financial obligations the UK has with the European Union, and reinforced the most radical wing of brexiteers (Higgins, 2019).

Brexiters are already celebrating the victory, but experts remain nonplussed by the arguments given by the President. The reason behind this is, even though the US is the country that the UK exports the most to, it does not cover up for the whole of the European Union (Giles, 2019).

### **9.2.2.1 The Gravity Model**

Experts follow the gravity model to state the importance of a market related to another. The model says that the amount of trade between two economies relies mostly on the size of them and the distance between them, as the scientific gravity model would use to explain gravity.

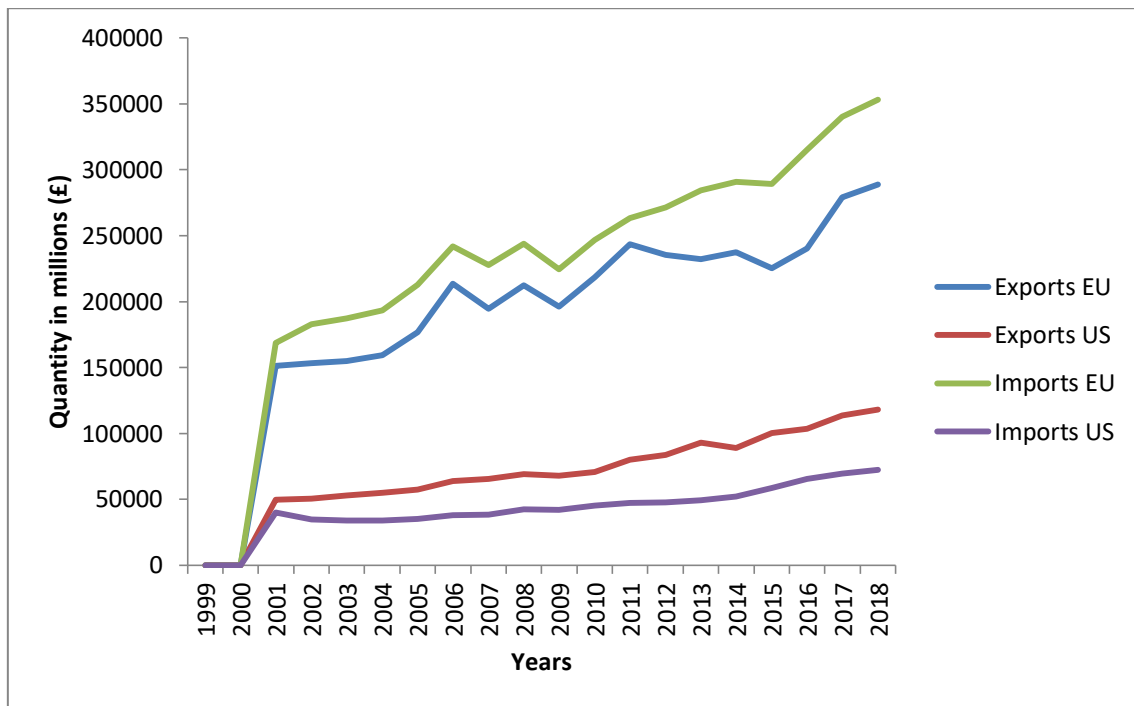
Leaving the EU will have economic impact in several ways. Firstly, it is obvious that in case of leaving the custom union, Brexit will imply higher tariffs. Since the UK already has its trade ties with the EU on a free trade basis, a new Free Trade Agreement should be easier to negotiate than those reached with the Commonwealth. On the other hand, other type of barriers as administrative or regulatory (documentation and certificates) can grow over time between the UK and other countries. Notwithstanding, as the relationship has been long with the EU and regulatory needs have been the same for a long time, it is possible that these issues may take longer to appear between both economies (Gudgin et al., 2017).

Knowing the impact of leaving the EU is a very difficult thing to study as it can range in different ways. Most studies use the aggregate approach of gravity model in which the measure is done by using the benefits of trade or foreign direct investment that being an EU member brings. Once those benefits are gathered, then they are reversed (Gudgin et al., 2017).

Coming back to the issue of Brexit, it is easy to compare both variables: size and distance. The US and the EU are similar on size, although the amount of goods and services produced by the US surpasses those produced in the EU. However, the reason why cutting ties with the EU is important comes down to the distance and depth of the relationships that Britain has built with the European Union for years (Giles, 2019).



Graph 9.2 - US/EU-UK comparison of export/import of goods and services



(Source: ONS)

As it can be seen, the commercial relationship between the US and UK is strong, but not as strong as the relationship between the UK and the EU. Taking into account that both EU and US have similar size, the geographic distance is essential. First because of the ease when trading and second because some production procedures need movement of goods and services constantly, what would be much more difficult if the countries are far from one another.

As a conclusion, it can be said that neither the Commonwealth nor the US can substitute the European market. The north American presidency and the future British Prime Minister should remember that, at the date of the presentation of this paper, the United Kingdom keeps being, for all purposes, a member of the European Union (as the mandatory participation in the last European elections of May 2019 have certified). The attributions in terms of exports and imports of the UK's government depend on the European Union, as the United Kingdom is still a Communitarian country. If the new Prime Minister's decision focuses on adopting a new exit agreement, the communitarian duties would keep having effect and, at the very least, these possible imports and exports that President Trump has offered would be held back in case of lacking the communitarian permits that would allow them.

## **10 Scotland's economy: from remaining to independence.**

Scotland's economy is only a bit lower than the UK's average. Although it is important to highlight that the data extracted from Scotland's economy does not take into account the oil and gas of the North Sea, whilst UK's data includes them. For Scotland, trading with the rest of the United Kingdom is essential for their economy and represents two thirds of their trade. What would be translated into 68% (Authority of the House of Lords, 2013).

### **10.1 Scottish main economic features**

#### **10.1.1 Economic Sectors**

Traditionally, Scottish economy was mainly based on the heavy industry, which saw its downturn at the end of the XX century. It was dedicated to shipbuilding, coal and steel industries. Since the discovering of oil in the North Sea, the employment rate of this sector has been very important in the country.

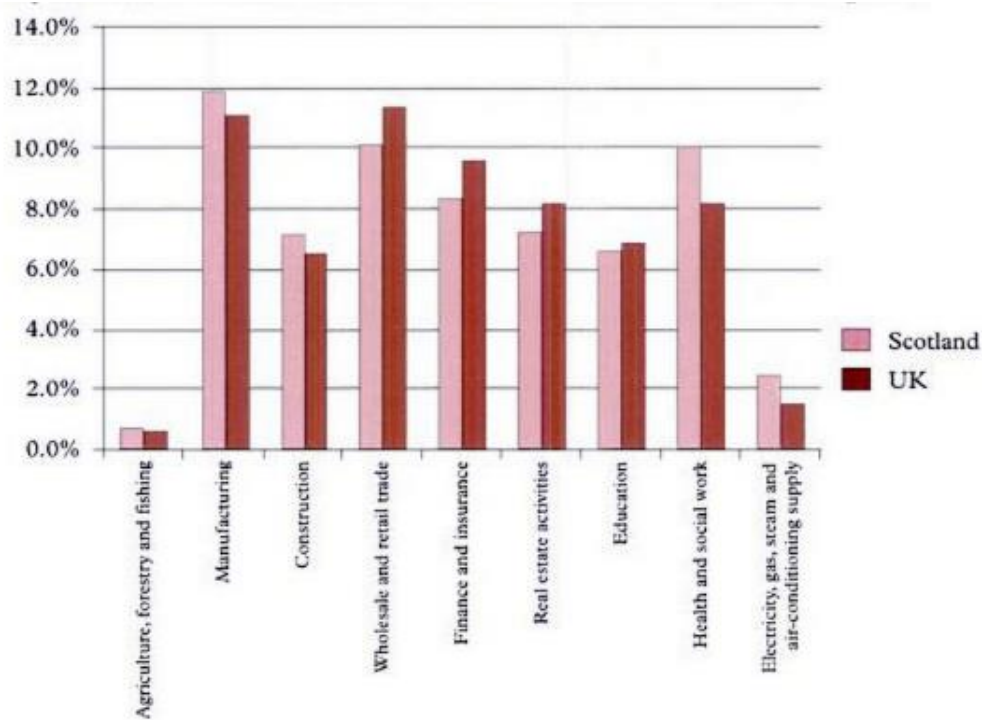
The financial sector dominated by banks as the Royal Bank of Scotland and Lloyds Banking suffered during the crisis. Edinburgh rank as one of the most important world financial centers fell from the 15<sup>th</sup> position in 2007 (Askeland, 2012) to the 56<sup>th</sup> out of 86 in 2019 (Long Finance, 2019).

Agriculture and farming has been one of the most important sectors and with an important growth after Second World War. Dairy, cereal and potato production can be found in different parts of the country. Oat cultivation has decreased in recent years, so cereals have taken its place, especially when talking about whisky production, which is another important product in the country and one of the most exported products. On the other hand, forestry has helped to retain people in rural areas and Scotland is responsible for the production of half of the UK's timber production and more than two thirds of the softwood production (Cameron et al. 2019).

