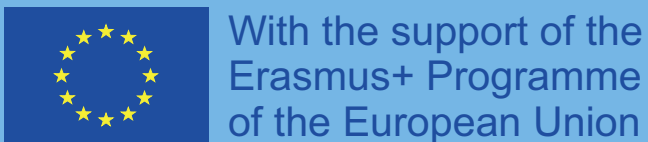


# Jean Monnet Module

## “Economic Policy in the European Union”

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

Dr Óliver Soto Sainz



# INDEX

1. Introduction
2. Brexit context
3. The road to Brexit
4. The referendum: results
5. The Brexit negotiation
6. The short-term consequences of Brexit
7. The long-term consequences of Brexit

# 1. INTRODUCTION

Definition of Brexit

Relevance of the phenomenon

- European Union-specific weight loss
- First time someone has left the Union
- Question Towards the Future: The Cascade Effect

## 2. BREXIT CONTEXT

There is a cluster of factors that come together

- International context
- Context of the European Union
- Context of the United Kingdom

# INTERNATIONAL CONTEXT

The world changes in the middle of the decade after the crisis:

- Trump's election in the United States
- Russia (Ukraine/Crimea)
- China's emergence as a systemic rival

# EUROPEAN CONTEXT

The multiple crises of the decade 2010-2020

- Economic and financial, with consequences
  - Social (inequality, discontent)
  - Politics (rise of populism, internal North-South divide)
- Euro crisis and its resolution
- Migration or refugee crisis (internal east-west divide)
- Crisis of the rule of law (Poland, Hungary...)

# BRITISH CONTEXT

The UK has always had an ambivalent relationship with Europe:

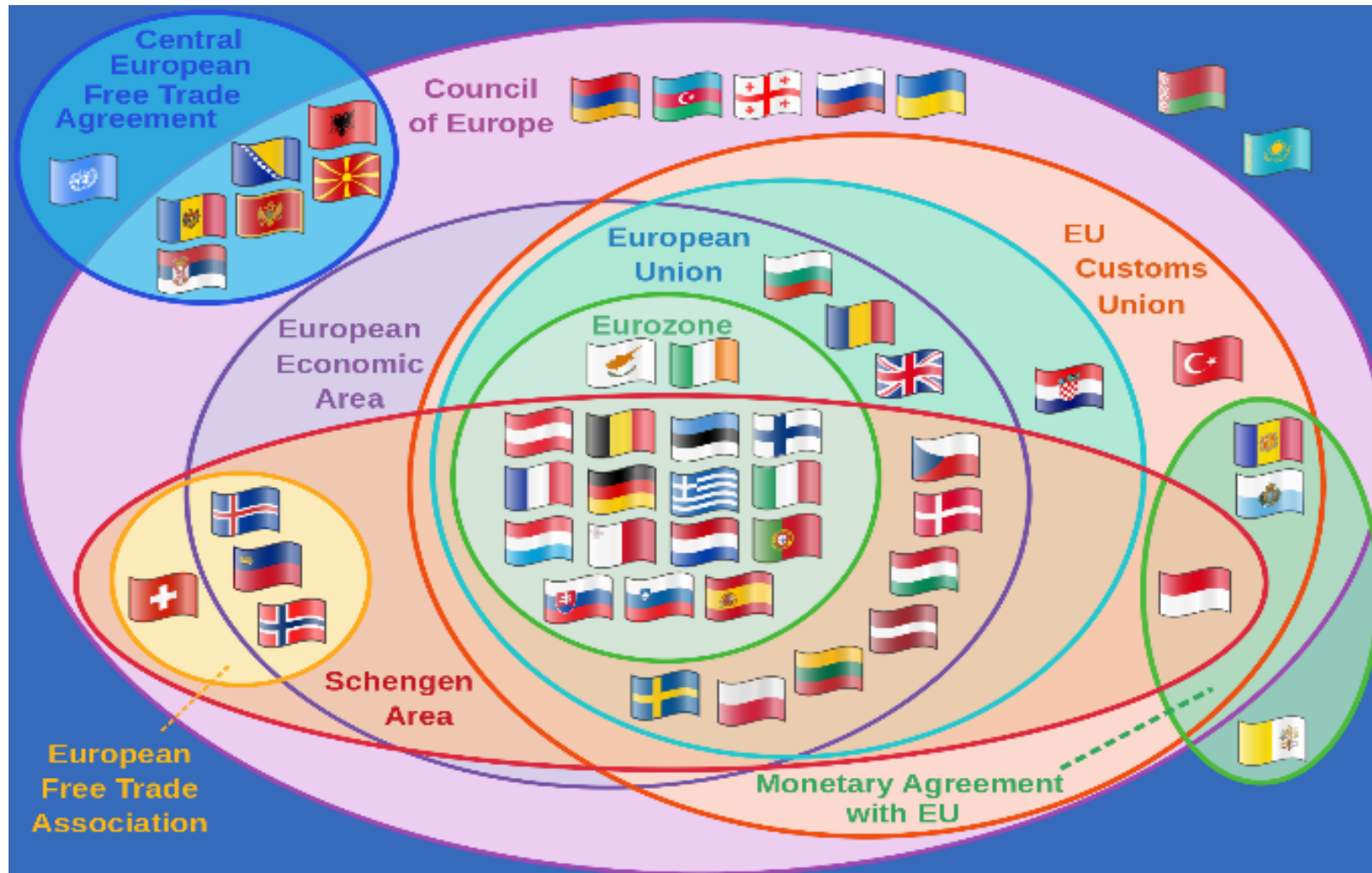
- Island geography
- Peculiar History: The Balance of Power
- Foreign policy
  - Relationship with the United States
  - The Commonwealth
- France's veto of membership of the European Communities

# NO TO THE EUROPEAN COMMUNITIES, YES TO EFTA





# EUROPE IS INTEGRATED IN LEVELS



# BRITISH CONTEXT

The UK has had a different perception of the European project:

- EFTA's failure
- The EU as a free trade project and not as a political project
- Practical evaluation (cost-benefit) of the EU
- Fulfillment of commitments in dissent
- The use of opt-out as a political strategy

