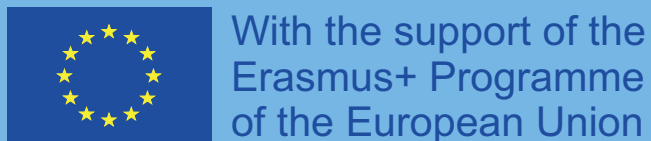


Jean Monnet Module

“Economic Policy in the European Union”

Session 3.3. Brexit and the EU economy: the consequences and reactions to a new community scenario

Salvador Llaudes Cañete



INDEX

A) What is Brexit?

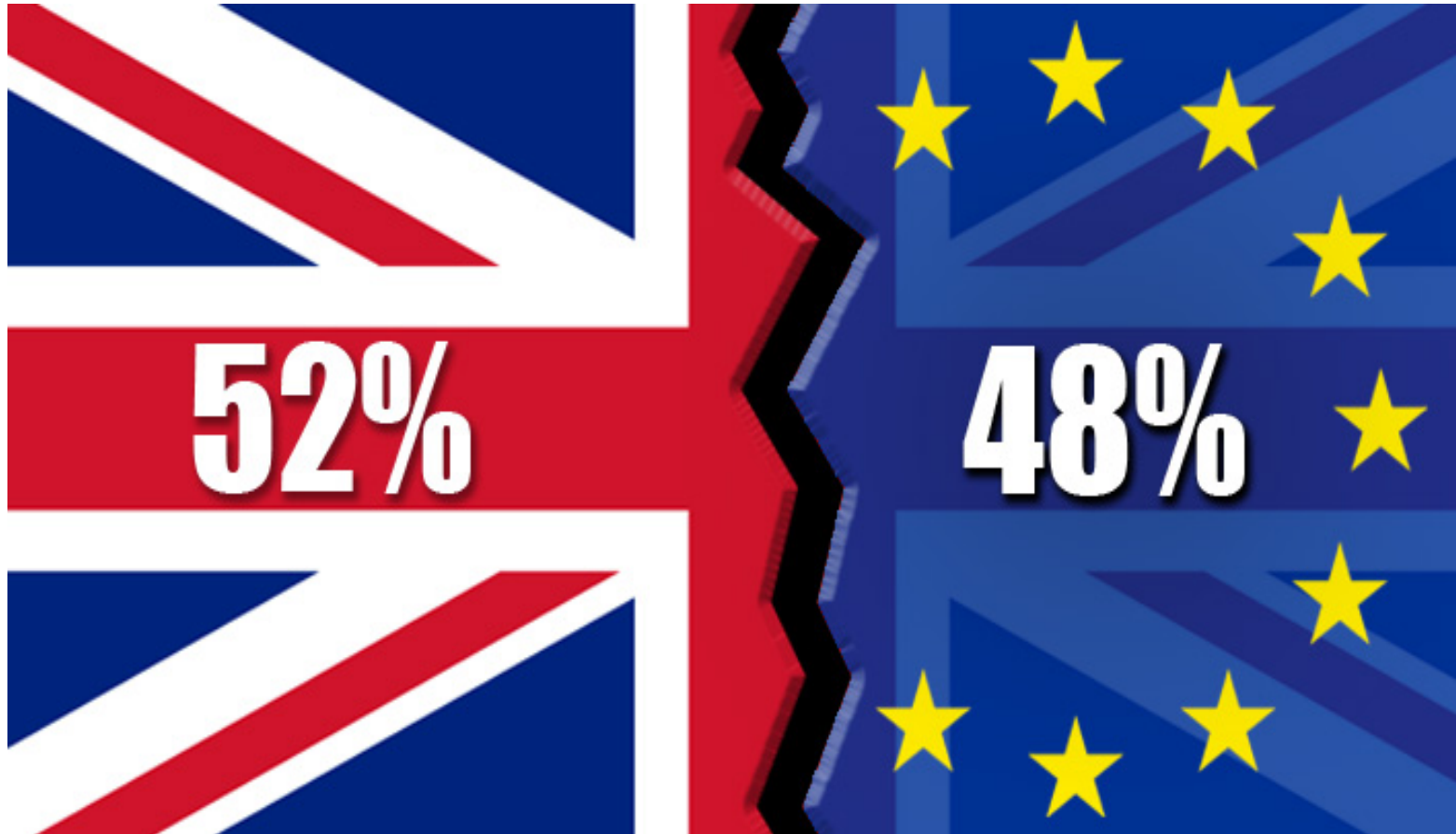
B) Why does Brexit occur?