The Scottish Government (n.d.) has identified the following as the sectors where Scotland has comparative advantage:

- Food and drink. Agriculture and fisheries being part of it.
- Creative industries.
- Sustainable tourism.
- Energy. Not only oil but also renewable energy.
- Financial and business services.
- Life sciences.

Graph 10.1 - Key sectors in Scotland compared to the UK (% output)



(Source: The Authority of the House of Lords)

### 10.1.2 The oil sector

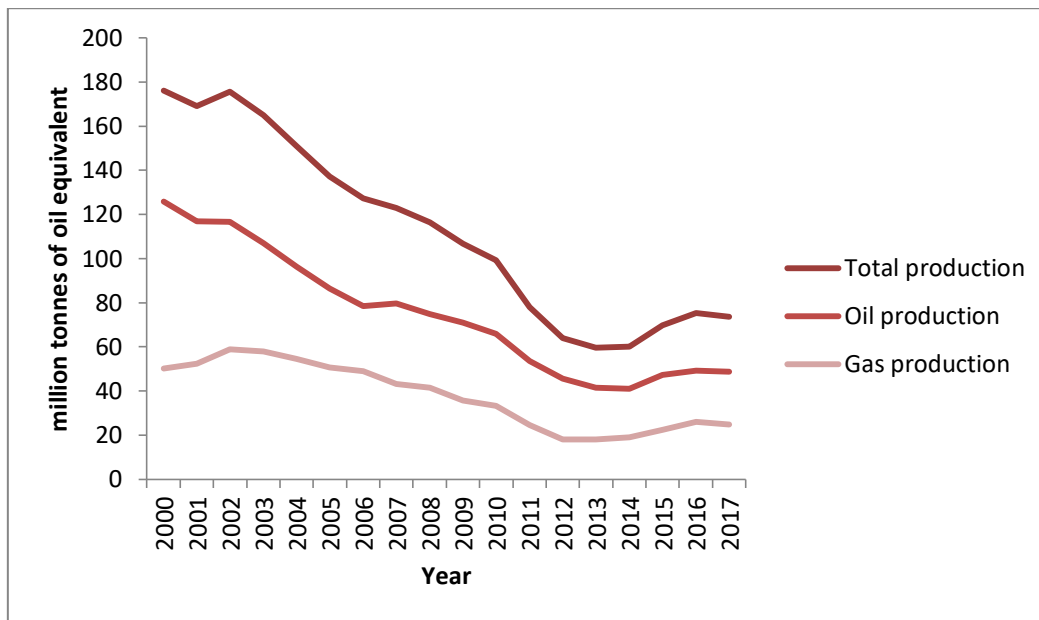
The oil sector has been for years one of the most important issues in the Scottish socioeconomic panorama. It has helped develop some of the strongest political strategies and has consolidated a strong economy.

The energy sector is vital for Scotland and refers, mostly, to oil and gas, which accounted in 2015 for 90% of the country's total primary energy.

Production in the British North Sea peaked in 1999 and has been dropping since then. Oil output has fallen to less than half its levels in a decade (Mufson, 2014).

According to data provided by the Scottish government (2018), the production of oil has decreased by 1.7% in the period of 2017-2018 compared to the previous one. What could be translated into 81% of the total UK production (1% less than the previous period). The estimation of the sales value of oil and gas together produced by Scotland is 20.0 billion pounds, an increase of 18.2% compared to 2016-2017 despite the decrease in production. The reason is the increasing prices of oil during 2017 and 2018.

Graph 10.2 - Scotland's Oil and Gas Production Volumes



(Source: Scottish Government)

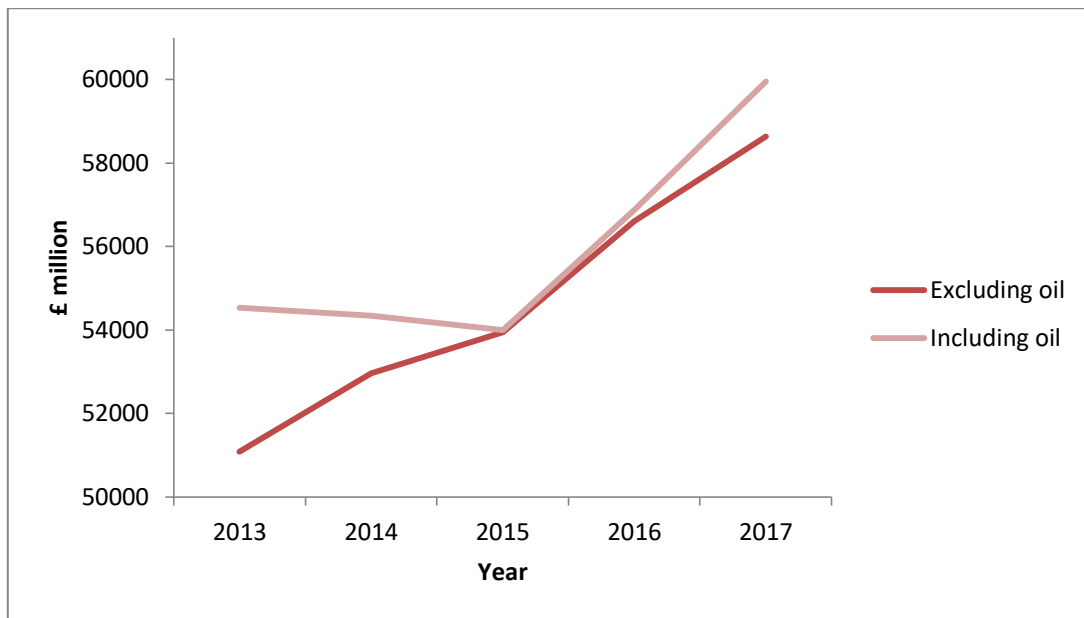
Since its discovery, Scotland's North Sea oil and gas has been a debated asset. On one hand, this discovering helped the Scottish economy during deindustrialization coinciding with low investment during a period when it was most needed. On the other, this is an economic source that one day will run out, so the economy cannot depend on it.

It has also been a point of debate since the whole United Kingdom uses this energy source. According to data extracted from the Scottish Government Statistics (2018), the Scottish oil represented 96% of the UK's production in 2017.

Aforementioned was the fact that the North Sea oil is a Scottish property and it played an important role during the Referendum for independence in 2014. This is linked to the fact that, even if the oil belongs to Scotland, refineries are settled in the south of England. This source of uncertainty caused citizens to rethink the possibility of independence. Even if it could be a good economic source and there are still years left of exploiting, the amount of investment needed to close the pipelines and build refineries in Scotland would cause a loss in efficiency, not to mention the amount of investment needed. With six operational refineries throughout the English country, the oil and gas industry could be described as a joint industry between England and Scotland.

Obviously, the North Sea oil has also impacted the Scottish total revenue:

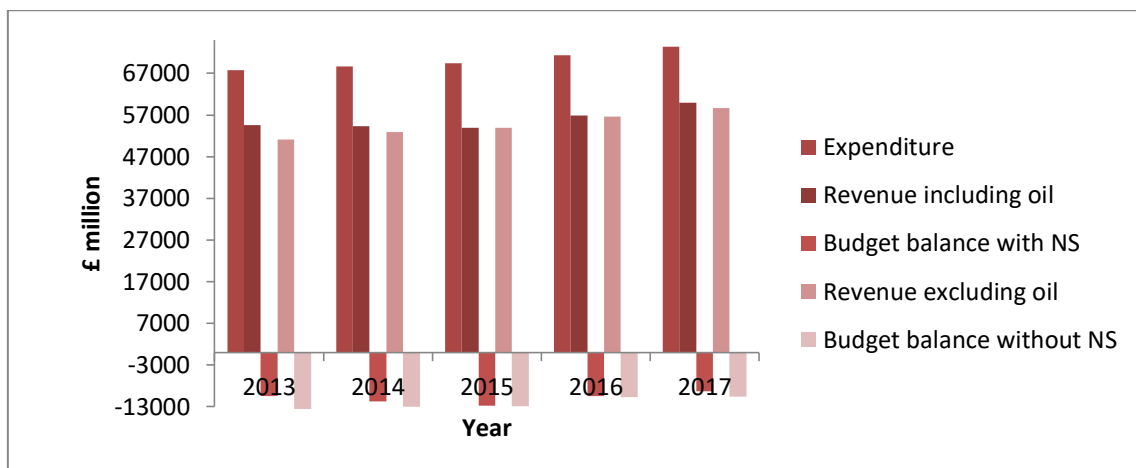
**Graph 10.3 - Scotland's revenue with and without oil and gas revenue**



(Source: Scottish government)

The non-North Sea revenue grew by 3.6% in the period 2017-2018. This increase is driven by the national insurance contributions and corporation tax revenue (Scottish government, n.d.). On the other hand, Scotland’s revenue including North Sea oil saw an increase of 5.4% from the period 2016-2017. This growth is faster than the non-North sea revenue. It is noticeable, though, that the gap between revenue including North Sea oil and without including it, has been close for years but is, again, growing apart. The reason is behind the price slumps that also caused a fall of almost 13,000 jobs only in the first half of 2017 (Vaughan, 2017).

**Graph 10.4 - Impact of North Sea revenue on the Scottish budget balance**



(Source: Scottish government)

The North Sea oil also helps Scotland’s budget balance, as it is negative. This means the Scottish government spends more than the income it receives. The gap would be greater

without the North Sea oil, although it is slowly reducing, not only the negative budget balance, but also the impact that the North Sea reflects on it.

