



Working Paper

**Die another day. Brexit and its impact upon the  
European Union. A view from Romania**

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# **Die another day. Brexit and its impact upon the European Union. A view from Romania<sup>1</sup>**

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## **Abstract**

*The present paper tries to briefly explain what Brexit is and its main impact on the Member States and the European Union as a whole. Using open sources I present a brief overview of the current European landscape.*

*At the EU level we are currently dealing not only with the crisis generated by the United Kingdom withdrawal from the European Union, but also with a series of other concurrent crises (economic, political, refugees, etc.) what tend to be mixed together by an overly passionate public opinion and political class.*

*For the first time after the end of the Second World War, we are assisting to a huge existential crisis of the European Union which affects its existence. Taking into account the fact that the Brexit problems seem to be yet ever more present in contemporary European states, this phenomenon is likely to draw further academic attention, and an increased need for nationally localized studies, such as this one on Romania.*

*Although it is still early in the game to have a series of practical evaluations of what that means, we can already envisage a series of outcomes for the United Kingdom, European Union, Romania, NATO and the rest of the world that would be presented below.*

**Keywords:** *European Union, Brexit, United Kingdom*

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<sup>1</sup>The views and opinions expressed in this article are those of the author alone and do not necessarily reflect the official policy or position of any organization he is connected to.

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The 23 June 2016 British referendum on the leaving the EU or remaining in the EU had a major impact from the very beginning, at multiple levels, with both symbolical and practical consequences for all the parties involved, but also on the world. Although it is still early in the game to have a series of practical evaluations of what that means, we can already

envisage a series of outcomes for the United Kingdom, European Union, Romania, NATO and the rest of the world that would be presented below.

## From one Referendum to another. Short timeline

The United Kingdom of Great Britain and Northern Ireland joined the European Economic Community (EEC) on 1 January 1973. Throughout this period, the Labour Party was divided, on the issue of EEC accession and on the question of whether accession ought to be approved by referendum. Thus in October 1974 in its Political Manifesto BRITAIN WILL WIN WITH LABOUR, the party spoke about the need for a referendum” “*we will give the British people the final say, which will be binding on the Government - through the ballot box - on whether we accept the terms and stay in or reject the terms and come out.*”<sup>1</sup>

Thus in 1975, the Government gave the **Referendum Act 1975**, the first nationwide plebiscite in the United Kingdom. As today, the two camps were **Yes campaign (*Britain In Europe*)** and **No campaign (*Out into the World*)** and the referendum question was *Do you think that the United Kingdom should stay in the European Community (the Common Market)?* permitting a simple YES / NO answer. The results of the 5 June 1975 Referendum were: YES – 67,2%, NO – 32,8% and a turnout of 64%<sup>2</sup>.

As the time passed, a series of British politicians spoke about the need to have a series of referendums on the European Union. Yet nothing changed until the long awaited speech of now former PM David Cameron of 23 January 2013 on the EU who said that if the Conservatives would win the next election they would seek to renegotiate the UK's relationship with the EU and give the British people the "simple choice" in 2017 between staying in the EU under those terms or leaving the EU.

“It is time for the British people to have their say. It is time to settle this European question in British politics. I say to the British people: this will be your decision”<sup>3</sup>. In May 2015 the Conservative Party won a majority in the House of Commons of the UK Parliament and decided to hold the referendum by the end of 2017<sup>4</sup>

Like in 1975 the question was *Should the United Kingdom remain a member of the European Union or leave the European Union?*<sup>5</sup> And we had two lead campaigns – for **YES** we had **Vote Leave** supported mainly by the Eurosceptic UKIP Party leader Nigel Farage and

conservative Boris Johnson<sup>6</sup> and for **NO** we had the *In Campaign (Britain Stronger in Europe)* promoted by former PM David Cameron and the Labour and Liberal-Democrats leader as well as the Scottish main parties<sup>7</sup>.

The former PM David Cameron focused this entire campaign on the changes that the European Union needed to address in order to become more viable as they were stated in its 2013 Europe speech:

- ✓ **Competitiveness:** At the core of the European Union must be, as it is now, the single market;
- ✓ **Flexibility:** We need a structure that can accommodate the diversity of its members;
- ✓ **power must be able to flow back to Member States, not just away from them;**
- ✓ **democratic accountability:** we need to have a bigger and more significant role for national parliaments;
- ✓ **fairness:** whatever new arrangements are enacted for the Eurozone, they must work fairly for those inside it and out.<sup>8</sup>

These all were objects of negotiations and had finally seen a firm result at the European Council of 18-19 February 2016 which adopted a *Decision of the Heads of State or Government, meeting within the European Council, concerning a New Settlement for the United Kingdom within the European Union* which addressed the British priorities:

- ✓ **economic governance:** mutual respect and sincere cooperation between Member States participating or not in the operation of the euro area will be ensured;
- ✓ **competitiveness:** lowering administrative burdens and compliance costs on economic operators, especially small and medium enterprises, and repealing unnecessary legislation;
- ✓ **sovereignty:** the United Kingdom, in the light of the specific situation it has under the Treaties, is not committed to further political integration into the European Union and
- ✓ **social benefits and free movement:** measures limiting flows of workers of such a scale that they have negative effects both for the Member States of origin and for the Member States of destination<sup>9</sup>.

On **23 June 2016**, more than 33 million people in the United Kingdom went to vote in the referendum. The results confirmed a majority vote for the option to leave the European Union (51.9%) while the Remain camp lost (48.1%).

**United Kingdom European Union membership referendum, 2016**

Choice	Votes	%
Leave	17,410,742	51.89
Remain	16,141,241	48.11
Valid votes	33,551,983	99.92
Invalid or blank votes	25,359	0.08
Total votes	33,577,342	100.00
Registered voters and turnout	46,500,001	72.21

*Table 1. United Kingdom European Union membership referendum, 2016*

Source: The Electoral Commission, *EU Referendum Results*, available online at

<http://www.electoralcommission.org.uk/find-information-by-subject/elections-and-referendums/upcoming-elections-and-referendums/eu-referendum/electorate-and-count-information> Last visited on 24 July 2016

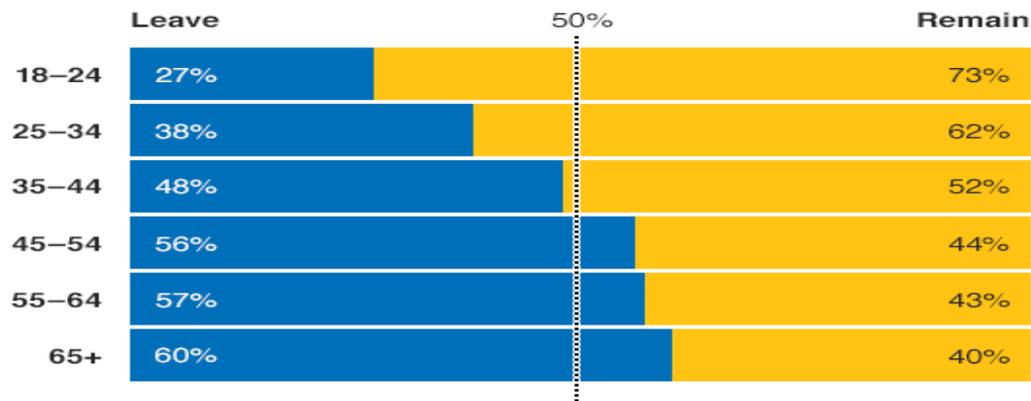
What brought new this referendum was both **the geographical and age gap between British citizens in regards the European Union attitude.**

*Figure 1. Geographical allocation of the votes by region in the UK 2016 referendum*

Source – Own graphical representation based upon the data available at *BBC News, EU Referendum*, available online at [http://www.bbc.com/news/politics/eu\\_referendum/results](http://www.bbc.com/news/politics/eu_referendum/results) Last visited on 24 July 2016

Regarding the relation between the distribution of votes and voter characteristics, the results have shown a strong correlation between age, education level and the attitude toward the European Union as the young and more educated people voted in favor of remaining in the European Union<sup>10</sup>.