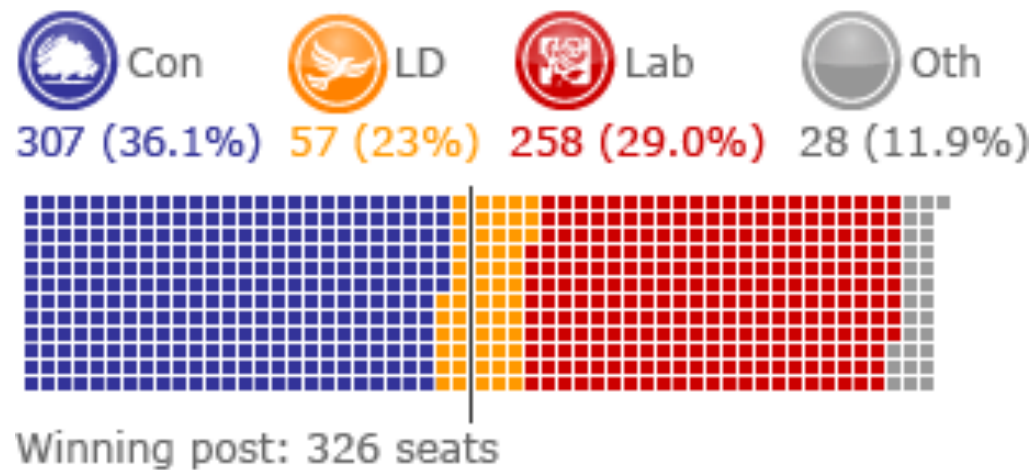
# HISTORY IS NOT LINEAR



# 3. THE ROAD TO BREXIT

British majority democracy

Status of "Hung Parliament"



Fuente: BBC

# COALITION GOVERNMENT

- Development in crisis context
- Non-compliance with liberal program
- Economic recovery

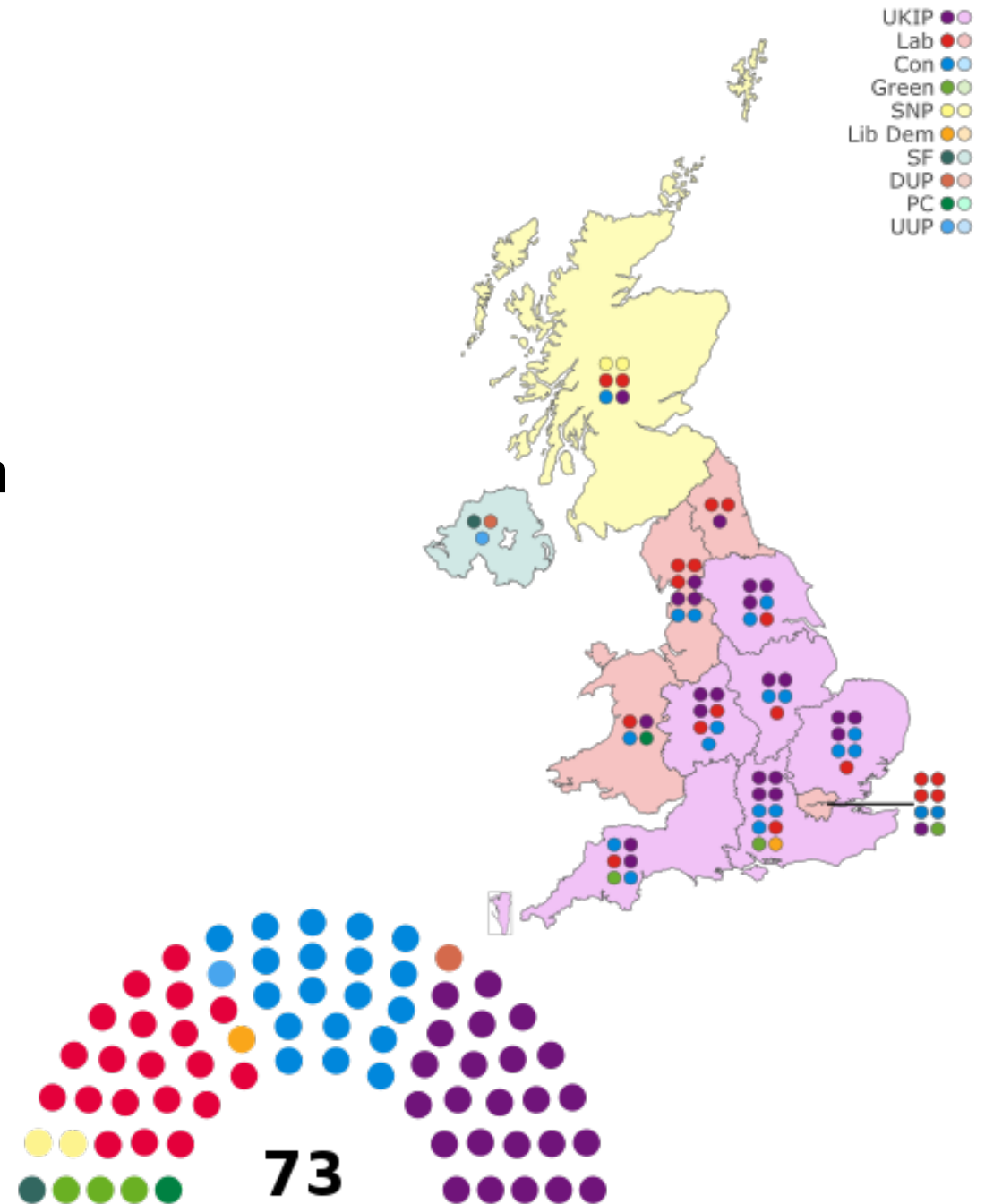


# NEW CLEAVAGES

## 2014 European Parliament election

Party	Votes	%	MEPs	+/-
UK Independence Party	4,376,635	27.49 (+10.99)	24	+11
Labour	4,020,646	25.40 (+9.67)	20	+7
Conservative	3,792,549	23.93 (-3.80)	19	-7
Green	1,255,573	7.87 (-0.75)	3	+1
Scottish National Party	389,503	2.46 (0.34)	2	0
Liberal Democrat	1,087,633	6.87 (-6.87)	1	-10
Sinn Fein	159,813	- (-)	1	0
Democratic Unionist Party	131,163	- (-)	1	0
Plaid Cymru	111,864	0.71 (-0.13)	1	0
Ulster Unionist Party	83,438	- (-)	1	0