C) How is Brexit negotiated?

D) What are the short-term consequences of Brexit?

E) What will Brexit imply for the future?

THE REFERENDUM (23 JUNE 2016)



EUROPEAN CONTEXT

- Policrisis (2010-2020)

* Economic, financial, euro crisis

+ with social consequences (inequality, discontent)

+ with political consequences (rise of populism, internal north-south division)

* Migration or refugee crisis (internal east division) -west)

* Crisis of the Rule of Law (Poland, Hungary ...)

* International sphere

+ Russia (Ukraine / Crimea)

+ USA (Trump - change with Biden)

+ China (systemic rival)

+ Brexit (first time someone leaves EU)

+ COVID-19 Management (borders, NextGenerationEU, vaccination)

THE PARTICULAR POSITION OF THE UNITED KINGDOM IN THE EUROPEAN UNION

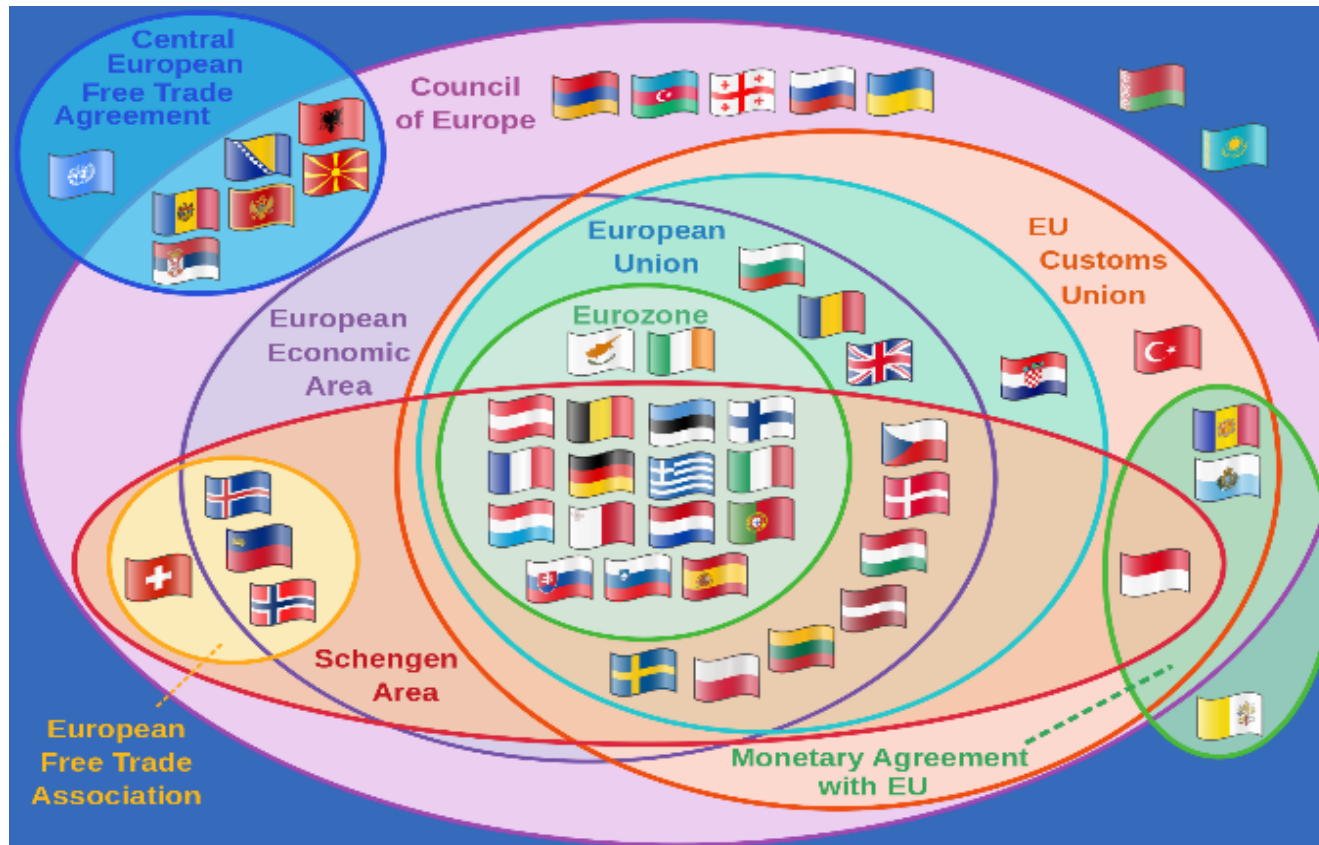
The UK has always had an ambivalent relationship with Europe:

- Geography (island)
- History (Napoleon, Hitler, veto FR)
- Foreign Policy (USA, Commonwealth)

It understands the EU as a free trade project and not as a political project.

Advances are evaluated in a practical way (cost-benefit and, where appropriate, opt-out).

BUT... EUROPE IS INTEGRATED IN A DIFFERENT WAY



NO TO THE EUROPEAN COMMUNITIES, YES TO EFTA



THE HISTORY IS NOT LINEAR



CAMERON'S FOUR BLOCKS

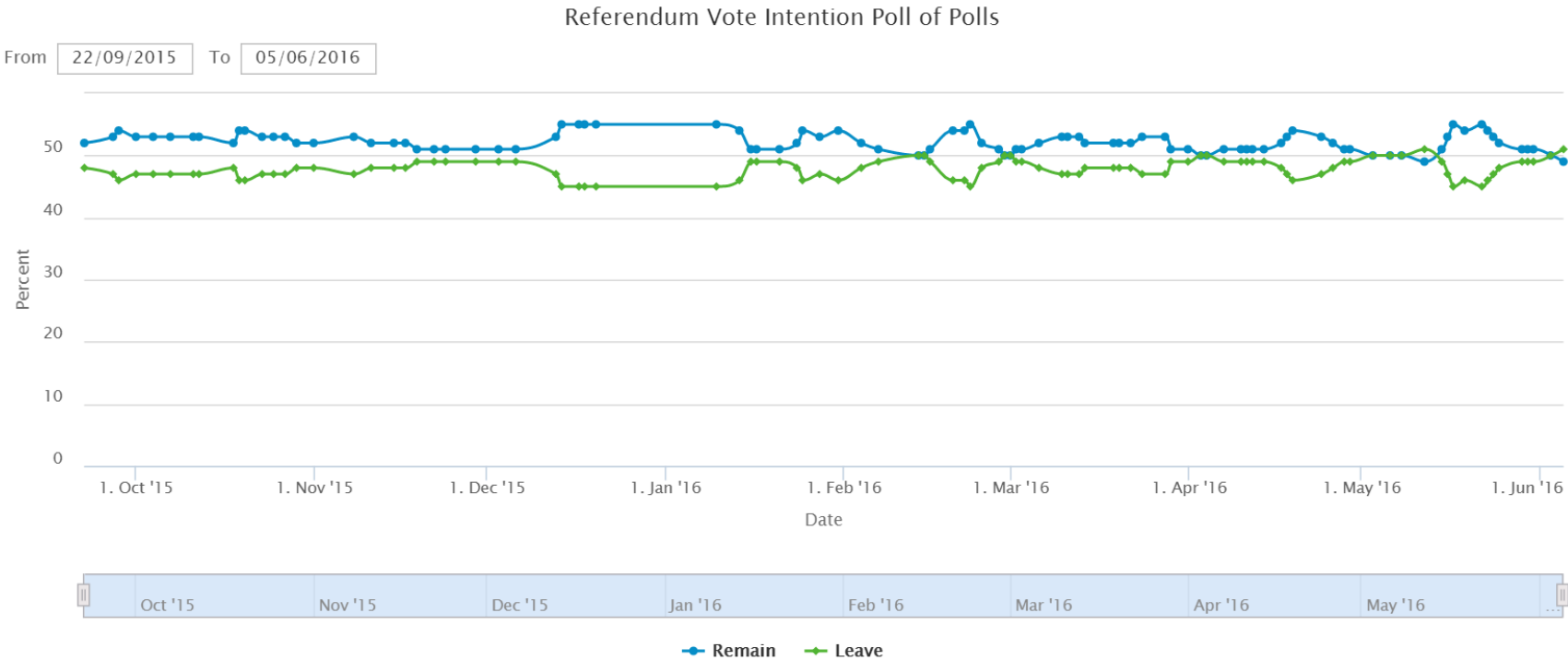
Economic governance: *Ensure that the Eurozone does not become the core of the EU and that non-euro EU member states will not be disadvantaged within the EU.*