It is clear then that the oil and gas sector is slowly reducing its impact in the economy. Or rather that the Scottish economy is slowly growing independent from the energy sector. Nevertheless, the impact of a sector can be measured by the gross value added, the employment and wages and the contribution to the trade balance. If these indicators are taken into account, it can be said that oil and gas represent a huge part of the economic landscape of Scotland (SPICe, 2019).

### 10.1.3 Tourism

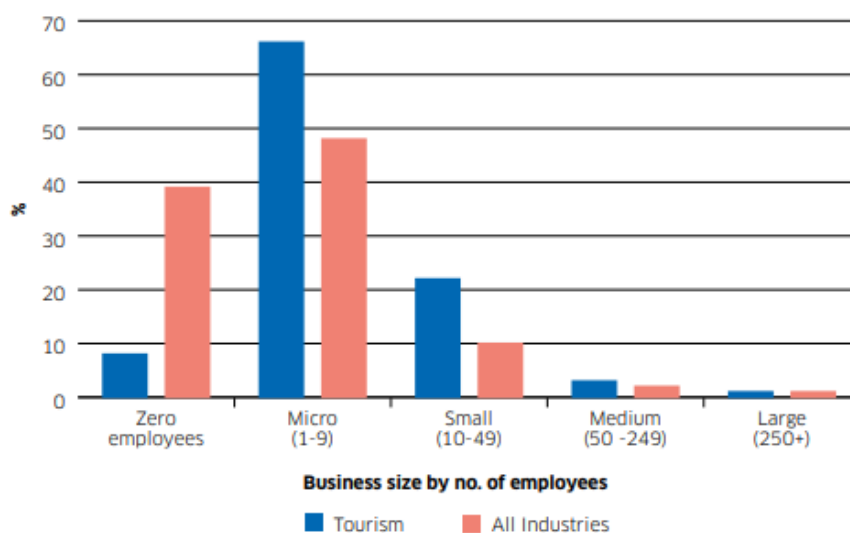
The tourism industry is a cornerstone in the Scottish economy and essential for the growth of cities and regions throughout the country. It represents one out of twelve jobs and is the equivalent to around 5% of the Scottish GDP. It not only helps cities and contributes to job creation but also helps the rural environment develop too (Tourism Leadership Group, 2018).

Even though the numbers of overnight visitors decreased between 2011 and 2016 by 9%, overseas visitors have increased its numbers in the same period by 17%, which means that internal UK tourism has declined. The main sources of overseas visitors to Scotland are: the USA, Germany and France (Tourism Leadership Group, 2018).

Tourism in Scotland is considered to be one of the six Growth Sectors. In other words, this sector has been identified as one where Scotland has comparative advantage.

According to the data extracted from the Scottish government, in 2017 more than 14,000 companies were registered within the Tourism Growth Sector. This sector also accounts for 8% of all registered businesses in Scotland.

Graph 10.5 - Comparison of registered businesses by size



(Source: Scottish Government)

Medium and large businesses share, more or less, the same presence in the market whether they are dedicated to tourism or any other sector, whereas small and micro business' presence are higher in the tourism industry, representing 96% of tourism companies. They also gather 56% of the total sector employment. Large companies (250+ employees) only represent 1% (Tourism Leadership Group, 2018).

Related to company size, it is also important to understand the repercussion of tourism in employment rates. Tourism accounts for 8% of the total employment in Scotland and has increased by 12% since 2011 with the following features:

- In terms of gender equality, workforce in the Scottish tourism sector is divided almost into halves.
- The part-time employment is very high in the industry compared to the overall Scottish economy: 47% of jobs are part-time.
- Restaurants are the businesses that employ more people in the sector, representing almost 39% of tourism employment.
- Hotels, pubs and clubs have seen their numbers decreased by 6% (hotels) and 10% (pubs and clubs) (Scottish Government, 2018).

Regarding tourism distribution, 24.3% of the Tourism sector's GVA is generated by Edinburgh City, Glasgow (11.3%), the city of Aberdeen (7.2%) and Highland (5.2%). These territories represent almost half of the Scottish Tourism GVA's, which means that tourism is concentrated in the most important cities (Tourism Leadership Group, 2018).

## **10.2 International trade: benefits of the EU membership for Scotland**

As a whole, it can be said that the European Union has not only helped United Kingdom but also the rest of the members. Barriers have been erased and Scottish companies have been able to open to a huge market they can export to at a low cost, considering that tariffs and other difficulties related to international trade do not exist within the EU.

Furthermore, the European Union is not only a custom union, but an economic and political integration. This means that belonging to the European Union not only grants its members to benefit from trading without barriers, to this advantage we can add: free movement of people, capitals and goods. If this is not enough appealing, European funds help some countries' economic sectors to grow and develop to be competitive enough in the European and global market. This help, besides the free movement of people and capital, has been present in Scotland and has influenced its economy.

### **10.2.1 Exports and imports: trade between the EU and Scotland**

How important are exports for Scotland? Exports in Scotland represent almost half of its GDP. Total exports have always been around 53%, although they saw a low of 48.9% in 2006. Exports to the rest of the UK were around 31% in 2016 and 2017. International exports remain around 21% (SPICe, 2017).

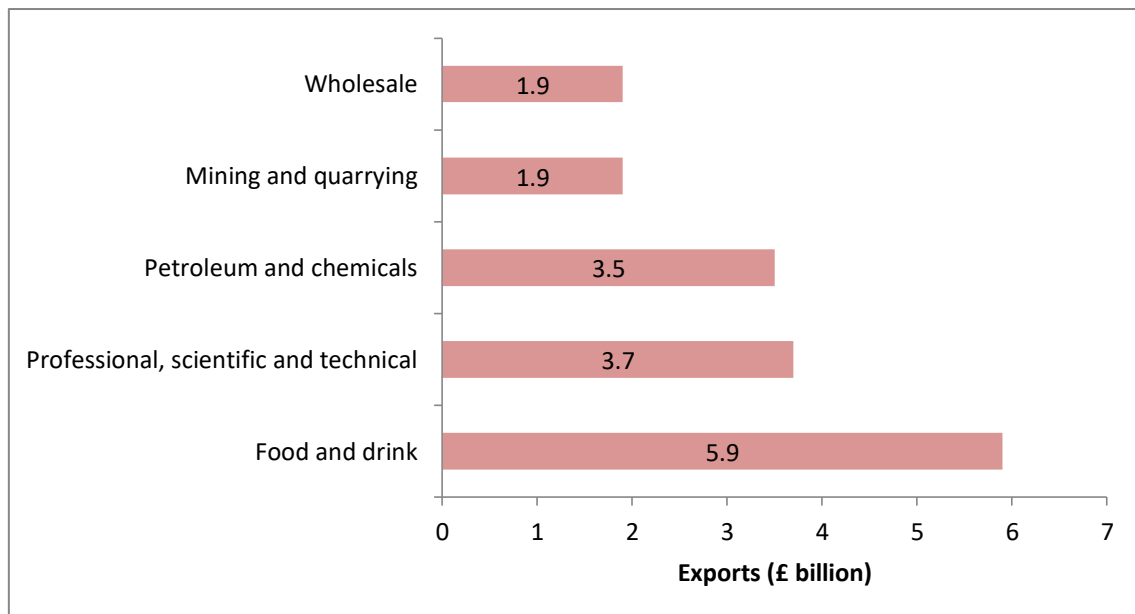
Scotland's exports to the EU were worth 42% of the country's international exports in 2014 (Scottish Government, 2014). And even if it does not reach half of them, it is important to understand that Scotland does not only benefit from the internal trade within the EU, but also the agreements that the European Union holds with other countries.

The international exports of Scotland<sup>1</sup> grew 32.4 billion of pounds in 2017, an increase of 6.2% compared to the previous year. The majority of this growth was related to the exports directed to EU countries. (Renfrewshire Chamber of Commerce, 2019).

The largest industry in Scotland referring to international exports is manufacture of food and drinks, 18% of all international exports. This sector's exports have grown by almost a third since 2010. It is mainly centered in whisky exports, which accounted 74% in 2017 (Renfrewshire Chamber of Commerce, 2019).

The second industry is professional, scientific and technical activities that shows a decrease of 7%, but still remain as the second largest export industry in Scotland representing 11.3% of all international exports. Close is refined petroleum and chemical products (10.7%) (Renfrewshire Chamber of Commerce, 2019).

**Graph 10.6 - Scotland's top international export industries in 2017**



(Source: Export Statistics Scotland 2017)

The manufacturing sector increased 10.3% in the period between 2016 and 2017 due to the growth of refined petroleum and chemical products, as well as computer, electronic and optical products. Transport equipment also grew up to £205 million.

<sup>1</sup> These figures do not take into consideration gas and oil.



Increase in the service sector is much smaller, only a 0.6% in the period between 2016 and 2017, accounting for 37% of all international exports. Within this sector, it can be found the information and communication sector, and financial and insurance services.