Source: Wikipedia



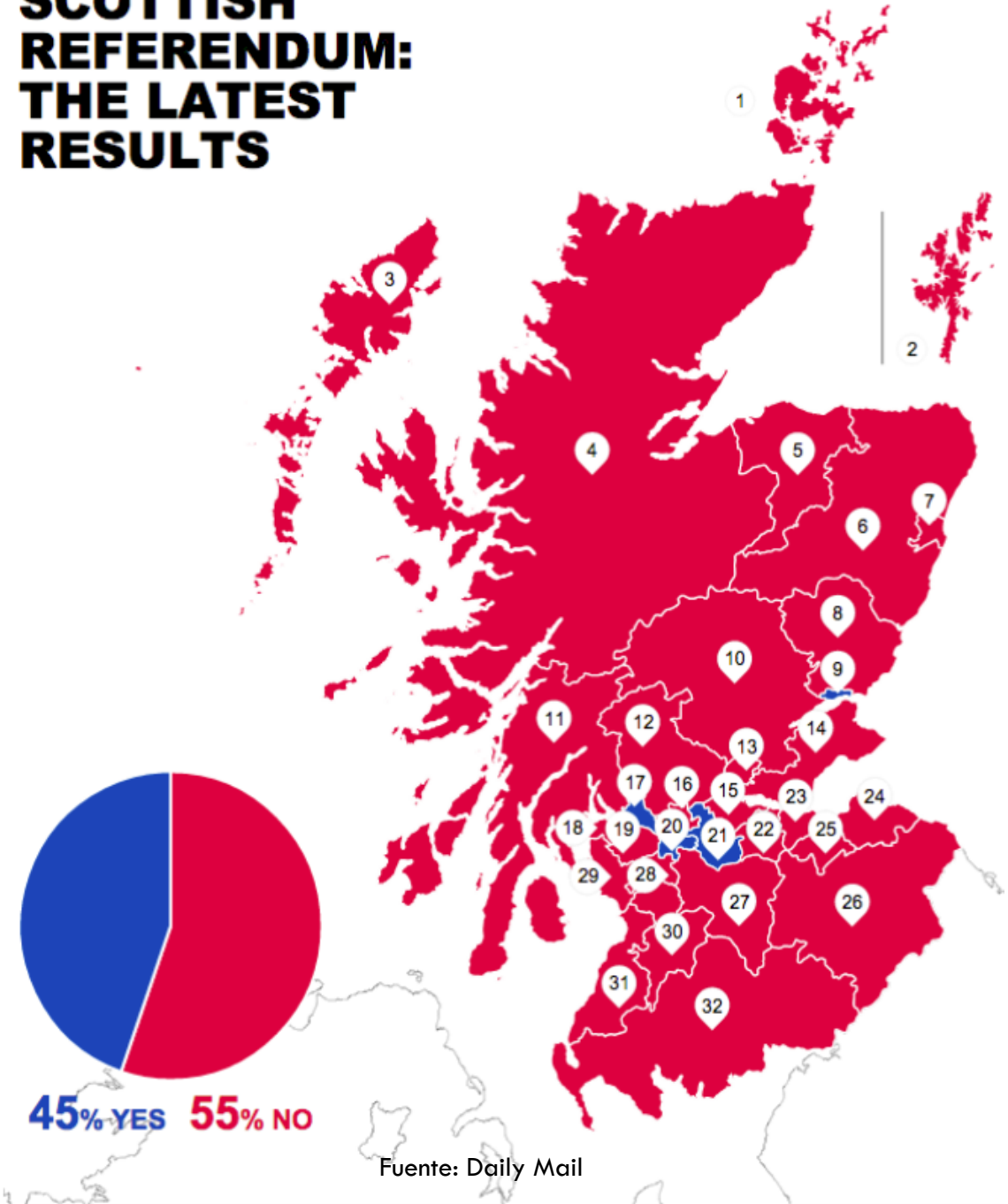
# NEW CLEAVAGES

Independence referendum  
of Scotland in the sense of the  
Cameron government

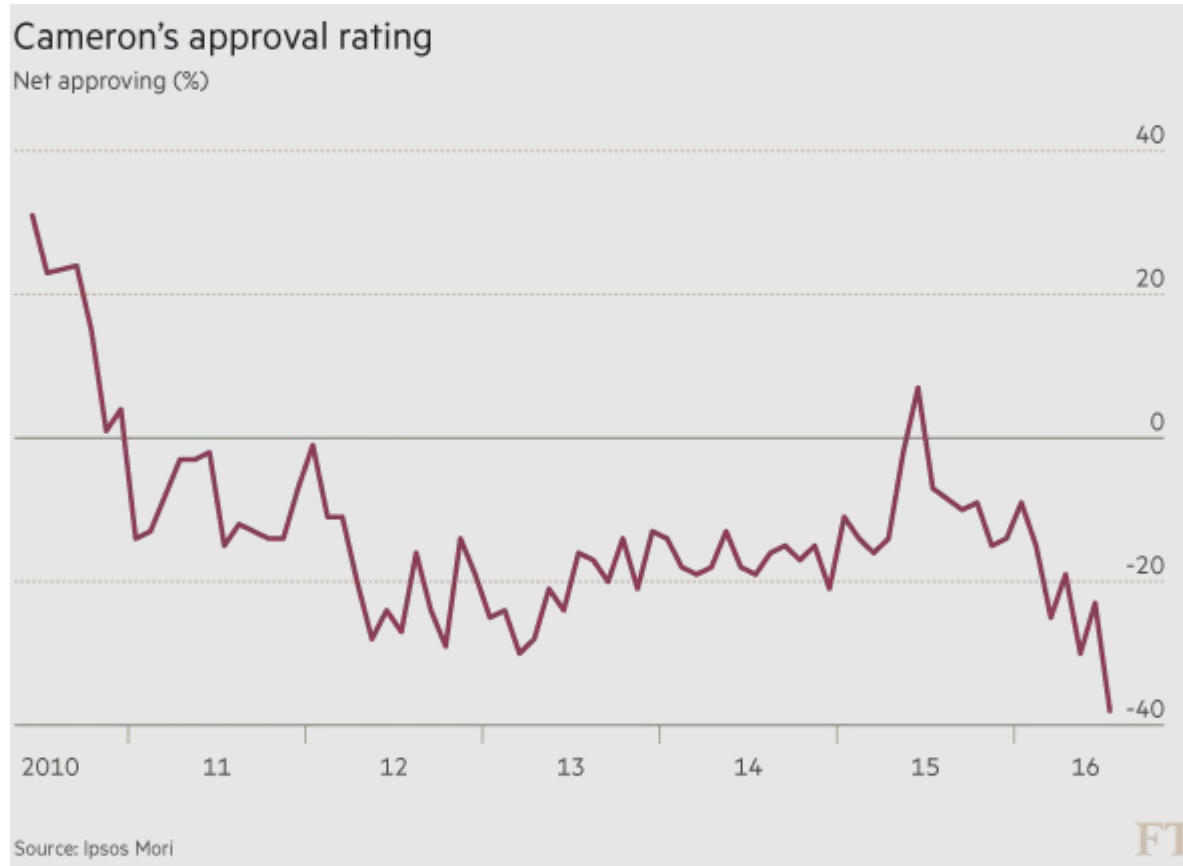
Effects of the referendum on public  
opinion