Competitiveness: *Offer greater powers to national parliaments to block EU legislations: “create a clear long-term commitment to boost the competitiveness and productivity of the European Union and to drive growth and jobs for all.”*

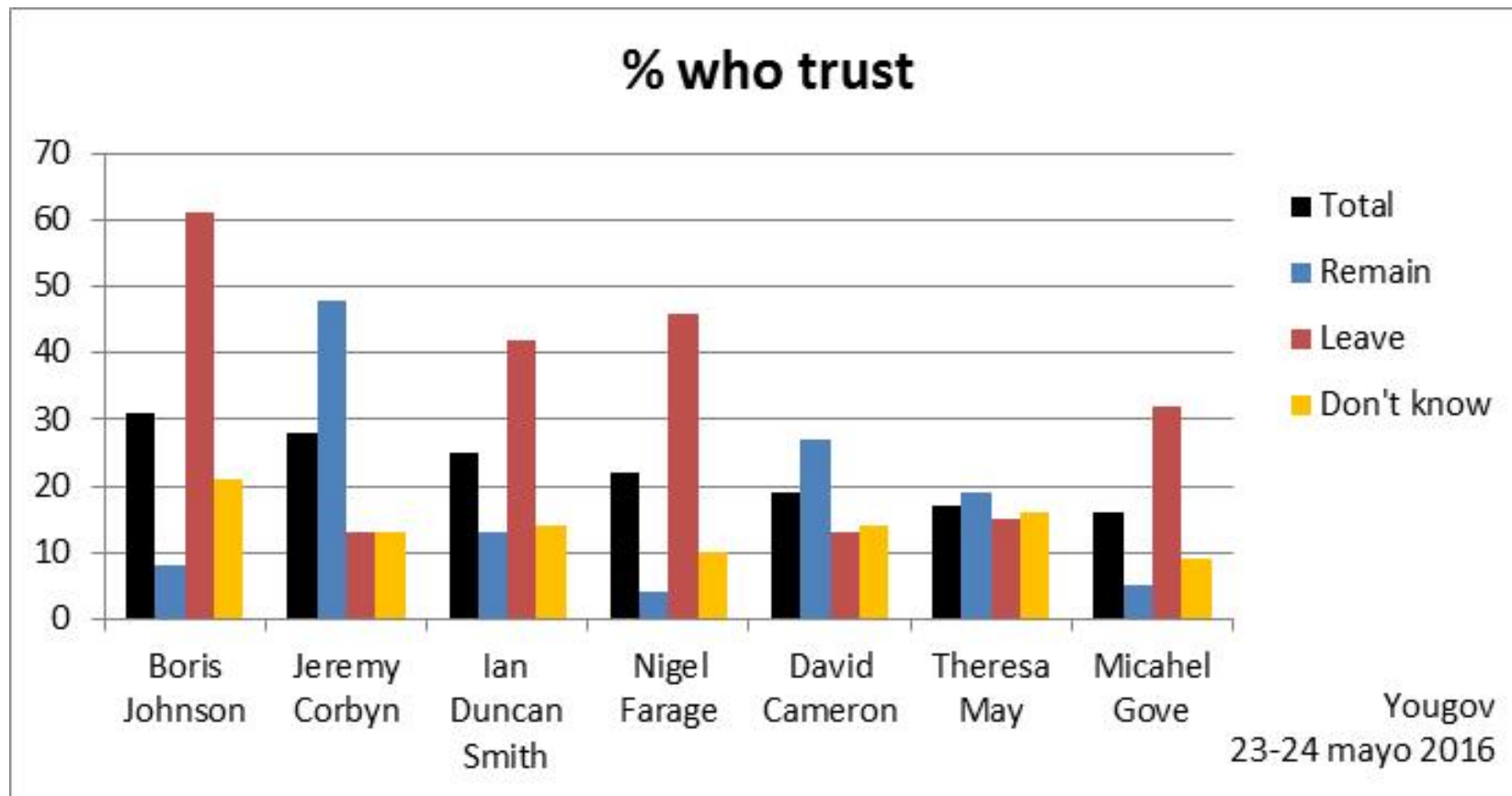
Sovereignty: *Allow Britain to opt out from the EU’s founding ambition to forge an “ever closer union” so it will not be drawn into further political integration*