## How different age groups voted



Source: Lord Ashcroft Polls

BBC

Figure 2. How different age groups voted

Source – *EU Referendum*, *BBC News*, available online at <http://www.bbc.com/news/uk-politics-36616028> Last visited on 24 July 2016

# Brexit aftermath

## Immediate political aftermath

On the morning of 24 June 2016 the now former Prime Minister David Cameron made a press statement, saying that the vote was a “giant democratic exercise” and that “The British people have voted to leave the European Union and their will must be respected”. On that occasion he also announced its resignation as he didn’t see himself fit to manage the leave process<sup>11</sup>. On 13 July 2016, almost three weeks after the vote, Theresa May succeeded David Cameron as Prime Minister.

On the same day, was issued a joint *Statement* by the EU leaders and the Netherlands Presidency on the outcome of the UK referendum. “In a free and democratic process, the British people have expressed their wish to leave the European Union. We regret this decision but respect it.” On this occasion, President Tusk, President Juncker, President

Schulz and Dutch Prime Minister Rutte said that “the ‘*New Settlement for the United Kingdom within the European Union*’, reached at the European Council on 18-19 February 2016, will now not take effect and ceases to exist. There will be no renegotiation.”

Also a direct impact was felt on Scottish politics where talks have been heard on the opportunity of a new independence referendum and the possibility to remain in the European

Union. Scottish First Minister Nicola Sturgeon said it was "clear that the people of Scotland see their future as part of the European Union" and that "Scotland has delivered a strong, unequivocal vote to remain in the EU, and I welcome that endorsement of our European status." [...] "And while the overall result remains to be declared, the vote here makes clear that the people of Scotland see their future as part of the European Union."<sup>12</sup>

The Scottish Government announced on 24 June 2016 that officials would plan for a "highly likely" second referendum on independence from the United Kingdom and start preparing legislation to that effect<sup>13</sup>.

### Immediate economical aftermath

The financial markets dislike instability and as an immediate effect the pound loss value in front of the US dollar while the United Kingdom has suffered a loss of rating from AAA to AA<sup>14</sup>.

## Legal provisions on leaving the European Union

Following the entry into force of the Lisbon Treaty, the Article 50 establishes that a Member State can leave the European Union. "*1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.*"<sup>15</sup>

This process begins with a notification submitted to the European Council after which the state in question can negotiate and conclude with the EU a withdraw agreement. There is a two year deadline, after the official notification.

*"2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.*

*3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.”<sup>16</sup>*

Thus the ball is in the field of the UK who must notify the European leaders about their intents – a situation that is yet uncertain when it will happen. This uncertainty has as primary cause the fact that the two year term is a very short one and the British leadership needs more time as they are dealing with a huge legal basis, over 40 years old, which needs to be modified and adapted. A withdrawal that doesn't fix all the issues at stake would be a real nightmare for all. Thus the idea of informal negotiations before the official notification came into force but it was strongly rejected by the European leaders, such as Angela Merkel, the German chancellor stated: "We can't begin informal talks without having the message (Article 50) from Britain. That is clear for me"<sup>17</sup>.

The European Council (without the participation of the Member State concerned) provides guidelines for the negotiations between the EU and the state concerned, and the Council adopts the negotiating mandate and nominates the Union negotiator (either the European Commission or a different negotiator).

The Union and the withdrawing Member State have a time-frame of two years to agree on withdrawal arrangements. After that, membership ends automatically (with or without a withdrawal agreement), unless the European Council (by consensus) and the Member State concerned decide to extend this period (Article 50(3) TEU).

Before concluding the withdrawal agreement, the Council needs to obtain the **European Parliament's consent** (Article 50(2) TEU), voting by a simple majority of the votes cast. Under Article 50(4) TEU, the member of the European Council or of the Council representing the withdrawing Member State does not participate in the discussions of the two institutions or in decisions concerning the withdrawal.

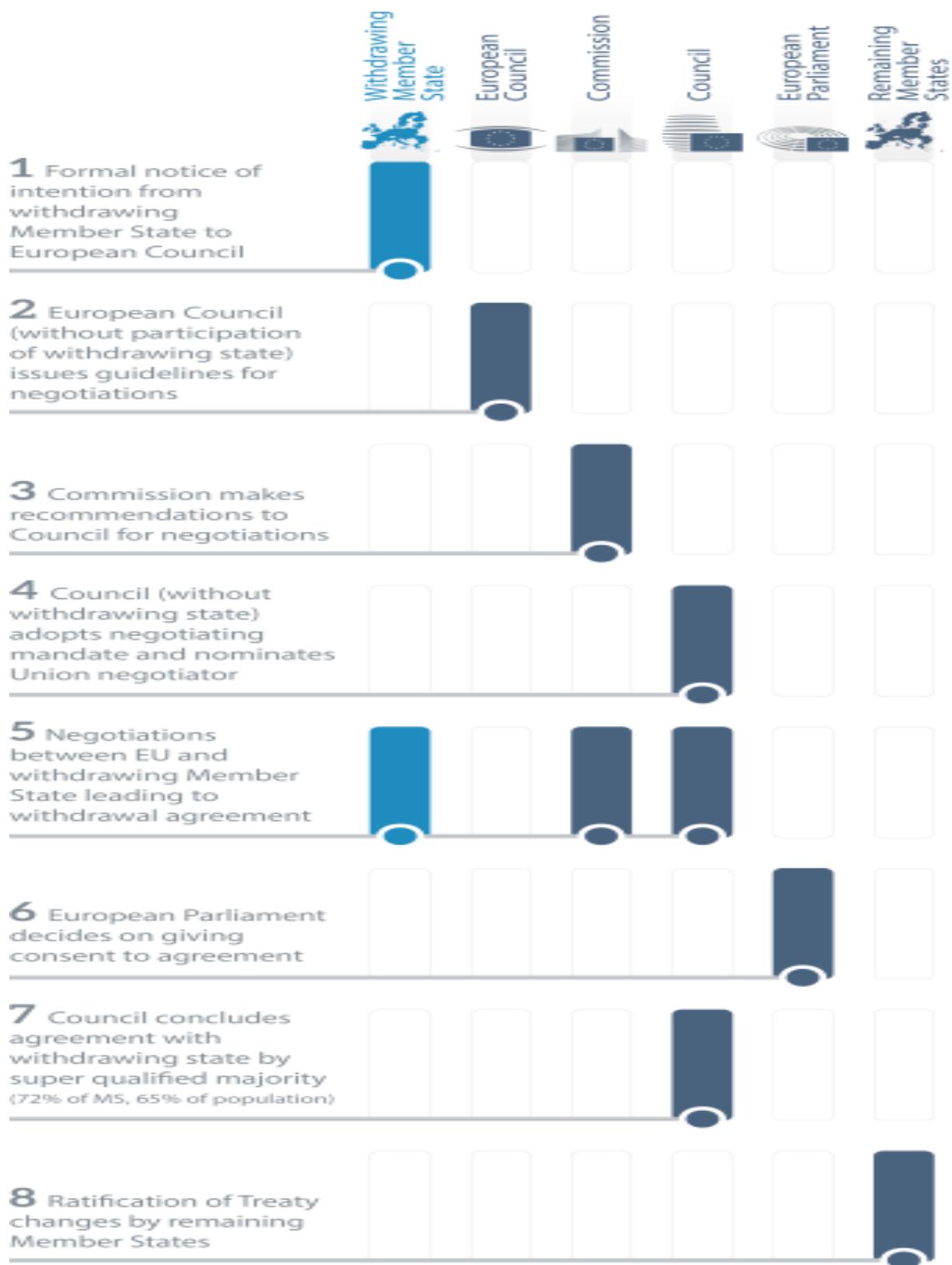


Figure 3. Graphical timetable for UK withdraw from the European Union

Source: Christian Dietrich Eva-Maria Poptcheva, "UK Withdrawal From The EU – Next Steps", *European Parliamentary Research Service*, Brussels, 29 June 2016, available online at

## Implications of Brexit on the EU Institutions and budget

The United Kingdom is one of the world's largest economies with a significant share in the European Union economy – making it in the top 3<sup>rd</sup> largest economies of the Union, being also one of the most populated European countries with a population of approximately 65 million people (2015).