The search for an absolute majority  
and intra-government  
competition

## SCOTTISH REFERENDUM: THE LATEST RESULTS



# CAMERON'S POPULARITY





# CAMERON'S GAME



# CAMERON'S GAME

Negotiation as a way to a new opt out

The threat to the referendum as a negotiating position for treaties

# THE BLOCKS OF CAMERON'S NEGOTIATING POSITION

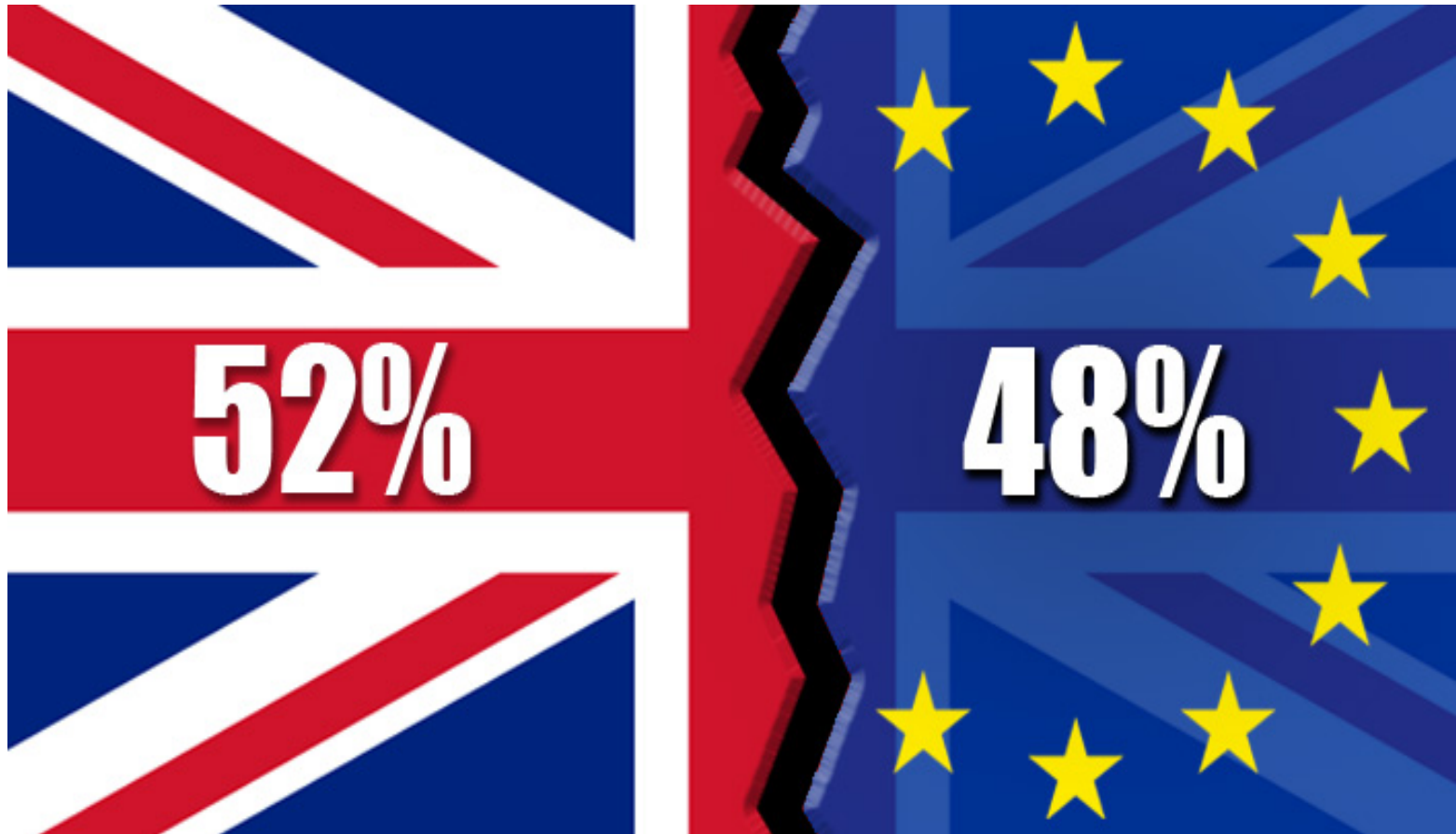
**Economic governance:** ensuring that the eurozone does not become the core of the EU and that non-euro area EU member states are not disadvantaged within the EU.

**Competitiveness:** Give national parliaments greater powers to block EU legislation: "create a clear long-term commitment to boost the competitiveness and productivity of the European Union and boost growth and jobs for all".