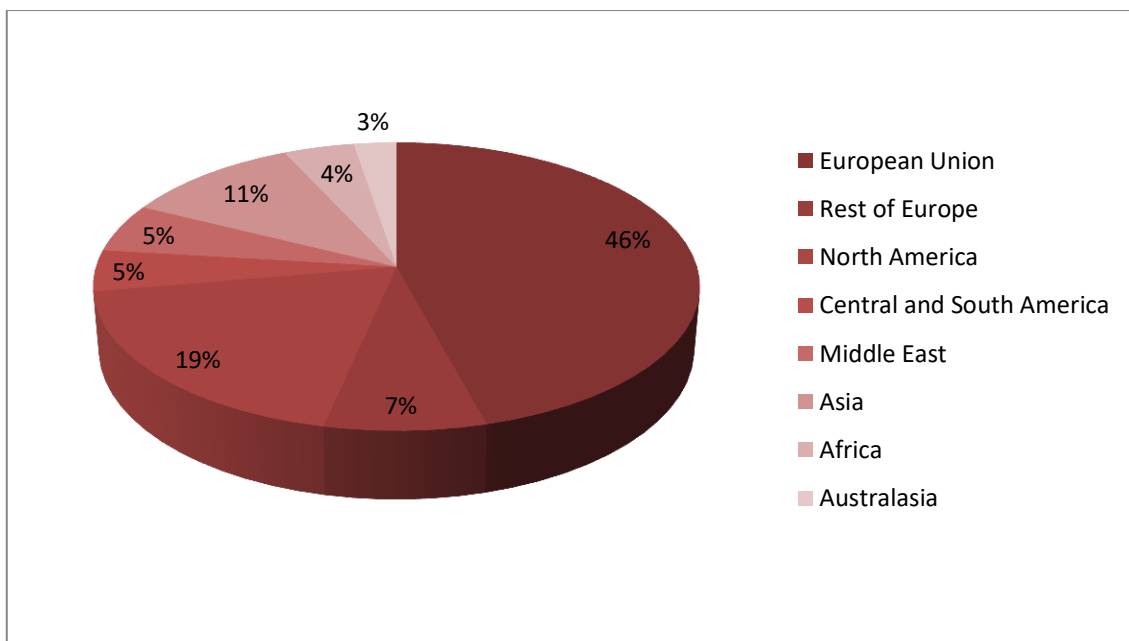
Nonetheless, professional, scientific and technical services decreased by 7% but remains Scotland largest exporting service sector.

Taking into account 2017 data, exports to the EU increased by 13.3%. There is a strong growth of petroleum and chemical products (29.6%), the largest export industry to the European Union. Exports of computer, electronic and optimal products grew by 54.8%.

In general, the European Union is the region that receives most of Scotland's exports accounting for £14,850 million. Next would be North America with £6,125 million.

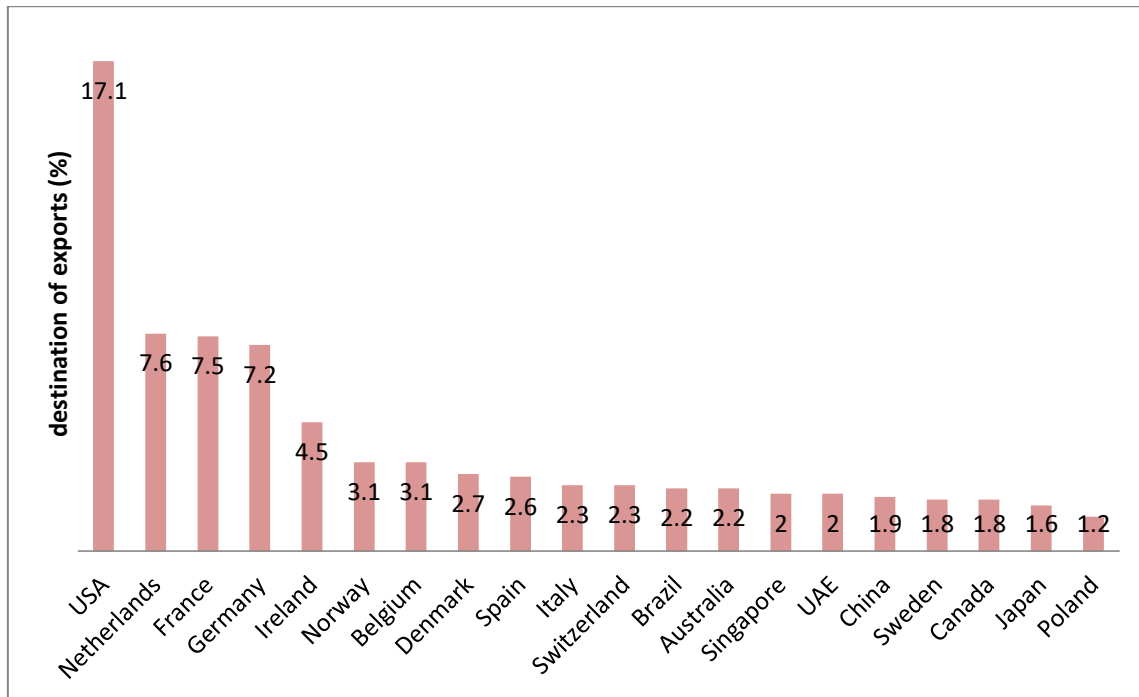
The differences in percentages are shown in the graph below:

**Graph 10.7 - Scotland's exports by geographic area in 2017**



(Source: Export Statistics Scotland 2017)

Although the US is the destination of most of Scotland's exports, the following four countries are all European: Netherlands, France, Germany and Ireland, accounting 44% of the international exports of the 2017 Scottish exports (Renfrewshire Chamber of Commerce, 2019). A breakdown of the countries that Scotland exports to by quantity is:

**Graph 10.8 - Breakdown of Scotland's exports by country in 2017**

(Source: Export Statistics Scotland 2017)

If measured, the European countries amount for almost half of the international exports of Scotland. In this case, although in the graph the first and main market is the United States, the rest of the European countries, altogether, represent higher numbers. The European market is, then, the first and most important market for Scotland's exports, followed by the United States, Norway and Switzerland.

### 10.2.2 Migration

The Scottish population is ageing. European Union migration has helped mitigate this process so important in a country whose main sectors are based on agriculture, fishing and other primary sectors. EU migrants going to Scotland have a younger profile compared to the Scottish population (University of Strathclyde, 2017).

### 10.2.3 Universities

There are over 13,000 students from the European Union studying in Scotland. The status of these students has been guaranteed until they finish their studies; however, the future migration once they finish their studies remains unclear. On the other hand, 17% of the academic staff is from the EU, as well as 25% of the research staff. The future of this people creates some sort of uncertainty, as their status could influence attracting future global talent (University of Strathclyde, 2017). As to finish, Scottish universities benefit from European funding.

### 10.2.4 Farming

As outlined before, Scotland benefits from the Common Agricultural Policy (CAP), which supports farmers and ensures Europe's food security. It also helps tackling

climate change and maintain rural areas by promoting jobs in the farming sector and industries associated to them (European Commission, n.d.).

Secondly, Scottish agriculture relies on migrant labor. Most of their seasonal workers come from the European Union and play an important role in the agricultural businesses, especially in the vegetable and fruit sector (Ross, 2017).

### **10.2.5 Financial services**

The financial and business services sector employs more than 200,000 people in Scotland (Scottish Government Statistics, 2019) and the EU is an important source of demand whether directly with those businesses or through the City in London.

In the European Union, the free movement of capital is made through the EU passporting system for banks and financial services companies. Non-EU firms face certain regulatory barriers to provide cross-border banking services to customers in EU member states (BBA, n.d.). The EU legislation helps these companies to develop within the European market, as financial services are difficult to develop quickly in third countries without a service trade agreement.

Clarify that the weight of the EU's countries is high for the Scottish economy, as it represents almost half of the exports of the country. Without a trade union, this could not be possible as tariffs and barriers would be too high to afford. Then, the balance of international trade for Scotland relies on the EU.

However, trade is not the only factor to take into account when talking about this relation. Some other features as funding, financial systems and health standards have influenced all the Member States and, thus, Scotland. Countries have been relying on one another to develop as a block in the last decades. In that sense, it is safe to say that the relationship between Scotland and the European Union is strong.

### **10.3 Brexit repercussion in the Scottish economy so far**

Brexit estimations are just mere conclusions that could be real or not depending on the economic situation that will be given in the future. Reality, nonetheless, has been there the whole time and whereas what may happen after a deal is very important, what is happening to the British economy due to uncertainty is as much.

When talking about the devolution powers, it has been explained that some powers still belong to the United Kingdom and, therefore, Scotland has no control over certain economic, political and social sections. This is represented when studying Scotland's economy, as some indexes are not possible to take under the limited area of Scotland. Therefore, studying the consequences of Brexit so far, some indexes have to be measured by the whole of the United Kingdom, which does not change the complete picture, as the relation between the UK and Scotland is clear.