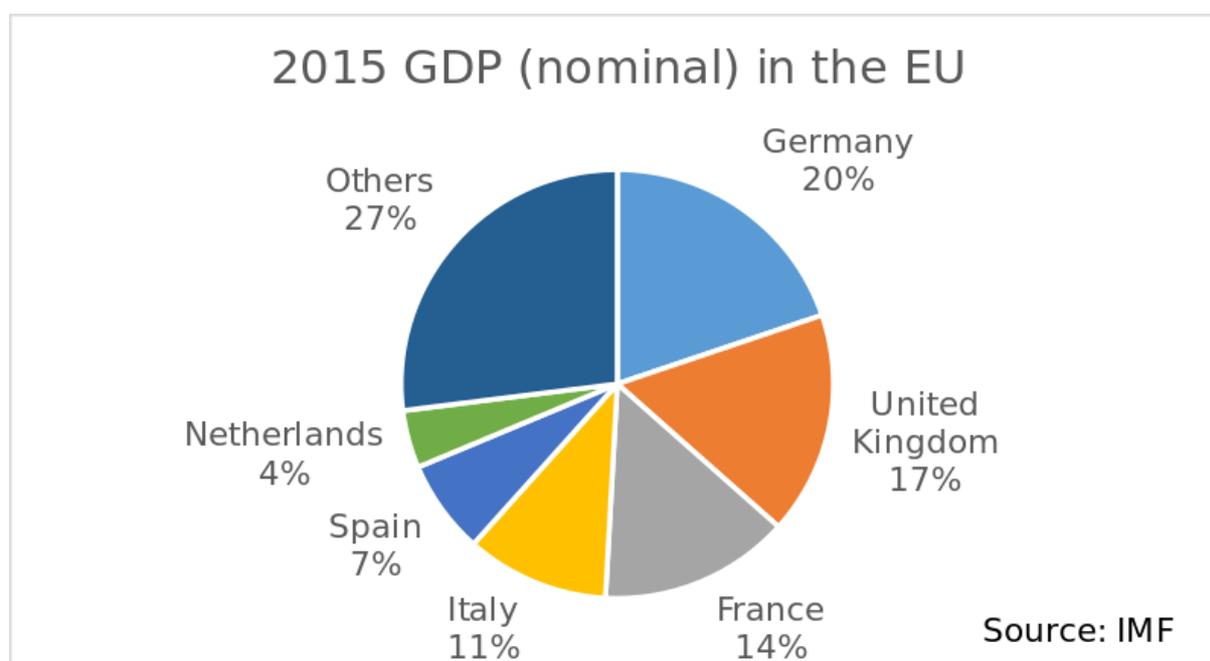


Figure 4. 2015 GDP (nominal) in EU. UK share

Source: graphical representation available at [https://en.wikipedia.org/wiki/File:2015\\_GDP\\_\(nominal\)\\_in\\_EU.svg](https://en.wikipedia.org/wiki/File:2015_GDP_(nominal)_in_EU.svg) based upon the data available at *World Economic Outlook Database, April 2016*, IMF <http://www.imf.org/external/pubs/ft/weo/2016/01/weodata/weorept.aspx?pr.x=59&pr.y=9&sy=2015&ey=2015&scsm=1&ssd=1&sort=country&ds=.&br=1&c=001%2C998&s=NGDPD&grp=1&a=1> and *World Economic Outlook Database, April 2016*, IMF <http://www.imf.org/external/pubs/ft/weo/2016/01/weodata/weorept.aspx?pr.x=83&pr.y=11&sy=2015&ey=2015&scsm=1&ssd=1&sort=country&ds=.&br=1&c=138%2C132%2C184%2C134%2C136%2C112&s=NGDPD&grp=0&a=>

Last visited on 24 July 2016

Given the above number one first aspect that strikes us is the large number of British civil servants employed in the European institutions in both execution and management positions as the Article 50 makes no reference to the status of MEP or civil servants of the state that withdraws from the Union. We have for instance in accordance with the February 2016 almost 1164 British staff in the European Commission, meaning 3,5% of the total employees<sup>18</sup>. They have received from the highest levels that their jobs would be kept but the situation is fluid and their fate uncertain<sup>19</sup>.

## European Commission

The British Commissioner Jonathan Hill responsible for Financial Stability, Financial Services and Capital Markets Union resigned on 25 June saying that “As we move to a new phase, I don't believe it is right that I should carry on as the British Commissioner as though nothing had happened.”<sup>20</sup> His portfolio is now under the responsibility of Vice-President Dombrovskis. Recently the United Kingdom appointed a new Commissioner - Julian King and its portfolio is expected to be announced by the end of July<sup>21</sup>

## European Parliament

Following the 2014 elections we had a total number of 751 MEPs elected to represent the citizens of the European Union, the number of MEPs being proportional with the population of each Member State, MEPs which are a part of the cross-European political parties.

The *Rules of Procedure of the European Parliament* require that “A political group shall comprise Members elected in at least one-quarter of the Member States. The minimum number of Members required to form a political group shall be twenty-five”<sup>22</sup>. Thus the larger the group – larger would be its influence in the European Parliament.

The United Kingdom has a total of 73 MEPs – which are variably spread among the political groups.

*Figure 5. MEP's before and after Brexit. UK MEP share and impact*

Source: Own graphical representation based upon the data available at *Elections Result 2014*, European Parliament, available online at <http://www.europarl.europa.eu/elections2014-results/en/election-results-2014.html> Last visited on 24 July 2016

As shown by the Figure above we see that:

- ✓ ALDE would become the 3<sup>rd</sup> political group of the European Parliament before ECR and
- ✓ EFDD would lose its status as a political group.

Also as side effects we would also assist to a realignment of the key positions in the Parliament as probably the UK MEPs would receive less and less significant important tasks and positions. This has become evident in the recent months with a move to exclude sitting British MEPs from key committee positions before Britain leaves the European Union amid worries the UK could shape EU legislation before it exits the bloc.

“European Parliament president Martin Schulz has written to the head of the conference of committee chairs asking him to gather information on how Britain’s imminent departure will impact various EU documents passing through the parliament’s committees. Among the issues that should be considered, the letter states, are the possible impact of the British departure on the legislative files currently under discussion in various committees, the impact if the files are not concluded before Britain leaves, and whether any of the files are likely to feature in the EU-UK withdrawal agreement.

The heads of committees will present the reports by January [2017], when a decision on whether to sideline British MEPs from certain committee positions will be made.<sup>23</sup>”

However this measure is highly criticized by some MEP as it would create a second-class MEP’s and also due to the fact that it doesn’t have any legal basis in the EU Treaties.

## The European Council

From 1 November 2014 a **new procedure for qualified majority voting** applies in the Council. Under this procedure, when the Council votes on a **proposal by the Commission or the High Representative** of the Union for Foreign Affairs and Security Policy, a qualified majority is reached if two conditions are met:

- ✓ **55% of member states vote in favor** - in practice this means 16 out of 28
- ✓ the proposal is supported by member states representing **at least 65% of the total EU population**<sup>24</sup>.

Under this procedure the **UK represents a total of 12,73% of European Union population** – after Brexit we would assist to a change of these proportions as more minor

Member States would gain traction – a situation that could imply more negotiations and close call votes.

There is also, until 31 March 2017, possible to use the previous rule for qualified majority voting. Under this rule, each member state representative has a certain number of votes, as set out in the EU treaties. The **weighting of votes** roughly reflects the size of population of each member state.<sup>25</sup> **United Kingdom has 29 votes**. Yet it is highly unlikely to assist to a redistribution of UK votes as most probably the withdrawal from the European Union won't take place earlier than 2019<sup>26</sup>

## Rotating Presidency of the European Union

If we take a look at the now famous Article 50 TEU we can see that there is a specific provision which stipulates that “4. *For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it.*”<sup>27</sup>. That would have a direct impact upon the UK Presidency planned for July – December 2017<sup>28</sup>.

Three scenarios were immediately envisaged:

- ✓ *nothing changes and the UK goes on with its presidency* – **highly unlikely**, as it would result in a week presidency and probably the UK would refuse to take this task. “Certainly the British would ask to be relieved of the responsibility to be president [...] The fact is the scale of the crisis would be so great and there is no precedent for leaving the EU.”<sup>29</sup>

This was confirmed on 20 July 2016 when was announced that UK would relinquish its upcoming six-month presidency of the European Council as it prepares to leave the EU<sup>30</sup>.

- ✓ **an extension of either the Maltese presidency for one year time** “the Commission officials told authorities in Valletta to prepare for a year-long presidency if Britain votes to leave the EU”<sup>31</sup> or “**to split the British presidency between the Maltese and the Estonians**, essentially prolonging their presidencies by three months each”<sup>32</sup> – **rather likely**;

- ✓ **to change the predetermined schedule as each country would take the presidency six months earlier that established** – also **unlikely** due to the logistical and technical preparations that vary in each following country.