Immigration: *Restrict the access of EU migrants to social benefits*

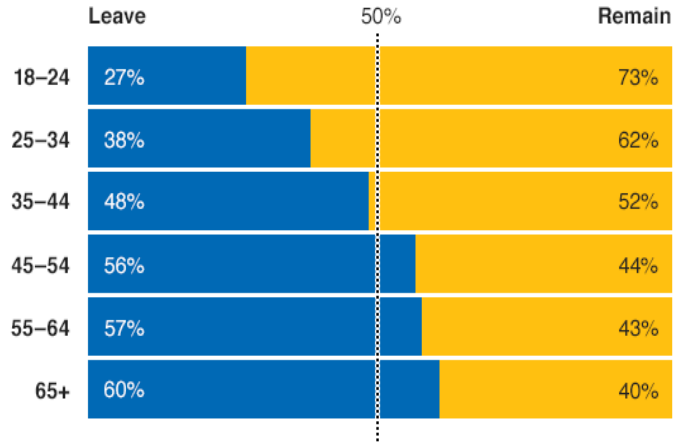
WHAT DID THE SURVEYS SAY?



SUPPORT FOR LEADERS (PRE-REFERENDUM)



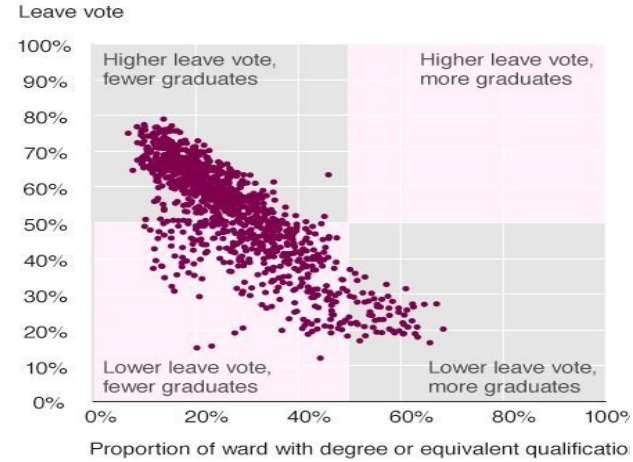
How different age groups voted



Source: Lord Ashcroft Polls

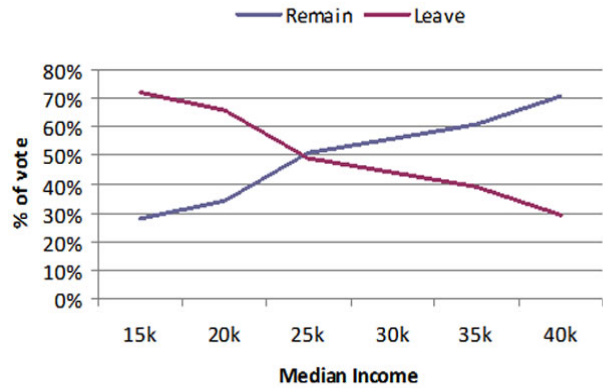


Wards with more graduates had lower Leave vote



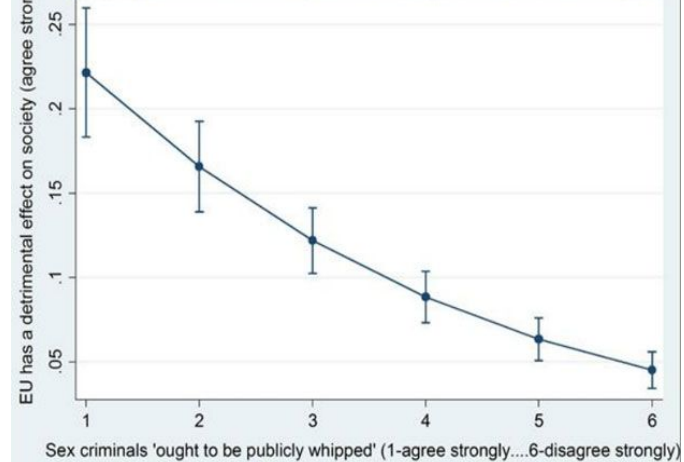
Source: BBC analysis of 1070 local government wards

Voter preference by income



Source: ONS/Lord

Whipping Criminals and Opinion of EU (British Values Survey)



VOTER PROFILE

- The supporter of remaining typical is: (a) from the center-left, (b) young, (c) from an urban environment, (d) middle / upper social class and (e) with a high level of studies.
- The supporter of the exit is: (a) conservative, (b) older, (c) from rural areas, (d) middle / lower social class, and (e) little level of education (distrust the experts).

CHANGE IN TORY LEADERSHIP (AND IN GOVERNMENT)



FUNDAMENTAL PRINCIPLES FOR THE EU

- Unity at 27.
- No negotiation without notification.
- Indivisibility of the 4 freedoms.
- EU's looking forward, not backwards. -EU's deal with UK falls.

THE EUROPEAN NEGOTIATOR: MICHEL BARNIER



THE FORMAL NOTIFICATION: MARCH 29, 2017



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

29 March 2017

Dear President Tusk

On 23 June last year, the people of the United Kingdom voted to leave the European Union. As I have said before, that decision was no rejection of the values we share as fellow Europeans. Nor was it an attempt to do harm to the European Union or any of the remaining member states. On the contrary, the United Kingdom wants the European Union to succeed and prosper. Instead, the referendum was a vote to restore, as we see it, our national self-determination. We are leaving the European Union, but we are not leaving Europe – and we want to remain committed partners and allies to our friends across the continent.

Earlier this month, the United Kingdom Parliament confirmed the result of the referendum by voting with clear and convincing majorities in both of its Houses for the European Union (Notification of Withdrawal) Bill. The Bill was passed by Parliament on 13 March and it received Royal Assent from Her Majesty The Queen and became an Act of Parliament on 16 March.