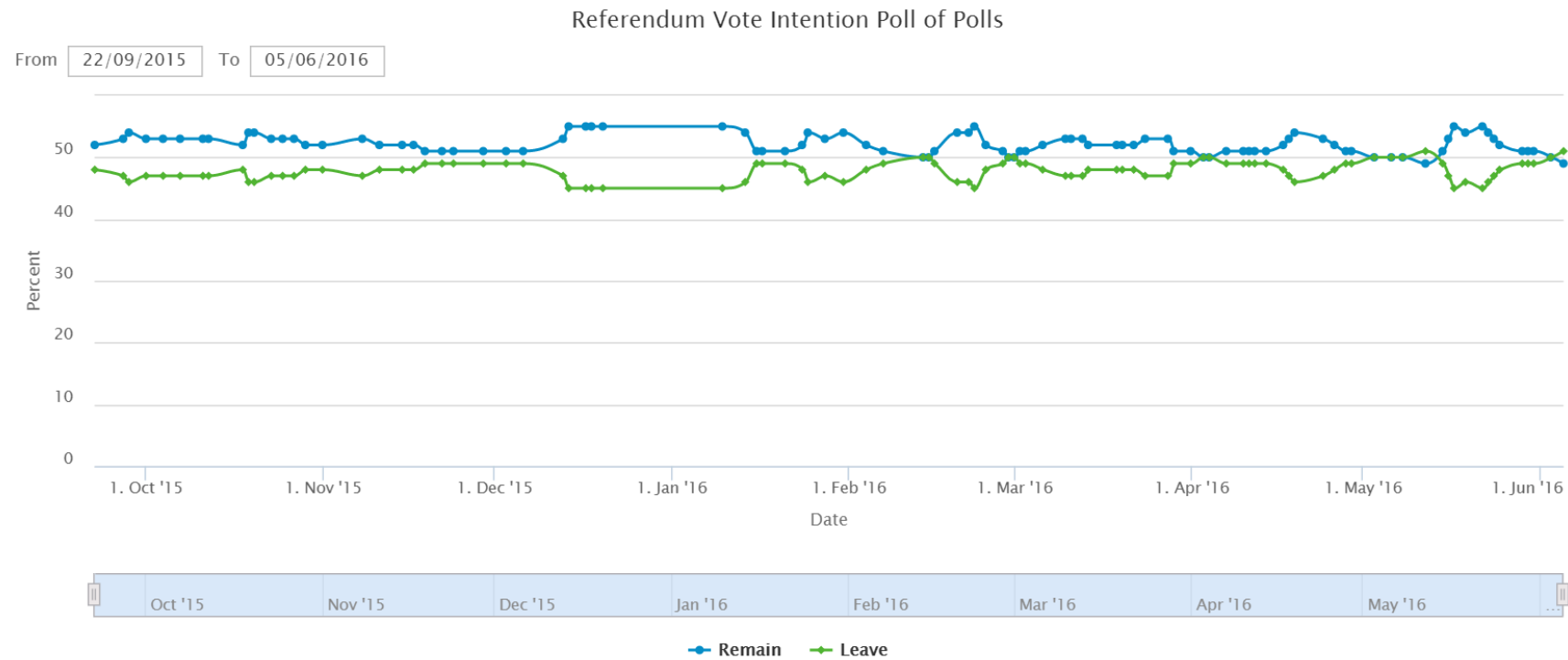
**Sovereignty:** allowing Britain to opt out of the EU's founding ambition to forge an "ever closer union" so that it is not dragged into greater political integration.