## European Union budget

As the European Union and the UK prepare for divorce another question also arises: *what will the EU do to fill the black hole if Britain's contributions to the European budget stop in years to come?*

Being a net contributor to the European budget, the UK provided in 2015 almost 13% of the total amount. Thus its withdrawal would cause a significant headache for those planning the EU budget for the next financial period. Add to this is the question – what would happen if the next EU multiannual budget is negotiated with the UK still inside the Union?

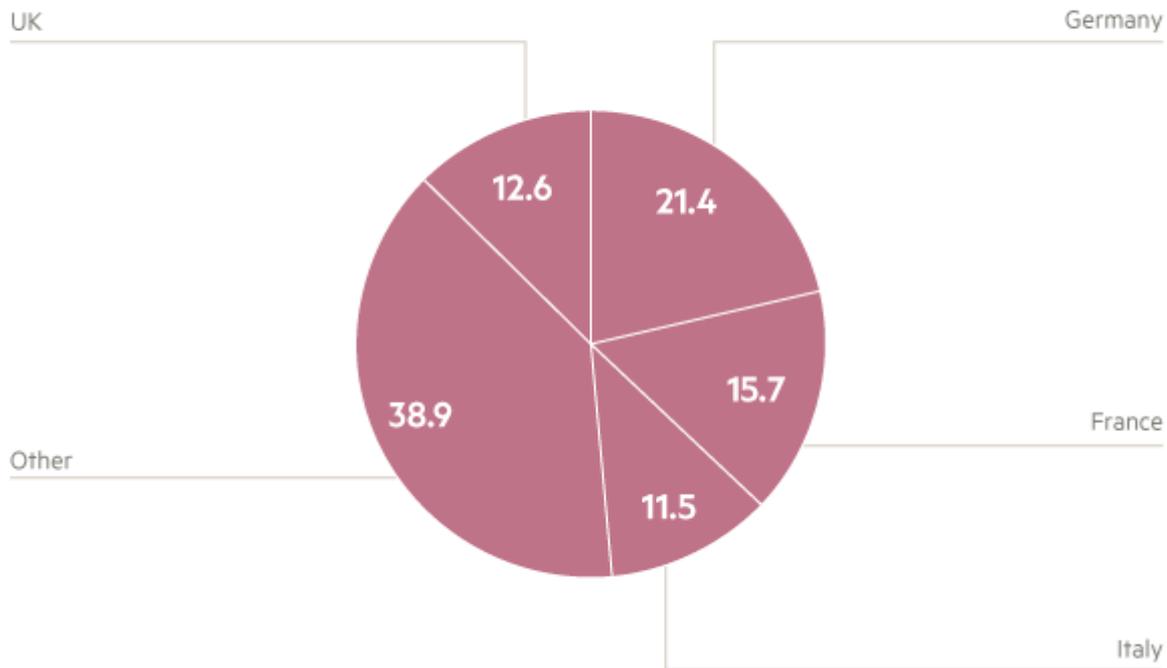
In order to fill this gap the solutions vary, many of them depending on the will of the remaining member states and the future course of the Union, as the scenarios have different impacts:

- ✓ “game of nip and tuck — that the big net contributors will agree to give a little more while the big net recipients in eastern and southern Europe will agree to receive a little less”;
- ✓ “to expand the sources of revenue that go directly into the EU budget, bypassing national treasuries entirely”;
- ✓ “allocating revenues from the EU's emissions trading scheme to the EU”;
- ✓ “enlarging its share of VAT receipts”;
- ✓ “imposing new taxes on the financial sector”<sup>33</sup>.

It is the “game of nip and tuck” scenario that worries the most the Eastern members of the European Union and it would be a hard ball to sell to domestic audience and moreover it would have a direct impact on the European Regional Development Fund and Cohesion Fund – a July 2016 report by the Romanian government, based upon IMF and European sources, presents an estimated automatic reduction of 10% of the amount of these funds, up to 15%, and mentions a 2017 European Union budget revision and possible changes of its structure, dimension and content<sup>34</sup>

## EU budget 2015

Share of revenue after rebates (%)



Sources: European Commission; HMT

FT

Figure 6. EU budget 2015. UK share.\

Source: Jim Brunsten and Duncan Robinson, "EU budget: the post-Brexit challenges for London and Brussels", *Financial Times*, 4 July 2016, available online at

<https://next.ft.com/content/84cba658-3eda-11e6-9f2c-36b487ebd80a>

Last visited on 24 July 2016.

However a series of recent estimates underlined a more positive side of the Brexit impact on the EU budget underlining that it would not have such a "catastrophic" impact as some analysts predicted.

"Given that the UK is one of the largest economies in the Europe Union – with per capita income above the EU average and therefore a net contributor – there have been concerns that the country's decision to leave the EU could strongly impact the EU budget. On closer scrutiny, however, we find that the impact will be rather small due to the effects of the UK rebate and to the potential contribution the UK would be obliged to make as a condition to obtain access to the internal market. If the UK remains outside the internal market, tariff revenues would make up a considerable share of the 'net loss'.

On balance, the financial savings for the UK would be negligible and the impact on member states would be manageable. Also the impact on the classification of regions in EU

Cohesion Policy is projected to be minimal and the European Fund for Strategic Investments is not affected by changes in membership.”<sup>35</sup>

## European Union security and foreign policy. The impact on the EU external action

The Brexit impact on the security issues is still to be analyzed as the UK had often had a dampening effect on the development of further development of the EU’s Common Security and Defence Policy.

Moreover a series of analysts emphasize UK reluctance in engaging in to EU led actions. Moreover UK is also about to lose its place at the EU decision-making table as well as the ability to use the EU resources to project its power worldwide. Also UK would lose some of its soft-power due to the economic and political crisis the Brexit would cause.

Yet there is an opportunity here that the EU must not miss, in order to develop its foreign and security policy: “The EU and the member states should put their full weight behind the implementation of the Global Strategy. They should work on systematic and pragmatic ways to generate common political will, react swiftly to crises and conflicts and deliver in the field of defence cooperation.”

As regards the future of the EU – UK relationship in the security area a series of four scenarios have been put forward as follows:

- “• **Strategic partner**: loose cooperation and consultation
- **Norwegian model**: regular consultation and alignment
- ‘**Norway Plus**’: selective inclusion in informal and operational decision-making
- ‘**Foreign Affairs Council Plus**’: systematic inclusion in formal decision-making”<sup>36</sup>

## The withdraw negotiations. What can go wrong?

Even if no notification was done we already have a series of scenarios and analyses on the very complicated withdraw negotiations that have some key points, on which outcome depends a lot of things, including the future of the European Union.

In my opinion the first thing that we must have in mind is *the particular situation of the UK in the European Union*, as UK has a series of advantages (opt-outs, for instance)

which set it apart from the rest of the Member States and moreover offer it somehow less contentious issues.

Thus we are *de facto* living in a differentiated Union since not all Member States have been willing or ready to achieve the same degree of integration. Varying political and economic interests and traditions on the part of the Member States (especially UK) have led to what has been described as a “two-speed” or “multi-speed Europe”, “core Europe” or a Europe of “concentric circles” (a process accentuated since the 1992 Maastricht Treaty, allowed “differentiated” (“flexible”) integration<sup>37</sup>.

**Table 1: UK participation in certain instruments in the field of EMU, Schengen and the Area of Freedom, Security and Justice**

Legal instruments	UK participation
Euro area / Euro Plus Pact / Fiscal Compact / Bank resolution	X
Schengen area	✓
Schengen Information System II	✓
Dublin III Regulation	✓
Asylum Procedures Directive 2013 (recast)	X
European Investigation Order	✓
Framework Decision on combatting terrorism	X
Europol (2009)	✓
Eurojust	✓
European Arrest Warrant	✓

*Table 2. UK participation in certain instruments in the field of EMU, Schengen and the Area of Freedom, Security and Justice*

Source: Eva-Maria Poptcheva and David Eatock, *The UK’s ‘new settlement’ in the European Union*, European Parliamentary Research Service, Brussels, February 2016, available online at [http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/577983/EPRS\\_IDA\[2016\]577983\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/577983/EPRS_IDA[2016]577983_EN.pdf)

Last visited on 24 July 2016.