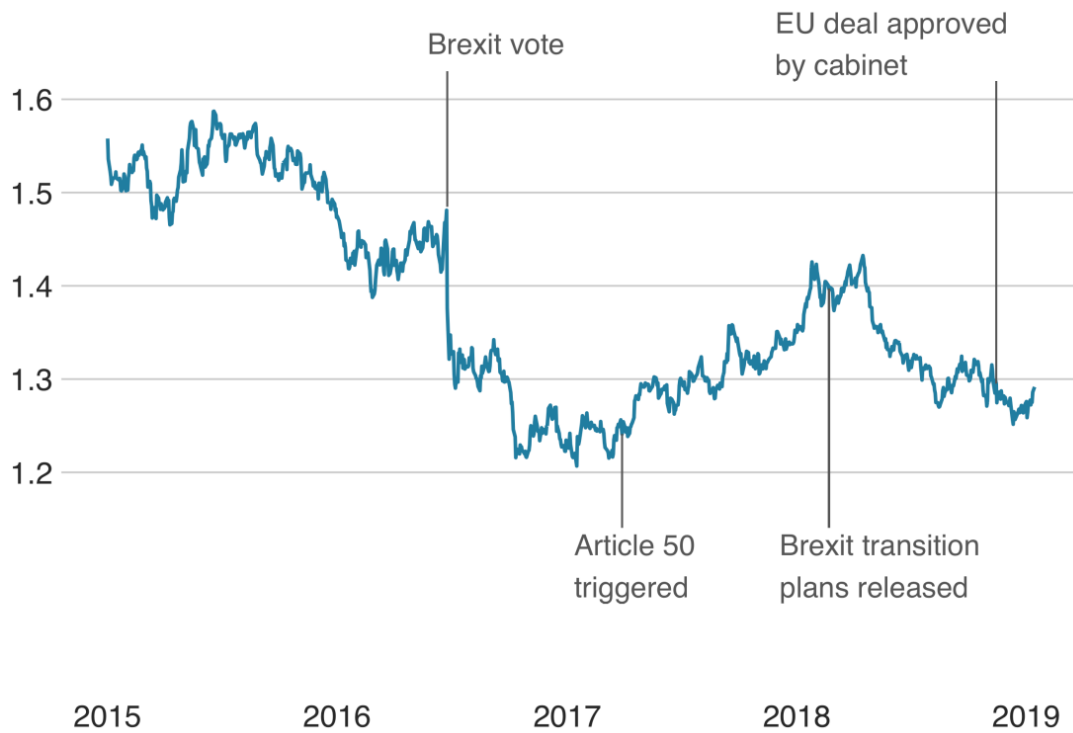
Throughout this paper and when dealing with statistical data, a reality of social nature that the UK's government has always defended has been faced: depending on the case presented by official statistics, these are not disaggregated into the four nations composing the United Kingdom or, if disaggregated, they are exclusively related to harmless issues and matters.

In legal matters, and in a synthetic way, the Devolution Act understands, by evident interest of the lawmakers, that the topics of defense and international relations (understand that here it is needed to go from diplomatic relations with other states, migration and, to this paper as a very important matter, everything related to international trade in the broader sense of the word) should remain in hands of the Scottish Parliament and its government.

As of yet, the official position of the Edinburgh government highlights that, since the referendum for independence in 2014, the promises made by the Prime Minister Cameron of "devolving" more legislative and executive powers to the Scots have not been fulfilled. Moreover, they advise the Scottish population that a Brexit, whatever its nature is, will lead Scotland to a point previous to the introduction of the Devolution Act of 1997. Obviously, working with misfortunes that have not happened yet is mere speculation. Nevertheless, it is an easy thing to sell, of easy reception in the Scottish electorate and a driver element to vindicate a second referendum for independence. It should be remembered that, in case of happening, a second referendum would have a "clear culprit": the London government who denies Scotland what belongs to them, according to historical tradition and everything articulated in the Devolution Act.

Economies follow a cycle of ups and downs, but Brexit has caused several damages to the UK's economy since the EU independence referendum in 2016. The deadlock of May's deal has also repelled in the economy and weighed on sterling for the last years.

By January 2019, the fear of a no-deal exit had damaging consequences in the economy, although it happened to rebound when the deadline ended up being extended. Even if this is good news for the British economy, reality is that the currency has been for all these years below its previous value on the eve of the Brexit vote (Partington, 2019). The price swings have also been bigger than those of the euro.

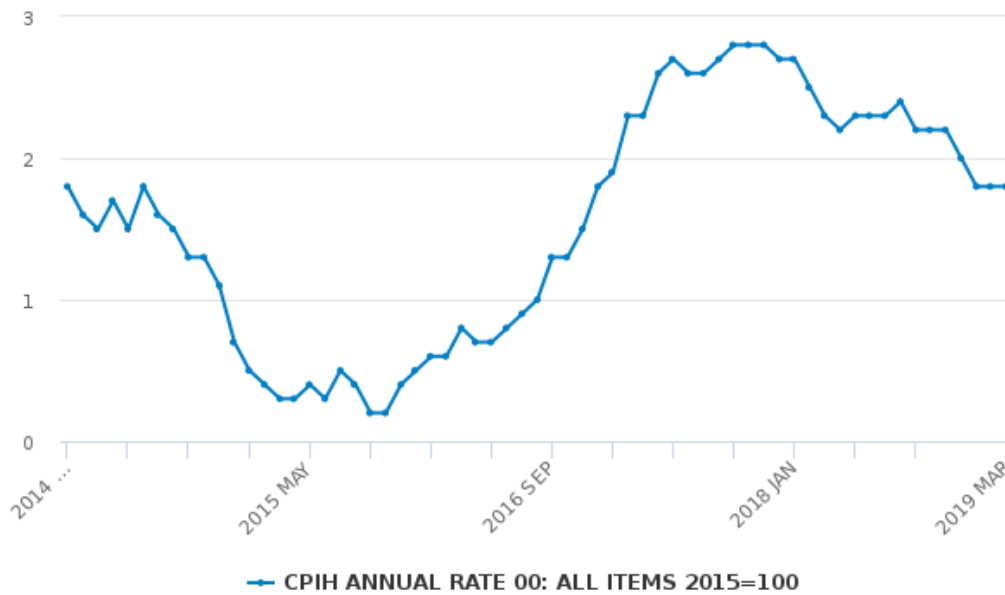
**Graph 10.9 - Pound performance since the EU referendum taking the exchange rate with the US dollar**

(Source: Bloomberg through the BBC website)

The hopes of a deal between US and China have affected the financial markets over the past months, although the repercussions of the current measures of the President Donald Trump rising tariffs on Chinese products made these fall on deaf ears. Asian stocks have dropped as well as Wall Street, but both are not the only ones affecting the world currency market (Li, 2019): the recession of the Euro-zone is also known. All these factors combined affect the pound as well as Brexit.

Going back to the economic repercussions of Brexit, it is noticeable the fall in gas prices, which helped drag down inflation to 1.8% in January 2019. Nevertheless, experts warned that a drop in sterling caused by the exit may drive inflation higher and harm household finances (Partington, 2019).

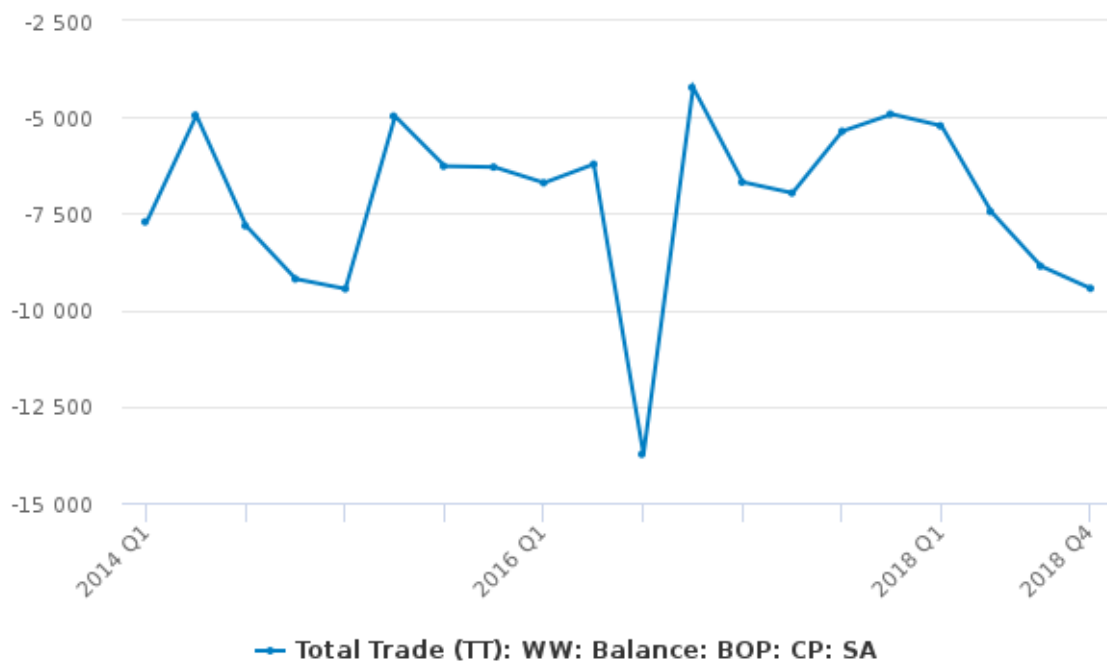
**Graph 10.10 - CPIH Annual rate from 2014 to 2019 in %**



(Source: ONS)

The fear about no trade deals with major economies after Brexit has also caused some panic for businesses. Britain’s trade deficit has narrowed slightly by the end of last year but not as much as it was expected. The car industry has been the one suffering the most with falling exports. Trade deficit is widening as the year passes and, in February, goods trade deficit was almost £2bn more than what economists predicted.