**Immigration:** restricting EU migrants' access to social benefits

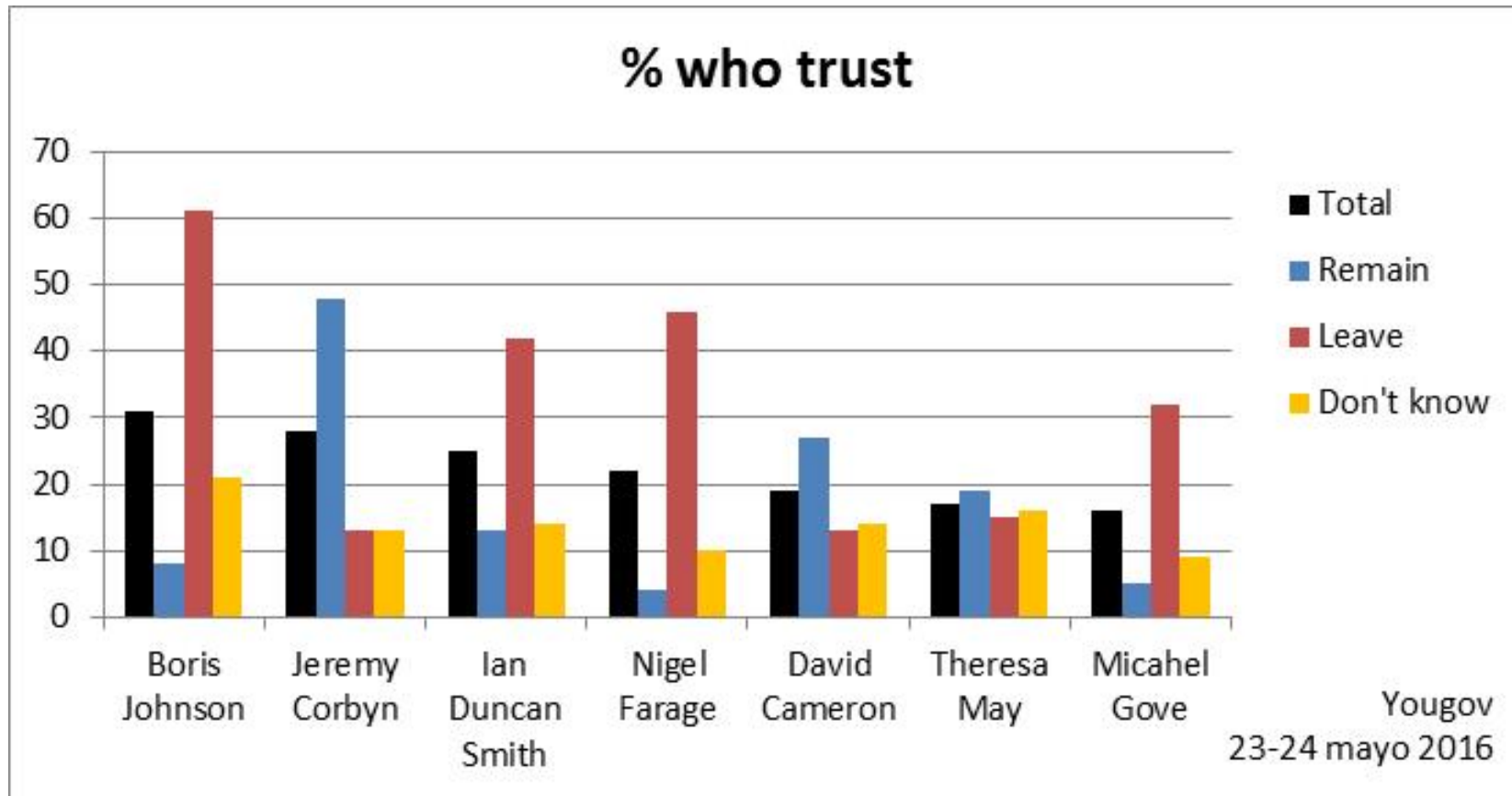
## 4. THE REFERENDUM: RESULTS



# WHAT DID THE POLLS SAY?



# SUPPORT FOR LEADERS (PRE-REFERENDUM)

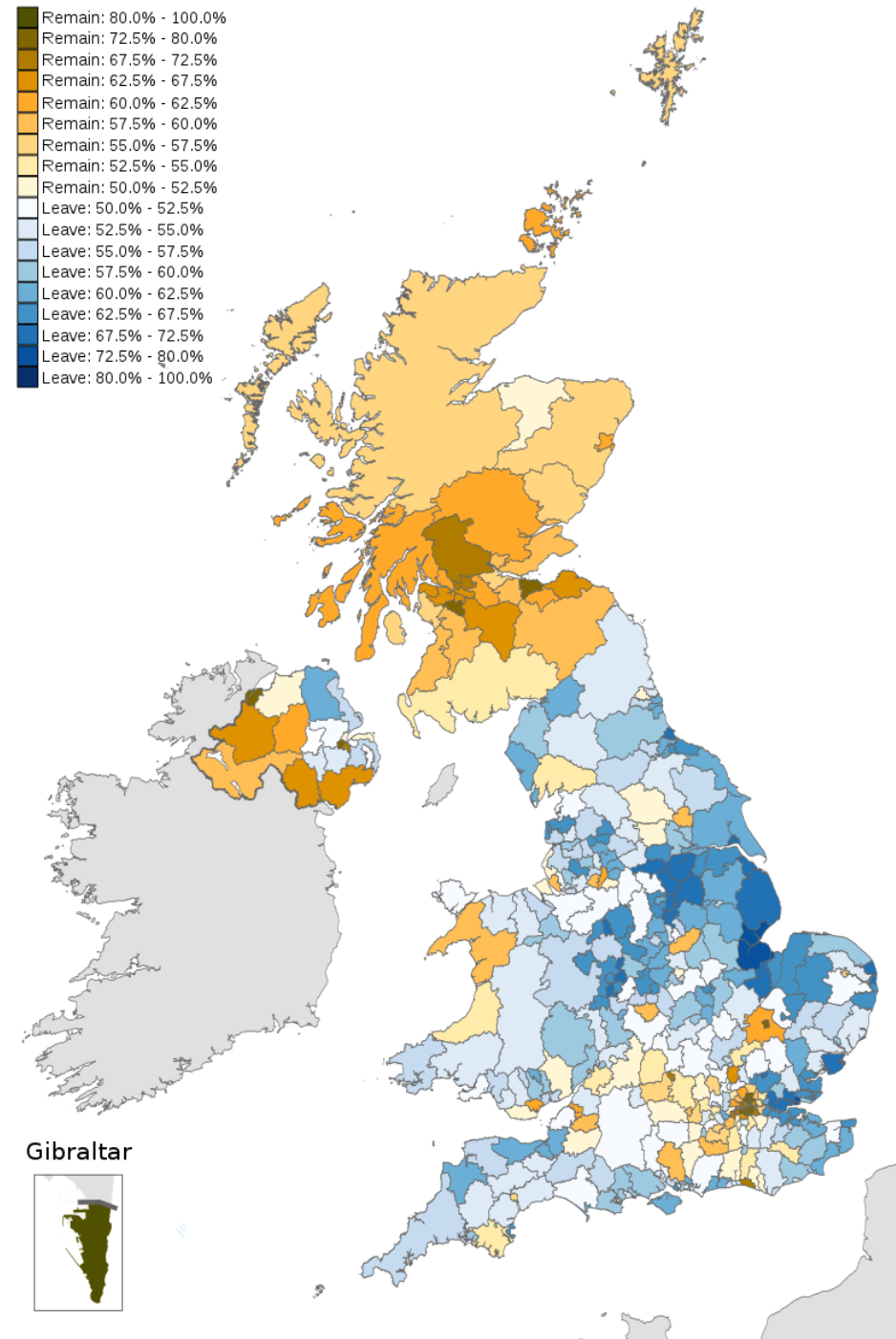


# REFERENDUM RESULTS

Elección	Votos	%
<b>Abandonar la Unión Europea</b>	<b>17,410,742</b>	<b>51.89</b>
<b>Seguir siendo miembro de la Unión Europea</b>	16,141,241	48.11
Votos válidos	33,551,983	99.92
No válidos o en blanco	25,359	0.08
<b>Votos totales</b>	<b>33,577,342</b>	<b>100.00</b>
Votantes registrados y participación	46,500,001	72.21
Fuente: Electoral Commission <a href="#">[6]</a>		

# REFERENDUM RESULTS

- Very uneven results depending on the territory
- Great support for remaining in Scotland, Ireland and, to a lesser extent, Wales
- Support for staying in London and its metropolitan area
- Triumph of Brexit in more rural areas of England



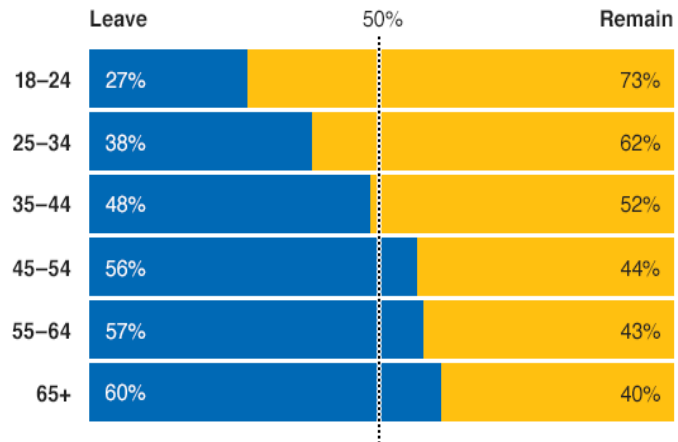


# VOTER PROFILE

- The supporter of remaining typical is: (a) center-left, (b) young, (c) urban, (d) middle/upper social class and (e) highly educated.
- The supporter of the exit is: (a) conservative, (b) older, (c) rural, (d) middle / lower social class, and (e) low level of education