Today, therefore, I am writing to give effect to the democratic decision of the people of the United Kingdom. I hereby notify the European Council in accordance with Article 50(2) of the Treaty on European Union of the United Kingdom's intention to withdraw from the European Union. In addition, in accordance with the same Article 50(2) as applied by Article 106a of the Treaty Establishing the European Atomic Energy Community, I hereby notify the European Council of the United Kingdom's intention to withdraw from the European Atomic Energy Community. References in this letter to the European Union should therefore be taken to include a reference to the European Atomic Energy Community.

APRIL 2017 GUIDELINES

- Need to act with one voice during negotiations.
- Impossibility of cutting up the fundamental freedoms of the Union.
- The future agreement should be based on a balance between rights and obligations.
- Also, the desire for the future association with the United Kingdom to be close was announced, without this implying, on the other hand, the enjoyment of the same rights and advantages as any of the Member States, so as not to encourage future exits from the EU.

APRIL 2017 GUIDELINES

-The guidelines also speak of the need to divide the exit negotiations (which would last 2 years unless there were extensions, as was the case finally) into two phases, with preliminary conversations on the framework of the new relationship not beginning until the second of the phases, as well as the possibility of establishing some type of transitional period.

- In the same way, in the aforementioned text the fundamental axes of the exit negotiation are already mentioned, always under the principle of "nothing is agreed until everything is agreed": * safeguard the rights of the affected citizens, * achieve a settlement between the UK and the EU. * effectively resolve the Irish-Northern Ireland border issue.

- CAG approves the guidelines in May 2017.

UK ELECTIONS 2017: LOSS OF THE ABSOLUTE MAJORITY



EU-UK NEGOTIATIONS

- DECEMBER 2017: “SUFFICIENT PROGRESS” TO GO TO THE SECOND PHASE -FEBRUARY 2018: FIRST DRAFT WITHDRAWAL AGREEMENT
- NOVEMBER 2018: TERMINATION OF THE WITHDRAWAL AGREEMENT + FUTURE DECLARATION
- PARLIAMENTARY FAILURES
- FIRST MARCH CHANGE
- FIRST MARCH CHANGE 2019 ... FINALLY UNTIL JANUARY 31, 2020). BREXIT EFFECTIVE THEN (BUT WITH TRANSITION PERIOD)
- FINAL TRANSITION (AND NEW AGREEMENT) DECEMBER 31, 2020

“YOU CAN HAVE YOUR CAKE AND EAT IT”



ENRIQUE FEÁS AND ÁLVARO ANCHUELO, ON THE TRADE AND COOPERATION AGREEMENT BETWEEN THE UNITED KINGDOM AND THE EU-27:

“The good news is that a no-deal exit has been saved, which would have been catastrophic for many sectors and harmful to bilateral cooperation. The bad news is that, even assuming for both parties a reasonable fulfillment of their negotiating objectives, it is a minimum agreement that is limited to liberalizing trade in goods (including agricultural and fisheries), but it maintains many frictions and presents very little ambition in the scope of services and movement of people. In short, a significant setback in terms of integration, the costs of which will cease to be merely theoretical and will begin to manifest themselves in a practical way in the coming months ”.

BRIEF CONCLUSIONS

- THE BREXIT WAS NOT INEVITABLE.
- IMMEDIATE IMPLICATION UNITED KINGDOM: POLITICAL DISORIENTATION.
- IMMEDIATE IMPLICATION EUROPEAN UNION: UNIT A 27 TO ADDRESS THE MANAGEMENT OF BREXIT.
- ANY DISINTEGRATION AGREEMENT IS BAD, BUT THE PARTIES ARE CONDEMNED TO UNDERSTAND.
- THE FUTURE IS UNCERTAIN. EXAMPLE OF COVID-19.

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