**Graph 10.11 - Total Trade Balance of the UK from 2014 to 2018**



(Source: ONS)

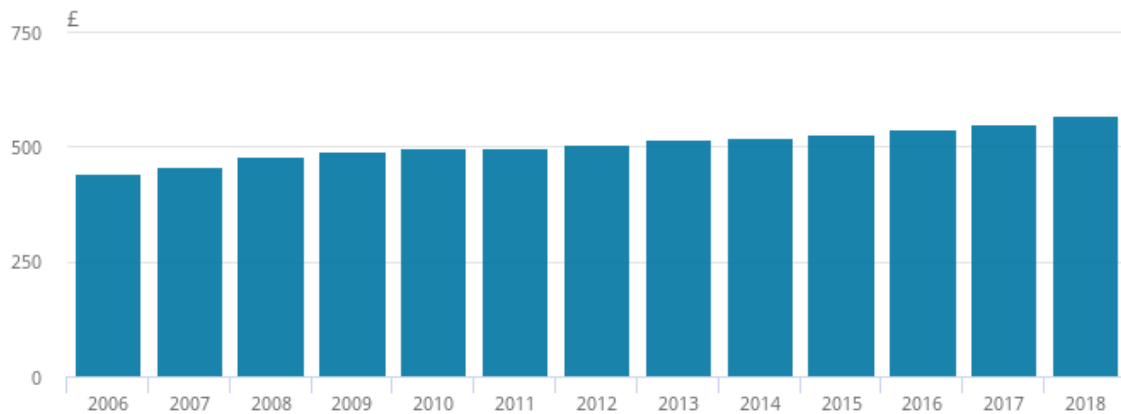
In graph 6.11, it is possible to see the huge drop the Brexit referendum caused in the British trade balance. Although it peaked by the end of 2016, it has remained at a lower scale the last year.

The continued uncertainty over Brexit has also pushed the economy almost into a stalling point and in risk of sliding into a downturn. Business activity has showed that companies have stopped their spending decisions.

The IHS Markit is a company dedicated to the analysis of information and its index IHS Markit/Cips, an all-sector purchasing index (also referred to as PMI), fell in January from 51.5 to 50.3. To have an idea of the enormous importance, the mark 50.0 is what separates growth from recession (Partington, 2019). The manufacturing sector that stockpiling has helped maintain its sales, has viewed a slowdown in its upturn as the export business has fallen at the second-fastest pace in four years and a half, and the pace of stockpiling has eased. Although, it is important to underline that in March 2019 the PMI rose by 55.1 and then fell dramatically in April to 53.1. (HIS Markit, 2019).

When speaking about the economy of a country, one of the most important indicators for the citizens is the unemployment. The unfilled job vacancies in the UK have led to a higher power for workers demanding a higher wage.

**Graph 10.12 - Median full-time weekly earnings from April 2006 to 2018**

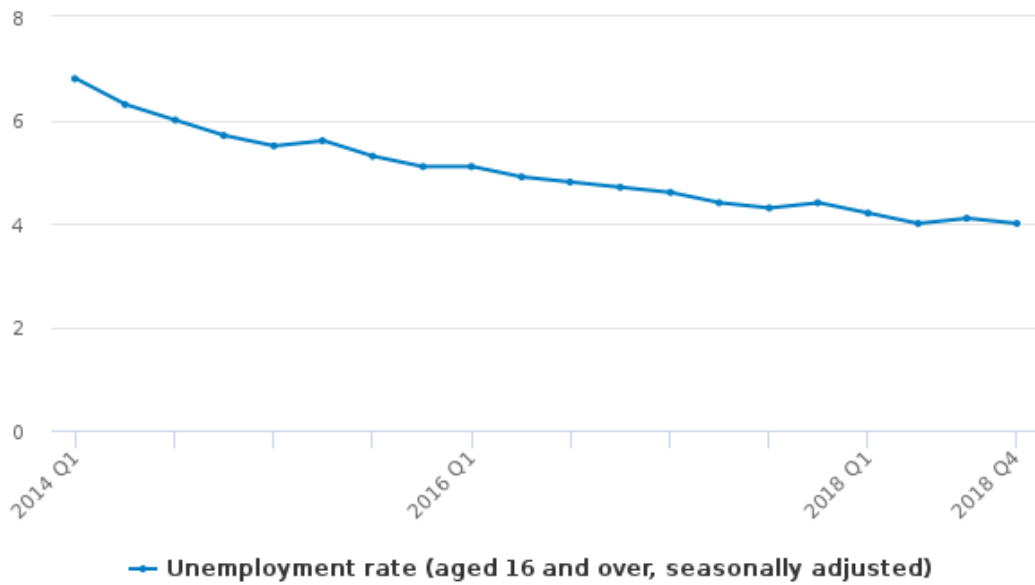


(Source: ONS)

The full-time earnings by week have increased 3.5% in 2018 compared to the previous year.

Meanwhile, unemployment is at its lowest levels since the 70's and weekly earnings are slowly growing. Economists warn, nonetheless, that even if this situation seems perfect, the uncertainty of Brexit could affect jobs in the future (Partington, 2019).

**Graph 10.13 – UK’s unemployment rate (age 16 and over) by quarter in %**



(Source: ONS)

This is good news considering the situation. However, the car industry may suffer a risk of job losses due to unclear future trading relationships and worldwide changing trends. Honda announced in February that it will close the Swindon factory by 2022. 3,500 jobs will be lost. The decision was taken because of the uncertainty suffered by the UK. The company has decided to move its production back to Japan, as the exports to the UE are tariff-free (Davies, 2019). Honda’s factory is not the only one. Jaguar Land Rover and Ford warned back in January that they will axe 2,000 jobs in the UK. They also pointed out the future of the industry in the UK due to Brexit (Jolly and Davies, 2019).

**Graph 10.14 - Scotland’s unemployment rate (age 16 and over) by quarter in %**



(Source: ONS)



To compare the available data, the unemployment rate in Scotland is even lower. The jobless amount of people fell to 93,000 and stood, in April 2019, at 3.3%, below the 3.9% of the UK figure (BBC, 2019).

Derek Mackay, the Scottish Economy Secretary, said that the job market in Scotland is growing but the Brexit plans will cost jobs and create an important damage to the Scottish society.

This index is the healthiest one that can be seen in the United Kingdom in the last years and represent a very good recovery from the 2008 crisis that still damages some areas of the economy.

Another important index to analyze is the productivity index. Economists state that productivity gains are the most important long-term driver for rising living standards. The measure fell in 2018 and the UK has managed only  $\frac{1}{4}$  of the productivity growth rate that had before the crash of 2008. Productivity is linked to the investment made in the economy and, as it has been mentioned, Brexit has caused companies to stop their spending. Lower investment could lead to lower productivity and move into an even lower GDP (Partington, 2019).

Maybe the forecasts of the situation were not accurate in the numbers but as time passes, there is increasing evidence of the gradual damage that the vote has caused. In February, a member of the Bank of England's monetary policy committee, Gertjan Vlieghe, described the cost of the decision of leaving as in £40bn a year compared to the remain, which is way more than what the leave campaign claimed could be saved on EU membership fees and instead spent on the NHS. The economic growth has slowed down while the rest of the world has recorded a period of growth (Partington, 2019).

Some economists, as the former member of the Bank of England's MPC, Andrew Sentence (2019), have labeled the current situation of the UK as being in "no-man's land". It means that the UK is neither benefiting from being an EU member nor is it experiencing the impact of a full Brexit. The current data reflects this state and the economy will not be expected to grow until 2020: the weakest growth in the history of the UK since the Second World War. It is difficult to see the short-term repercussions of the situation, but the long-term ones are still waiting to appear. Another economist, David Blanchflower (2019), professor of Economics at Dartmouth College in the US, has highlighted the importance of the PMI and suggests that the economy is in a similar state to that in 2008.

A cornerstone of the Scottish economy is the touristic sector. Recently, the Scottish First Minister, Nicola Sturgeon, advised that tourism is one of the most "at risk" sectors of Scotland due to Brexit (Ferguson, 2018). Aside from the estimations and how many jobs depend on the touristic sector, a clear analysis of how Brexit has affected the sector so far may clarify some doubts.

The tourism sector grew intensively in the period between 2005 and 2016. Both domestic and overseas visitors viewed Scotland as an attractive destination for their vacations. The number of visitors in 2015 was around £8.9 billion (Scottish Government Statistics, n.d.). Nonetheless, it is important to stress the fluctuation nature of the visits, especially when studying overnight tourism. The global economic crisis caused an impact in the tourism sector (among others) and since then numbers have been changing.

Coming back to the Brexit issue, did it really harm the touristic sector? According to data extracted from Scotland's National Tourism Organization (2018), 2017 was a year of growth for the touristic sector. There was a 6% of increase in trips during 2017 compared to the previous year (2016, the year when the Referendum was hold) and a 17% growth in spend. A favorable exchange rate with key market currencies and events related to the Year of History, Heritage and Archeology and other attractive activities as visiting places related to international TV series helped push this growth (Scottish Government Statistics, n.d.). It is easy to reach the conclusion that Brexit had no repercussion in the touristic panorama.