### Immigration concerns and Status of current EU immigrants<sup>38</sup>

The British Leave vote seems to be very polarized as the idea to limit immigration gained a lot of appeal, and the key signal to all who have ears to hear and eyes to see is that one: immigration must be better controlled.

In the short run, the most pressing question is that of the rights of the EU nationals currently living in the UK, both right now and once the formal withdrawal from the Union

occurs—a process that could take two years to complete, from the moment when the government triggers Article 50 of the Lisbon Treaty.

This question generates in turn two subsequent questions:

- ✓ If the UK does not accept the principle of people's free movement<sup>39</sup> as a price to pay<sup>40</sup> in order to gain free access to the single market, is the EU willing to offer it comprehensive access to the single market?
- ✓ How would the UK compete with the EU, if the UK restricts the free movement of persons? Would the British people accept an immigration policy based on a liberal view?

Another complicated issue is the border question – who will control what? What to do with the issue of Calais refugees? We have there in place **juxtaposed controls**<sup>41</sup> but so far France, despite some internal critics, said it will maintain this type of arrangement<sup>42</sup>

In the long run, the most pressing questions are related to:

- ✓ the role of migration in any EU negotiations?
- ✓ how would the British political elites reach a nationwide consensus on migration policies?

Also the question of EU nationals in the UK is more likely to become more complicated as their status seem to uncertain<sup>43</sup>.

*Figure 7. Estimate of the resident population of the UK by nationality, 2014*

Source: *Population by Country of Birth and Nationality Report: August 2015*, Office for National Statistics, London, 2015, available online at

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/populationbycountryofbirthandnationalityreport/2015-09-27> Last visited on 24 July 2016

## What Now for TTIP, CETA?

Brexit would also have a direct impact on UK trade deals that would have to be renegotiated, including Britain's World Trade Organization commitments, and it is most likely that the trade deals renegotiations could be the main focus of the new policy-making for the foreseeable future. There is also a catch – although UK may try to have another deal inside the TTIP all

its provisions would affect it directly as it may be forced to accept it without having anything to say about it<sup>44</sup>

## The Northern Irish border question

Brexit has also succeeded in creating an unattainable situation for the border between Northern Ireland and Ireland - If the UK negotiates a settlement with the EU that does not involve Freedom of Movement, while the Republic of Ireland remains an EU member then in order to secure this border checks would have to be reinstated. This would prove to be a difficult option due to the geographical and political climate of the region and could spark further conflicts between Catholics and Protestants while also putting on the table the issue of Ireland reunification<sup>45</sup>

## Scenarios for the future negotiations

If anything is certain is that uncertainty would reign in the following couple of years as the fate of the withdrawal negotiations is at stake.

## Length of the negotiations

Although the Lisbon Treaty stipulates a maximum two year period for the negotiations further studies suggest that this period is insufficient and that it may prolong for several more years, even though the possibility of an extension of this period is at this time unclear – “It is clear, though, that they would take several years—trade deals between the EU and non-EU States have taken between four and nine years on average.”<sup>46</sup>.

## Possible scenarios

A series of analyses have pointed out to a series of possible outcomes, each of them having variable success possibilities. In the end the main question resides in the old adage that it is not the destination that counts but the journey itself as many things would depend on the negotiations would go and whether it would be a bitter one or an amicable one.

<i>Criteria number</i>	<i>Codename</i>	<i>Scenario</i>
1.	<b>Hostile divorce</b>	<i>Talks collapse. Britain exits the EU with minimal transitional arrangements, losing most if not all preferential access to the EU single market. It sets out to become a low-tax, light-regulation magnet for global businesses — aggressively undercutting its EU neighbours.</i>
2.	<b>Clean break</b>	<i>Relations between Britain and the EU are strained but solid enough to arrange a tariff transition, agree trade terms and ratify the deal in the European Parliament and 38 national and regional assemblies.</i>
3.	<b>Amicable transition</b>	<i>Talks are difficult but amicable; disruption is minimised; changes are phased. Britain remains part of the EU single market, but on adjusted terms.</i>
4.	<b>Change of heart</b>	<i>Britain invokes <a href="#">Article 50</a> of the EU treaties — known as the “exit clause” but pulls out of the formal process before it is complete, remaining a full member of the EU.</i>

*Table 3. Possible scenarios on the withdraw negotiations between UK and the European Union, accordingly with Financial Times*

Source: “Four scenarios: how Brexit process could unfold”, *Financial Times*, July 2016, available online at <https://next.ft.com/content/5ec21720-49c1-11e6-8d68-72e9211e86ab> Last visited on 24 July 2016

## Who’s Who in the negotiating teams

One further clarification on how these negotiations would unravel took place in autumn when the European Union designated its negotiating team. Thus on 27 July 2016 **Michel Barnier**, former Vice-President of the European Commission and former French Minister, was appointed as Chief Negotiator in charge of leading the Commission Taskforce for the Preparation and Conduct of the Negotiations with the United Kingdom under Article 50 of the TEU<sup>47</sup>.

On 14 September 2016 the Commission decided to set up a Task Force for the preparation and conduct of the negotiations with the United Kingdom under Article 50 of the TEU ("**Article 50 Task Force**"). “The Article 50 Task Force will be in charge of preparing and conducting the negotiations with the UK, taking account of the framework for its future relationship with the European Union. The Task Force will coordinate the Commission's work

on all strategic, operational, legal and financial issues related to these negotiations. It will be able to draw on policy support from all Commission services.” On the same day the Commission decided to appoint Ms **Sabine Weyand**, currently Deputy Director-General in the Commission's trade department (DG TRADE), as Deputy Chief Negotiator as of 1 October 2016<sup>48</sup>.

As the European Parliament will need to approve a possible agreement on the conditions for the UK's departure from the EU, (ALDE, BE) was appointed as European Parliament point man for Brexit negotiations **Guy Verhofstadt** on 8 September 2016. “As counterpart of Michel Barnier, negotiator for the European Commission, Guy Verhofstadt will keep the Conference of Presidents (comprising the EP President and group leaders) fully informed of developments and will help prepare the EP position in the negotiations, in close consultation with the Conference of Presidents.”<sup>49</sup>

As for the UK side the situation is still unclear as there are no official documents pointing out to specific ministers. Yet some leaked documents spoke about a Task force of 12 ministers that includes all of the most Euroskeptic members of Theresa May's cabinet, such as Foreign Secretary Boris Johnson, International Trade Secretary Liam Fox, Brexit Secretary David Davis, International Development Secretary Priti Patel, Transport Secretary Chris Grayling, and Andrea Leadsom, the environment secretary. The committee will “oversee the negotiations on the withdrawal from the European Union and formation of a new relationship between the United Kingdom and the European Union; and policy on international trade”<sup>50</sup>

## Activating Article 50

The key for any serious talk about the negotiation scenarios is the moment when the Article 50 is triggered. A first clear date was given in October 2016 when the UK Prime Minister, Theresa May, announced that Article 50 would be triggered by "the first quarter of 2017"<sup>51</sup>.

That in effect generated an internal British debate over who has the prerogative to invoke Article 50 – either the government alone or the entire process requires the Parliament approval.

Thus on 5 July in front of the Commons foreign affairs committee Oliver Letwin, the Cabinet Office minister, said the government did not accept that parliament had to vote on the decision to invoke article 50 of the Lisbon Treaty<sup>52</sup>.

The other side claimed that the Parliament approval was necessary as this type of decision is of outmost reach and impact upon all the lives of the UK citizens.

“There are very good reasons for involving Parliament. With its broad range of representatives and peers, various pertinent committees with extensive evidence gathering powers, it is an institution that has the expertise and legitimacy to discuss the implications of various withdrawal options and any framework conditions or further approvals that Parliament may want to stipulate. The referendum was silent on the terms of withdrawal. Such terms should be matters for cross-party discussion in open Parliament rather than among the front bench of a (divided) single party in closed Cabinet meetings.”<sup>53</sup>

That is also evident if we mention the legal case put forward by the law firm *Mishcon de Reya* on the behalf of a group of clients that challenged the constitutionality of invoking Article 50 without the Parliament debating it.