# CLEAVAGES IN THE VOTING PATTERN

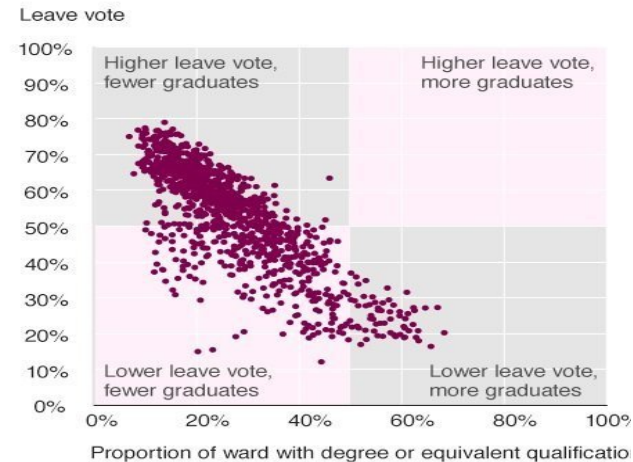
How different age groups voted



Source: Lord Ashcroft Polls

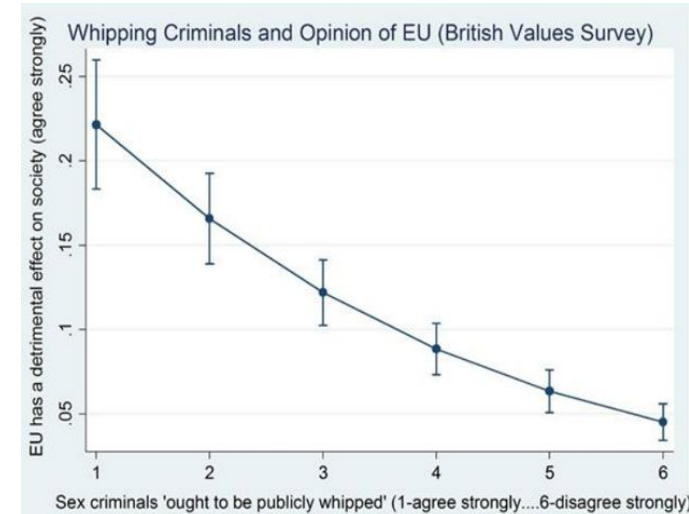
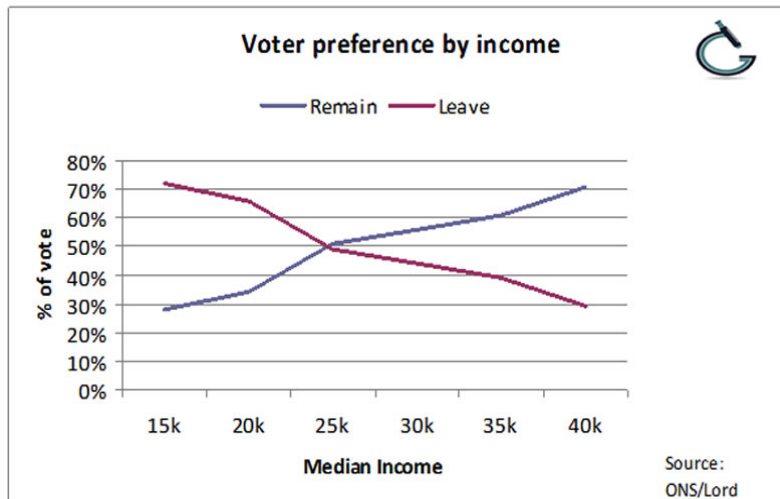