However, 2018 was not as positive as the previous year. The total visitor spend decreased by 7.4% and trips by 7.7%.

**Table 10.1 - 2017-2018 visitor variation in Scotland**

Visitors	Total (m)	Variation (period 2017-2018)
<b>Total visitor spend</b>	£10,442	▼ -7.4%
<b>Day visitor spend</b>	£5,474	▼ -8.7%
Domestic overnight spend (1)	£2,762	▼ -8.1%
International inbound spend (2)	£2,206	▼ -3.1%
<b>Total overnight spend (1+2)</b>	£4,968	▼ -6.0%
<b>Total visitor trips</b>	153.1	▼ -7.7%
<b>Day visitor trips</b>	137.8	▼ -8.8%
Domestic overnight trips (a)	11.8	▲ +1.2%
International inbound trips (b)	3.54	▲ +10.2%
<b>Total overnight trips (a+b)</b>	15.3	▲ +3.1%

(Source: Visit Scotland)

International inbound trips increased in a way that it provided a record year for international visitor numbers. Europe provided the largest single market area of visitors with 2.2 million (64% of all international visitors) which constitutes a rise of 59% compared to 2017. Again, the European market proves its pillar nature for the Scottish economy.

As for now, even if Brexit has not hit the UK in general and Scotland in particular, there are consequences being drawn in the economy. The main indicators are showing that

Brexit is damaging the economy and the worst consequences are yet to come. If the country is already experiencing some damages, what would happen once Brexit occurs for real? Could some of the worst damages be avoided under Theresa May's deal?

Uncertainty is clear and even though the future remains unknown, the current data and the experts' advice should not be ignored.

## 11 Scotland's future

Recent historical events have shown how the European Union granted the past April a deadline extension for the British government to negotiate an agreed exit from the European Union. This deadline ends the upcoming October 31, 2019. In the event of both sides reaching an agreement, a doubtful thing, a period for the adaptation of the whole United Kingdom for the ultimate disconnection should be agreed. The Scottish government is advocate of the opportunity of a second Brexit referendum that aims for citizens to take the floor.

Possibilities, then, are three: calling for a new referendum, leaving without agreement and a new extension of the negotiation period. Considering the limited time margin the new Prime Minister will have to negotiate (the Prime Minister will be elected by the end of July and the negotiation period ends by the end of October), it seems like the most plausible idea is, again, that the British government asks the European Union for a new deadline extension. Voters in favor of remaining are witnessing a high political incompetence coming from the British government; voters in favor of leaving cannot find grounds for, repeatedly, postponing the closure of the final agreement. Nonetheless, the threat of a hard Brexit remains in place.

The absence of clarity around Brexit revives a second referendum for independence in Scotland. The Scottish government is of the opinion that the Remain vote, which represents 62% of the electorate, is not being taken into account. The Scottish government also estimates that the London government has repeatedly ignored all the suggestions drafted. However, there is another important and worrying point: the Scottish government considers that a good amount of the constitutional principles gathered in the Devolution document have been left on the sidelines and that some powers of the Scottish Parliament have been stolen against its wishes.

The Scottish government considers that Scotland is increasingly suffering a democratic deficit in the course of its self-government. They also discern that the current Brexit crisis is dwarfing the Scottish economy. According to the Edinburgh government, Brexit, in case of happening, means a diminished economy for Scotland, lower employment creation, less population and a clear restriction of the public services funds. In other words: it is understood that the means for helping the creation of companies, fighting poverty, keeping healthcare and cooperate with other countries in terms of exports and imports, far from growing, are shrinking. The Scottish authorities understand that the crisis generated by Brexit leads to a bigger power centralization in Westminster, imposing uniformity that goes against important principles that the Devolution Law left in the British Parliament's hands. Everything seems to point out that even politicians and society segments prone to keep the union with the United Kingdom appear to be more skeptical in light of a Scotland diminished in its capability to react to Brexit. The First Minister herself understands that under this dead end that she presented before the Scottish government, the only possible way out would be independence. She reckons that the independent sentiment is superior to the one of

2014, bearing in mind the meagre influence that Scotland has in the United Kingdom's affairs.

On account of everything mentioned until now, the Scottish government suggests that the Edinburgh Parliament devotes its attention to a new referendum for independence; and legislates a way of carrying it out (the London government rejects this referendum and questions its approach as well as the constitutional legitimacy of such initiative). The First Minister understands the London rejection to a second referendum as a fact and calls upon the Scottish government as a possible notary of this initiative. In other words: the Scottish First Minister has understood perfectly that the 2014 circumstances for an agreed referendum will not take place in the near future. The reality would be proceeding to hold a referendum for independence whose value would not be acknowledged by the London government.

As it has been shown in this section, Scotland's situation before the Brexit process suffers a double concern, compared to England's reality. Scotland's current situation could be described listing the following items:

- a) No party, society or sensible politician can support leaving the European Union by virtue of a hard Brexit.
- b) The temporary sequence until reaching the end of October 2019, without currently having a Prime Minister, cuts the negotiation time in a way that it should be excluded the possibility of closing an agreement between the European Union and the United Kingdom on time.
- c) An extension of the negotiation deadline creates even higher uncertainty. In the moment in which this study is being written, it is unknown who is going to be the new British Prime Minister at the end of July and who are going to be the new authorities of the European Commission, European Parliament and European Council.
- d) The Scottish companies, mainly banks whose headquarters are in Scotland, facing this catastrophic panorama, are starting to consider the possibility of moving their head offices to European ground.
- e) Lots of Scottish companies, unlike English companies, are keeping an eye on the events that could happen on a short-term basis: a Brexit whose way of being accomplished, developed and implemented remains unknown; and
- f) A new referendum for Scotland's independence whose legitimacy, in case of being held, London will argue and, in any case, an alleged enactment would lead to the expulsion of Scotland from the European Union in the hypothetical case that Brexit negotiations had not been completed.
- g) A possible independence of Scotland would lead, for the purpose of its re-entry in the European Union, to a negotiation period of never less than five years and an adaptation period of many others. All of it without forgetting that the admission of a new country in the heart of the European Union needs the unanimous vote of all countries represented in the European Council.

The picture hither represented could be branded as negativistic for Scotland. However, it is, in fact, a merely description of a reality, and a doubled difficulty for Scotland in comparison to England. Briefly, it should not be forgotten that, currently, Brexit is disturbing the societies of the four nations integrated in the United Kingdom. A referendum for independence would be difficult to uphold from a constitutional perspective and the lack of a Scottish central bank and a Scottish industry (nowadays mainly British) cannot find answers for a period that could last longer than a generation.

Independently from all the aforementioned, after using transversal tools for the present and future of Scotland, in a short-term basis, the only possible and reasonable way out in terms of education, health, living, single market, legislative initiatives and a welfare state, can only be given by holding a second referendum for Brexit in which the “remaining” option wins. In addition, other independence details and the relation between the nations integrating the United Kingdom and the European Union should become secondary elements.

## 12 Conclusion

History, when it is written properly, is a mirror in which nations should look at themselves, as a human being, every day. Unfortunately, this activity is not frequently done.

After studying the situation of the United Kingdom in general and Scotland in particular, it is difficult to verify the events that could come about in the future. Important variables as a possible new agreement or the election of Theresa May's substitute in the government remain unanswered and will happen in a moment that will leave short time to take future decisions.

Scotland has turned from being an independent country to integrate as a part of the United Kingdom, union that until now remains as the center of debate among the Scots.

1603, date in which the unification of the Crowns between Scotland and England happened, when the Scottish king became also England's, is the beginning of the construction of the United Kingdom in the eye of the international viewer. However, the conscience of the Scottish people is that on that same date, Scotland surrendered to the English and turned its powers, all the identity traits and even their religion in. Still, that cake had to wait for a hundred years to put on the icing of what they consider appeasement: the suppression of the Scottish Parliament.

From 1707 to 1999 when the Scottish Parliament opened its gates again and a government of Scotland was settled, locals felt governed by the English from London and through the form of the Secretary of State for Scotland that chaired the so-called "Scottish Office". And in some way it holds true. That monarchical, parliamentary and executive union made the Scottish people feel an inferiority complex from which later the English took advantage of. After the union of the Crowns in 1603 to 1829, when the visit to Scotland of a new monarch happened (remember that he did not belong to the Stuart dynasty but to a foreign royal family as it is the house of Hannover, now called Windsor), the Scots saw the opportunity of winning their independence back through weapons. Once this incapability demonstrated, Scotland came into lethargy sheltered by its identity, its belonging to the low-British-class and a survival in which the cause of all problems were the English. Already in the XX century, the emergence of the Labour party and the trade-union revolution helped creating slight changes that helped the population think that another Scotland was possible.

By the end of the 70s, the Devolution Debate was proposed. Downing Street was occupied by Margaret Thatcher and the self-governance intents ended for nearly 25 years. The restructuring of the production means was a serious setback for the whole of the United Kingdom, but specially for Scotland: the mines were starting to close, the heavy industry started to disappear, important factories as the British Leyland shut down and the unemployment in certain industrial areas as Glasgow reached, at the beginning of the 1980, percentages as shocking as the 75% of the labor force. The lack of perspectives pushed the Scottish society to reach for a world of drugs and vandalism that became important for the London government.