“We must ensure that the Government follows the correct process to have legal certainty and protect the UK Constitution and the sovereignty of Parliament in these unprecedented circumstances. The result of the Referendum is not in doubt, but we need a process that follows UK law to enact it. The outcome of the Referendum itself is not legally binding and for the current or future Prime Minister to invoke Article 50 without the approval of Parliament is unlawful.”<sup>54</sup>

This legal predicament was finally solved in November 2016 when the High Court ruled in *R (Miller) v Secretary of State for Exiting the European Union* that only Parliament could make the decision on when or indeed whether to invoke Article 50.

“The Court firmly rejected the UK government’s arguments, describing them as “*contrary both to the language used in the 1972 [European Communities] Act and to the fundamental constitutional principles of the sovereignty of Parliament and the absence of any entitlement on the part of the Crown to change domestic law by the exercise of its prerogative powers*”. The UK government simply “*does not have the power ... to give notice [under] Article 50 for the UK to withdraw from the European Union*”.”<sup>55</sup>

Yet the government had the right to appeal (which he did in early December) and the decision is expected January 2017.

In was during the appeal of the Government that the House of Commons voted a symbolic motion, which is not legally binding, approved by 448 votes to 75 - a majority of 373, in favour of the Government's timetable to trigger the formal process for leaving the European Union by March 2017, as long as the Prime Minister reveals her plan for Brexit<sup>56</sup>.

## The Great Repeal Bill

The complexity of any Brexit negotiations and the impact that it will have on the UK legislation become more and more clear as legal analyses unfolded. EU law in force now covers areas such as environmental regulation, workers' rights, and the regulation of financial services. And when the UK leaves the EU all these rules and regulations would no longer have legal standing in the UK, thus creating a legal 'black hole' in the UK. In order to counter that the British PM Theresa May spoke about she called "the Great Repeal Bill<sup>57</sup>" to end the supremacy of EU law in the UK.

"The historic proposal aims to end the European Union's legal supremacy in the UK by converting all EU requirements into British law as soon as Britain exits the bloc. The Great Repeal Bill will instantly annul the 1972 European Communities Act (ECA), which gives EU law instant effect in the UK, and give Parliament the power to absorb parts of EU legislation into UK law and scrap elements it does not want to keep."<sup>58</sup>

The bill will be included in the next Queen's Speech and introduced in the next parliamentary session, due to begin in May or June 2017 (after Article 50 is triggered). The bill will come into force 'from the day we leave the European Union'<sup>59</sup>

## Impact for Romania

For Romania Brexit is **less than an opportunity but more of a crisis**<sup>60</sup> especially on the short and medium term. Although the Romanian president had a crisis reunion on 24 June with the Prime-minister, the leaders of the political parties and the head of the National Bank of Romania, out of which a series of comforting public messages emerged:

- ✓ there is a low impact for the Romanian economy;
- ✓ the threat to the national currency is small and manageable and
- ✓ all the political parties are in favor of the European Union<sup>61</sup> the situation is far for being very comfortable.

**The most pressing concern at this moment is the issue of the Romanian that work in the UK<sup>62</sup>.**

In Romania any political statement so far has repeatedly underlined the need that **any subsequent negotiations take into consideration the principle of people's freedom of movement and securing the rights of Romanian workers in the UK**. This red line has gained a wide political support and is supposed to be reaffirmed in any decisions concerning the Brexit.

However the support may vary in accordance with the replies to a series of questions:

- ✓ what is the status of the EU nationals inside the UK at the moment of the Referendum?
- ✓ negotiations are estimated to last two years - in this time the UK must respect its EU obligations - if this is the case what will happen to the nationals arriving in the UK in this time framework? Would they also have a special status? How would the UK authorities react if they had an EU intra-migration spike?<sup>63</sup>

To this we must add the risk of reduction of money transfer from the Romanians based in the UK.

*Figure 8. 5 most common nationalities in the UK in 2014 (population – thousands)*

Source: Own graphical representation based upon the data available at *Population by Country of Birth and Nationality Report: August 2015*, Office for National Statistics, London, 2015, available online at <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/populationbycountryofbirthandnationalityreport/2015-09-27#which-countries-are-non-uk-born-residents-and-non-british-nationals-from> Last visited on 24 July 2016

At the same time there is a fine line that must be kept in our relation with the UK given Romania's Strategic Partnership. United Kingdom is and must remain one of our strongest allies in the security area given our common vision on dangers and the special relationship with the United States of America. Thus a balance must be found between the Brexit negotiations and our relationship with the UK.

However it is believed, at the highest levels, that Romania must take advantage of the current situation and reposition itself as a key actor in the incoming transformation process. We must come up with constructive propositions and try not to be isolated in the future.

“In the current paradigm of redefining the European project, Romania has the opportunity to assume a more vocal position at European Union level and to become an even stronger actor and a generator of European policies.

This can be our chance to demonstrate that Romania belongs to the European elite and that we can constructively and decisively contribute to consolidating a solidary and strong European Union.”<sup>64</sup>

Since summer the decisions of the Romanian government on the Brexit topic have been in line with the EU ones. From the government point of view the main concern remained the insurance of the rights of free movement in order to guarantee the rights of EU nationals residing in the UK. Another topic of interest is the impact on the EU budget, more precisely the impact on policies such as the cohesion policy or the Common Agricultural Policy.

Last but not least the government is seriously considering the impact on the future of the European construction. The key word seems to be “citizen empowerment” as the Romanian state wants to advance proposals meant to make EU a more democratic construction: better decision making process, less divide between East and West, reduction of bureaucracy and a clearer vision<sup>65</sup>.

The things haven’t yet advanced so far as the Romanian government is preparing the nomination of a high level Romanian Brexit negotiator. Initially announced for November 2016 its nomination seems to be postponed for the year 2017 given the current political changes. The new chief negotiator on behalf of Romania would be a High Representative of the Government for Brexit that would prepare Romania’s stance and the future negotiations that haven’t yet started<sup>66</sup>

## **What’s next for Europe’s future?**

Brexit has shown the limits of the current integration process and therefore a key question aside all other aspects is where we are going in future as a Union. What is the future in store for us Europeans? What is already clear is that we cannot have in the future a business as usual attitude toward the European institutions as they need to be reformed perhaps alongside the clear lines that the Euro Zone and Schengen Area provide.

Brexit is also a failure for both the UK and the European Union. It is rather incorrect to blame the egoism of the British politicians for a result that we are also to blame. It is time to begin a long process of soul searching toward a common model that would have to meet the requirements of these 4 questions: “What is it for and what are its goals? Where are we heading? Will we remain one of the leading economic and democratic blocks in the world? How do we approach this and with whom?”<sup>67</sup>

One of the first documents dealing with that was published a day after the Brexit referendum by Sigmar Gabriel — Social Democratic Party (SPD) chairman, German vice chancellor, and minister of economic affairs — and EU Parliament President Martin Schulz. Their *Strategy Paper*<sup>68</sup> aimed at dealing with the legitimacy crisis of the European Union and the rise of the far right. They have an economic based approach demanding “a change in economic policy and a growth pact for the European Union.” They want to “regenerate enthusiasm for Europe” by “democraticizing Europe”. “They demand that the EU Parliament become a real parliament and elect a European government just like in the member states’ legislatures.”<sup>69</sup>

The multi-speed Europe tendency has become even more visible<sup>70</sup> if we take into consideration the “recent remarks made by the French Minister of Foreign Affairs Jean-Marc Ayrault and his German counterpart Frank-Walter Steinmeier (*A strong Europe in a world of uncertainties*) [that] seem to have laid the base for *new fault lines* inside the EU, between euro zone members and the rest, between those countries who advocate for a transatlantic security umbrella under NATO and those Member States who favour the creation of a *European Security Compact*. In short, between those countries who desire more integration and, on the other hand, those who plead for greater autonomy in all aspects of their sovereignty.”<sup>71</sup>

Their starting premises are that “the European Union being severely put to the test”. They perceived a Union challenged by crises in the South and East that has a slow recovery and economic growth that have brought something new and troublesome: “the perception that these crises jeopardize the very fabric of our societies, our values, our way of life”. This new model has some red lines that must be taken into consideration: “combination of growth, competitiveness and social cohesion” plus “common values” while taking into consideration that “member states differ in their levels of ambition when it comes to the project of European integration”.<sup>72</sup>

To this end they have three key points:

### 1. A European Security Compact

- ✓ the European Union should establish agreed strategic priorities for its foreign and security policy, in accordance with European interests
- ✓ in the medium term, we should work towards a more integrated approach for EU internal security
- ✓ in the longer term, it would make sense to enlarge the scope of the European public prosecutor's office, etc.