In this frustrating situation, the Scottish pointed to the English. In the mid-90s, Tony Blair's new labour government understood that the Scottish nation was becoming a dangerous element that could end up breaking the peace and harmony of the United Kingdom. That is why in 1997 the Devolution Debate granted the re-opening of the Scottish government and the establishment of a government born from this parliamentary system. This happened in 1999. But soon, some parties, irrelevant until then, started to weight on the Scottish future. In particular the SNP, that finally reached the Scottish government and now controls the parliamentary majority of Hollyrood. The nationalistic temperature kept escalating until the referendum for independence of 2014.

This independence has been a huge part of the study, considering the characteristics of Scotland and the desires of the country to remain in the EU. Albeit Scotland has a rather modest GDP, akin to those of the small northern European countries, it is not capable of facing independence, taking into account important aspects as: the absence of a central bank (and thus, the absence of their own currency), the Trident and the membership of the European Union. The last one compromised by Spain as it participates in the vote in case of the re-entry of Scotland, which could jeopardize the Catalanian situation if accepting. Henceforth, the independent capability of Scotland is rather weak and only with the help of the United Kingdom can it stay afloat.

The insecurity around the currency, allowances, the national defense plan and all the process that would be needed to start in case of reaching independence, frightened the Scottish electorate that ended opposing the independence. Prime Minister Cameron felt victorious of the independent rejection and promised Scotland power devolution, leaving behind defense and international relations for the London government. These promises were not fulfilled. In the 2015 general elections, the SNP reached the shocking figure of 49 seats out of the 59 Scotland has in the Westminster Parliament. As it is easy to deduct, the Conservative party was far from Scotland's political life and was left with one seat and the Labour with three, out of the 41 they had reached in the 2010 elections.

If the independentism intensified after the discovering of oil in the North Sea, it peaked after the celebration of Brexit, in which the "Remain" won in Scotland, having decided two years before to remain within the United Kingdom. This desire of belonging to the European Union has caused Scotland to press for another referendum for independence from the United Kingdom that will not be, under no circumstances, accepted by the London government. The call for the Brexit referendum, indirectly, exacerbated the Scottish problem. Scotland voted in favor of remaining and since then, the Edinburgh government claims its majoritarian vote as a distinguishing element from England.

Even though it is true that the general discontent about leaving the European Union is pushed by the political inability and ineptitude; another epicenter of this uncertainty comes from the economy. After studying the possible repercussions of leaving the EU for both the United Kingdom and Scotland, the idea of carrying on could seem, at the very least, as bold as it is irrational. None of the studied situations throughout the paper has shown a positive short-term future. The repercussions of a hard Brexit are



overwhelming and would knock down the economy to the point of turning the United Kingdom into an unrecognizable country in comparison to the European powers it has been for the last years. On the other hand, the Westminster Parliament has opposed to the agreement reached between the Prime Minister May and President Juncker three times, mimicking the triple biblical denials, and it seems it will be forgotten once the new Prime Minister takes the lead. The repercussions of this agreement are not as severe, but the points still unfilled do not cover the desired separation that many brexiteers long for.

Brexit contradicts the integration that has been looked for decades in this globalized world. The search for separation confronts the desires of fewer barriers to international trade, as the WTO wants, and those of a globalized society, against the current right-wing governments that try to hinder what, for a long time, the European Union has proven as effective. The exit of the United Kingdom depicts the separatist values that far from being advantageous can harm an economy at the edge of coming to a standstill since the referendum of 2016. After analyzing the main economic indicators, it should be emphasized that Brexit has harmed the United Kingdoms' situation and, nowadays, it looks like leaving is not going to fix it. With companies stuck and the main economic sectors (as, for example, tourism) suffering the setbacks of leaving, Scotland is not healthier. The uncertainty in migration, financial, international politics, industrial and educational matters that is hovering over the United Kingdom is automatically multiplied when referring to the Scottish reality. For Scotland, the solution is not coming from a negotiated or no-negotiated exit from the European Union. Maybe, and just maybe, a second referendum for independence could be numbed by a second Brexit referendum that could assure the continuity in the European Union.

The possibilities of new trade agreements have been, since the beginning, one of the main engines for holding the Brexit referendum, leaving aside the tools used by the "Vote Leave" and "Leave.EU" campaigns in 2016 that took the course towards sovereignty and immigration. The benefits of the main agreements that could be made (the recovery of the craved relationship with the Commonwealth and the possibility of a big deal with the United States publicized by the President Donald Trump) have been studied, and it is clear that none of them is capable of covering for the movement of goods, services and people that is carried out with the European Union. The Gravity Model explains the depth of the commercial flow between markets using the size and closeness of them. Considering that the Commonwealth is formed, mostly, by small countries and that the big ones are far, it is foreseeable that the commercial relationship, even if it grows slightly due to the needs that could arise in the future, will not be able to cover the tremendous role the European Union has in the British commercial balance, based on current data. The same happens with the United States. Reality shows that the countries of the European Union are paramount for the British and Scottish economies. Not only are they the receivers of the exports and the sellers of the imports, but the productive processes of the Scottish and British companies are divided among different European countries until they reach the final product. For years, the EU's members have

supported one another, and the current rupture has an astronomical impact in terms of economy, as well as social and educational.

London, in the publication of all its statistics and all the matters important for the country, does not disaggregate data that could fire the Scottish independent demands up, as unemployment, social security, allowances, minimum wage and welfare levels. The figures used belong to the United Kingdom globally and far from reassuring the Scottish population, they infuriate it.

It has been proven, thus, that the relationship and dependence with the European Union is not a mere illusion and a hard Brexit, as well as a Brexit under Theresa May's deal, will not only have future consequences, but it is also harming today's British economic stability and, with even more endeavor, it is making Scotland's economy smaller.

And now, what is going to happen? In the British level it is a mystery that neither candidate Johnson nor candidate Hunt will be able to possibly explain. What it is becoming clear is that the First Minister of Scotland insists on calling for a second referendum for independence. The excuse is not even based on historical reasons that have been mentioned so many times before, but in a Brexit that is guilty of the setback suffered by the economy. In this sense, it has even been mentioned the possibility and interest in coming back to Scotland's status quo before the Devolution Act.

In the course and discourse of this paper, a kind of standstill has been elucidated along the 2019. It could be concluded, then, that a negative vision of its future is being expressed. And for this, history is needed: the problem started in 1603. The sovereignty loss cannot be sorted out in a five-year term that defines a kind of mousetrap in which the Scot, as mouse, sees himself trapped in all the exits.

### 13 Addenda

On the threshold of submitting this paper, there is an impression that this Brexit “episode” has introduced an important element into the British society: frustration. We know that the United Kingdom has the history of the Empire: it has plow through seas from East to West. However, we can see today how Cameron created a problem that later Theresa May has been unable to solve and Jeremy Corbyn is short on alternatives. This degree of desperation is what has led the British to vote for Nigel Farage’s Brexit Party in the last European elections. Farage is offering what does not exist. He is pretending to reenact the novel Alice in Wonderland, which, evidently, will never happen.

It is not possible to conceive that once the United Kingdom leaves the European Union there will not be a border, with all the weight of the word, between Northern Ireland and the Republic of Ireland.

The promises made by the United States’ President, who applauds a no-agreement divorce, are small promises that will be ignored once the commercial wars between China and the United States arrive.

The British Parliament, over centuries, has been an example of reaching agreements and objectives that did not only look different, but extraordinary dissimilar. Nonetheless, with Brexit, for already three times, the agreement reached with the European Union has been rejected and, what has been even worse, the Labour party has not offered any type of exit that could replace what the number 10 of Downing Street has offered.

The outlook is even darker facing the election of the new conservative leader and future Prime Minister. The fact that one of the candidates has announced unashamedly that he can improve the agreement reached by May and Juncker and, in any other case, resort to leaving without agreement, simply represents his ignorance towards the rules regulating international laws. Nowadays, no one knows the alternative that could be taken in what the backstop of the Irish border is concerned.

In this turbid river, the supposedly nationalistic patriot winners of the last European elections are neither to Her Majesty’s service, as it is traditionally said, nor to the country. All of it enhanced with high racism and xenophobia that has already filled with blood some British neighborhoods.

From the 1800 Union Act, millions of people have not encountered obstacles to be, at the same time, British and English, Scottish or Welsh. Moreover, while invoking history, some have forgotten that in 1975 a referendum was already called in which the British people agreed to being a member of the European Union with 67% of the electorate. Critical politicians as Thatcher have always been keen to negotiate with the European Union and detested a possible referendum that could lead to disorder of any kind, something that the United Kingdom has at the moment. Provided the puzzle, there is only one way out: a national government wise enough to call a second referendum

guaranteeing the Remain option, regardless an specific agreement for the United Kingdom safeguarding her British identity.

The remaining alternatives will not do anything but building a dwarfed country, with a dangerous Scotland and a Brexit Party grown by its results in the last European elections. A good amount of its message is based in hating all the European, included Beethoven's Ode to Joy, official hymn of Europe to which they gave their back in the European Parliament constitution. Maybe the English author John Milton was right when he stated in his work Paradise Lost "better to reign in Hell than to serve in Heaven".

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