### 2. Common European asylum and migration policy

- ✓ no unilateral national answers to the migration challenge
- ✓ the EU should establish the world's first multinational border and coast guard
- ✓ the EU must find a common answer to the rising number of migrants seeking to enter the EU for economic reasons, etc.

### 3. Fostering growth and completing the Economic and Monetary Union

- ✓ we should develop the European Stability Mechanism (ESM) into a fully-fledged European Monetary Fund subject to parliamentary control, etc.<sup>73</sup>

We must also take into consideration the alternate view that comes from the New Member States such as it was expressed on 21 July 2016 in a meeting of the **Visegrad Group** that took place in Warsaw. “**The Visegrad Group will present a joint EU reform proposal at the EU summit in Bratislava in September**” was the key message of this meeting as “the Visegrad Group will meet at the end of August and the beginning of September in Krynica to work out the main points of the V4 proposal.” (Robert Fico, the prime minister of Slovakia).

The Polish Prime Minister Beata Szydło spoke about the need to reform the European Union and the need to “return to its roots and to start concentrating more on its citizens and less on institutional matters”. She underlined some basic reform principles such as:

- ✓ “we see the need to enhance control over the EU decision-making processes by member states”;
- ✓ EU reforms have to focus on “really adhering to and implementing” the four freedoms, which are the foundations of the EU: free movement of goods, services, capital and people” and it
- ✓ „should be a Union that competes as a global partner, not split into small actors or discussion clubs.”<sup>74</sup>

The Prime Minister of the Czech Republic Bohuslav Sobotka spoke about the democratic deficit and underlined the Czech Republic main European Union reform priorities:

- ✓ an orientation towards security;
- ✓ strengthening the single market;
- ✓ a return by European institutions to their roots.

For the Prime Minister of Hungary Viktor Orban the main question is to find “the answer [to] the question how to rebuild EU’s global position” a position lost due to Brexit<sup>75</sup>.

There are also more alternative views that suggest that Europe must also start a so-called “screening process” that would result in an in-depth analysis of the current situation and therefore propose solutions, which may or may not be accepted.

“[...] to put in place a ‘**Convention**’ composed by one hundred members with the mandate to **screen the current EU institutional architecture**, the European policies and their effectiveness, the budget, the implementation of the subsidiarity principle and **to propose three scenarios to simplify and make the EU more efficient**. Once transmitted to the European Council, there will be no obligation to follow one of the proposed path or all the conclusions, but this democratic exercise will make the case for a fresh momentum, showing to the European citizens that the European Union will adapt itself to the current weaknesses (jobs, economic growth, migration, terrorism, environment, etc.) with a different perspective.”<sup>76</sup>

A possible answer as regards the future of Europe or at least the reassurance that things are not going to disappear in a smoking blaze was provided by the informal Bratislava Summit in September 2016. One of the major achievements was to state the Member States still need the European Union in order to have peace and economic prosperity:

“Although one country has decided to leave, the EU remains indispensable for the rest of us. In the aftermath of the wars and deep divisions on our continent, the EU secured peace, democracy and enabled our countries to prosper.”

All the Member States have concluded that we must follow a series of four main objectives as a way to maintain a minimum cohesion of the EU27.

- “restoring full control of the external borders
- ensuring internal security and fighting terrorism
- strengthening EU cooperation on external security and defence
- boosting the single market and offering better opportunities for young Europeans”<sup>77</sup>

This was just the beginning of a reflection process expected to officially end by March 2017, when further updates are to be announced. This process would also generate a

Romanian point of view, as mentioned before, that is to be made public in the first Quarter of 2017. For the time being the accent would be put on more democratic accountability of the European Union (citizens empowerment in decision making) and on the possible reformation of EU institutions, with the accent being put on the idea of *better Europe* and not more Europe. As a country Romania would try to preserve policies such as the Cohesion Policy or the Common Agricultural Policy while emphasizing the need for equity in budget allocations.

## Preliminary conclusions

These are so far the main debate lines that are likely to become more visible as Brexit takes shape. Reshaping European Union is a process that must be well calculated and thought as any wrong doing can have a catastrophic effect either by creating deep divisions or by encouraging further Member States attempts to leave the European Union.

A particular reference must be given to the Scottish case as any attempt to leave the UK would spark similar attempts in other European regions and would generate a serious backlash from countries affected by secessionist movements (as it is the case of Spain).

Another danger is the looming menace of nationalism and populism. Encouraged by the Brexit the nationalist parties would probably try to push for better election results in order to try to obtain a greater “autonomy” toward Brussels, thus hampering with any reform vitally needed for the European Union future. Nationalism and populism are on the rise and they will most likely continue to attract more and more votes as crises succeed in Europe. The 2014 European Parliament elections have shown the force of their narrative and we must pay a close attention to the 2019 electoral campaign in order to reverse this tidal wave, as the call for more “national sovereignty” (France..., the Netherlands..., etc. first!) directed against the European project of integration are becoming more and more catchy.

Europe must try to find a common narrative, a narrative that would counteract the already strong anti-European propaganda. Without a good story that has so many arguments there is a real risk of losing the battle for hearts and minds of the Europeans in the context in which already many national politicians blame the Union for everything that is wrong. We must emphasize on any occasion the “costs of non-Europe” if we hope that this trend of disintegration would stop and give Europe a chance to recover.

“An overwhelming element has surfaced in the discussions with local citizens and in the contributions to create a greater European public sphere: the EU should be more talked about.

Two aspects are often mentioned: the role of education and the role of the media. None of the two strands would offer quick fixes, but they raise the importance of starting now to reap the benefits later. A failure to act on this front could be detrimental in the future.”<sup>78</sup>

Europe must use this period to chart a steady course toward a more democratic construction. We are having an extraordinary and maybe once in a lifetime window of opportunity to create a better Union. Avoiding the foreign menaces, the economic crisis, the rise of inequality and the resurgence of populism would require a visionary leadership, an Agenda based not on yesterday battles and challenges but one looking forward into the future.

## **Annexes**

## Exposure metrics

	Exports to the UK % of GDP, 2013	FDI stock in the UK % of GDP, 2013	Regulatory policy alignment subjective	Residents in the UK % popln, 2013	UK bank links <sup>(a)</sup> % of GDP, 2014	Trade liberalising alignment subjective	Net budget contribtn. % of GII, 2013	Output gap % potential, 2015	EU perception % negative, 2014	Overall Score <sup>(b)</sup>
Austria	1.3%	0.8%	No	0.2%	6%	Swing	0.4%	-1.1%	36%	7
Belgium	6.8%	4.9%	No	0.1%	21%	Swing	0.4%	-1.2%	22%	13
Bulgaria	1.9%	0.0%	No	0.7%	8%	Swing	-3.9%		18%	7
Croatia	1.2%	0.0%	No		6%	Swing	-0.1%		19%	4
Cyprus	7.1%	23.0%	No	4.0%	77%	Swing	-0.2%	-2.8%	38%	23
Czech Rep.	3.9%	0.0%	Swing	0.4%	3%	Swing	-2.4%		22%	14
Denmark	3.2%	1.9%	Yes	0.4%	12%	Yes	0.5%	-1.2%	18%	15
Estonia	1.5%	0.0%	Swing		1%	Swing	-4.3%	-0.6%	7%	9
Finland	1.8%	0.8%	Swing		16%	Swing	0.3%	-3.2%	17%	11
France	2.0%	4.3%	No	0.2%	25%	No	0.4%	-2.8%	23%	9
Germany	2.8%	2.4%	Swing	0.2%	19%	Swing	0.5%	0.0%	20%	13
Greece	1.7%	0.3%	No	0.4%	24%	Swing	-2.9%	-6.7%	44%	16
Hungary	3.7%	0.4%	No	0.7%	4%	Swing	-5.3%	0.0%	18%	9
Ireland	11.8%	7.5%	Yes	7.1%	174%	Swing	-0.2%	-1.4%	16%	25
Italy	1.4%	0.6%	No	0.2%	10%	No	0.2%	-4.2%	28%	5
Latvia	3.6%	0.0%	Swing	4.4%	3%	Swing	-3.4%		11%	13
Lithuania	3.4%	0.0%	Swing	5.3%	1%	Swing	-4.5%		6%	13
Luxembourg	4.1%	142.1%	No		365%	Swing	0.2%	-0.1%	16%	12
Malta	7.8%	11.8%	No		67%	Swing	-1.3%	0.3%	8%	16
Netherlands	7.6%	27.6%	Yes	0.4%	63%	Yes	0.4%	-4.0%	26%	28
Poland	2.8%	0.1%	No	1.9%	4%	No	-3.3%		6%	8
Portugal	2.6%	0.3%	No	1.3%	21%	Swing	-2.7%	-3.1%	25%	17
Romania	1.5%	0.0%	No	0.6%	2%	No	-3.0%		9%	5
Slovakia	3.2%	0.0%	Swing	1.0%	2%	Swing	-1.8%	-1.7%	19%	12
Slovenia	1.2%	0.0%	No		2%	Swing	-1.2%	-0.9%	17%	4
Spain	2.5%	6.0%	No	0.2%	8%	Swing	-0.3%	-3.5%	21%	12
Sweden	2.5%	2.2%	Yes	0.4%	14%	Yes	0.5%	-0.5%	22%	16

<sup>(a)</sup> This is the sum of UK bank liabilities and bank claims in the member state.

<sup>(b)</sup> Each channel is given a weight of 1 (moderate), 2 (significant) or 3 (severe), according to the grading in page 8. These are multiplied with scores from this table of 1 (medium), 2 (high) or zero corresponding to each channel. As the output gap and EU perception both relate to uncertainty an average score is used.

Sources: ONS, Bank of England, IMF, European Commission, EU Barometer Survey autumn 2014, CEIC, GC calculations

medium high n/a

Source: Gregor Irwin, *BREXIT: the impact on the UK and the EU*, Global Counsel, London, June 2015, available online at [https://www.global-counsel.co.uk/sites/default/files/special-reports/downloads/Global%20Counsel\\_Impact\\_of\\_Brexit.pdf](https://www.global-counsel.co.uk/sites/default/files/special-reports/downloads/Global%20Counsel_Impact_of_Brexit.pdf)

## Simulation changes in gross contributions, using 2014 EU budget

	Scenario A UK contributions set to zero		Scenario B UK as EEA member	
	€ million	% change	€ million	% change
BE	+191.9	+4.98	+72.0	+1.93
BG	- 4.9	-1.24	-17.1	-4.43
CZ	+74.6	+5.39	+31.6	+2.36
DK	+265.4	+10.71	+186.5	+7.77
DE	+2562.0	+9.03	+1676.4	+6.10
EE	+5.6	+3.05	-0.1	-0.03
IE	+104.4	+6.83	+56.8	+3.84
EL	-59.4	-3.36	-112.6	-6.57
ES	+141.2	+1.39	-172.3	-1.76
FR	+1477.2	+7.02	+827.9	+4.06
HR	+22.7	+5.53	+10.2	+2.57
IT	+791.9	+5.22	+311.1	+2.12
CY	+17.9	+11.13	+13.0	+8.32
LV	-13.5	-5.83	-20.6	-9.20
LT	+12.2	+3.67	+1.7	+0.53
LU	+51.1	+18.05	+42.3	+15.43
HU	+63.9	+6.70	+33.9	+3.67
MT	+8.2	+11.14	+6.0	+8.32
NL	-71.7	-1.13	-269.0	-4.39
AT	+493.0	+15.48	+395.0	+12.80
PL	+207.3	+5.55	+89.3	+2.47
PT	+26.2	+1.58	-24.8	-1.54
RO	+24.3	+1.77	-19.3	-1.45
SI	+30.6	+8.57	+19.7	+5.69
SK	+57.2	+8.38	+35.2	+5.32
FI	+187.0	+9.52	+126.2	+6.63
SE	+421.3	+9.91	+288.7	+0.07

Source: Jorge Núñez Ferrer and David Rinaldi, *The Impact of Brexit on the EU Budget: A non-catastrophic event*, CEPS Policy Brief No. 347, September 2016, available online at <https://www.ceps.eu/publications/impact-brexit-eu-budget-non-catastrophic-event> Last visited on 27 December 2016.

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He said that, while the government recognised the huge contribution made by EU nationals who are here, it would be “unwise” to promise them that they can stay now before the government has secured assurances from EU countries about the rights of British nationals living in their countries. He also said that if the UK did make such a promise now, that might encourage more EU nationals to come to the EU”. See more at “Immigration minister says it would be 'unwise' to promise EU nationals now they can stay in UK”, *The Guardian*, 4 July 2016, available online at <http://www.theguardian.com/politics/live/2016/jul/04/brexit-live-plan-leave-vote-hysteria-boris-johnson?page=with:block-577a752ce4b05db362ab758d#block-577a752ce4b05db362ab758d> Last visited on 24 July 2016.

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[http://ier.ro/sites/default/files/pdf/newsletter\\_iulie\\_en\\_2016.pdf](http://ier.ro/sites/default/files/pdf/newsletter_iulie_en_2016.pdf) Last visited on 24 July 2016.

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66<sup>□</sup> Cristian Badescu, State secretary for European affairs, Ministry of Foreign Affairs, Romania, 4 November 2016, available online at <https://125.agerpres.ro/politica/2016/11/04/badescu-mae-in-zilele-urmatoare-va-fi-anuntat-un-inalt-reprezentant-al-guvernului-pentru-brex-it-12-35-40> Last visited on 27 December 2016.

67<sup>□</sup> Jean-Dominique Giuliani, *What response do we give to Brexit?*, Fondation Robert Schuman, June 2016, available online at [http://www.jd-giuliani.eu/en/article/cat-2/501\\_What-response-do-we-give-to-Brexit.html](http://www.jd-giuliani.eu/en/article/cat-2/501_What-response-do-we-give-to-Brexit.html) Last visited on 24 July 2016.

68<sup>□</sup> Sigmar Gabriel and Martin Schulz, *Europa neu gründen*, available online at <http://www.spiegel.de/media/media-39397.pdf> Last visited on 24 July 2016. (in German language only).

69<sup>□</sup> Ingar Solty, “How not to fix Europe”, *Jacobin*, 29 June 2016, available online at <https://www.jacobinmag.com/2016/06/european-union-sdp-germany-gabriel-schulz-brex-it-austerity-growth/> Last visited on 24 July 2016.

70<sup>□</sup> “What does the future hold? An optimist would say that if the British departure paves the way for a two-speed Europe, it might be easier for Turkey to find a place for itself in the second tier. A pessimist would identify BREXIT as the beginning of the end. If that happens, both all members of the EU and Turkey would end as losers in all domains from security to economics and democracy. That is an outcome that nobody wants.”, Ilter Turan, “BREXIT from a Turkish perspective” *EIR Newsletter*, no. 80, July 2016, available online at [http://ier.ro/sites/default/files/pdf/newsletter\\_iulie\\_en\\_2016.pdf](http://ier.ro/sites/default/files/pdf/newsletter_iulie_en_2016.pdf) Last visited on 24 July 2016.

71<sup>□</sup> Gabriela Drăgan, “On BREXIT, or a victory à la Pyrus”, *EIR Newsletter*, no. 80, July 2016, available online at [http://ier.ro/sites/default/files/pdf/newsletter\\_iulie\\_en\\_2016.pdf](http://ier.ro/sites/default/files/pdf/newsletter_iulie_en_2016.pdf) Last visited on 24 July 2016.

72<sup>□</sup> Jean-Marc Ayrault and Frank-Walter Steinmeier, *A strong Europe in a world of uncertainties*, 27 June 2016, available online at <http://www.voltairenet.org/article192564.html> Last visited on 24 July 2016.

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74<sup>□</sup> *Visegrad Group will present EU reform proposal at the EU summit*, 22 July 2016, available online at [https://www.ms.gov.pl/en/p/msz\\_en/foreign\\_policy/europe/visegrad\\_group/polish\\_presidency\\_of\\_the\\_visegrad\\_group\\_2016\\_2017/visegrad\\_group\\_will\\_present\\_eu\\_reform\\_proposal\\_at\\_the\\_eu\\_summit](https://www.ms.gov.pl/en/p/msz_en/foreign_policy/europe/visegrad_group/polish_presidency_of_the_visegrad_group_2016_2017/visegrad_group_will_present_eu_reform_proposal_at_the_eu_summit) Last visited on 24 July 2016

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