Wards with more graduates had lower Leave vote

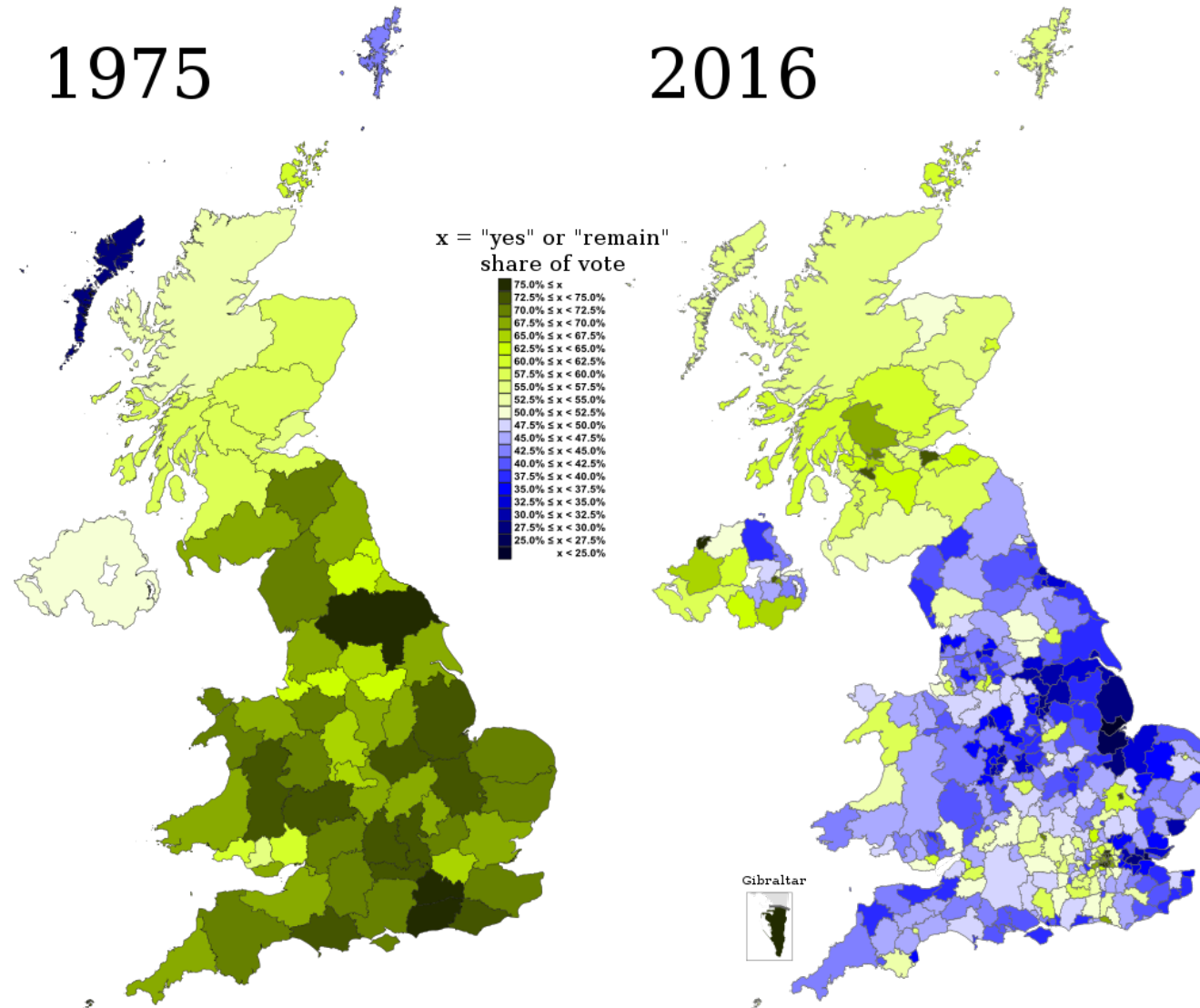


Source: BBC analysis of 1070 local government wards

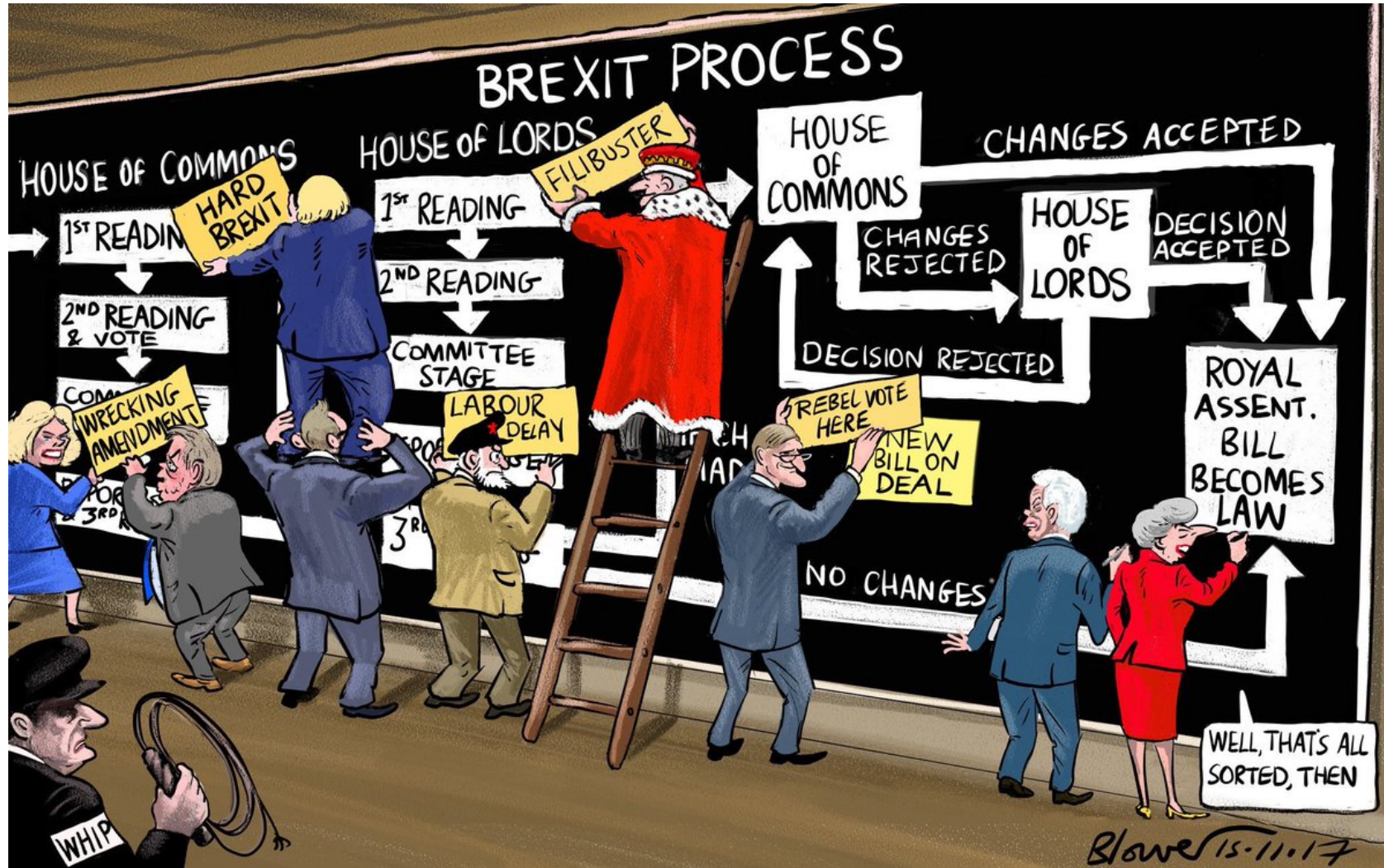
# CLEAVAGES IN THE VOTING PATTERN



# BREXIT AND BRIMAIN, YESTERDAY AND TODAY



# 5. THE BREXIT NEGOTIATION



# CHANGE IN TORY LEADERSHIP (AND GOVERNMENT)



# FUNDAMENTAL PRINCIPLES FOR THE EU

Unit at 27

No negotiation without notification

Indivisibility of the 4 freedoms

- Free movement of goods.
- Free movement of workers.
- Free movement of services.
- Free movement of capital.

The EU looks forward, not backward

The EU's agreement with the UK falls.

# EL NEGOCIADOR EUROPEO: MICHEL BARNIER





# FORMAL NOTIFICATION: 29 MARCH 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.

# ORIENTATIONS APRIL 2017

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

# ORIENTATIONS APRIL 2017

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

# ORIENTATIONS APRIL 2017

Similarly, the aforementioned text already mentions the fundamental axes of the exit negotiation, always under the principle of "nothing is agreed until everything is agreed":

- Safeguarding the rights of affected citizens
- Achieving a financial settlement between the UK and the EU
- Effectively resolving the issue of the border of Ireland and Northern Ireland

# 2017 ELECTION: LOSS OF ABSOLUTE MAJORITY OF MAY



# EU-UK NEGOTIATIONS

- December 2017: "sufficient progress" to move to second phase
- February 2018: First draft withdrawal agreement
- November 2018: Termination of withdrawal agreement + future declaration -parliamentary failures -change in Tory leadership
- March 2019: extensions (the first)...
- ... finally until January 31, 2020) when Brexit is effective (but with a transition period)
- 31 December 2020: End of transition (and new agreement)

# 6. SHORT-TERM CONSEQUENCES

“You can have  
your cake and  
eat it”



# 6. SHORT-TERM CONSEQUENCES

- Brexit was not inevitable but the actions of the actors led to it irretrievably
- Immediate impact on the UK: political disorientation and risk of bankruptcy in the country
- Immediate impact of the European Union: unity to 27 to face the management of Brexit
- Any disintegration agreement is bad, but the parties are doomed to understand each other.

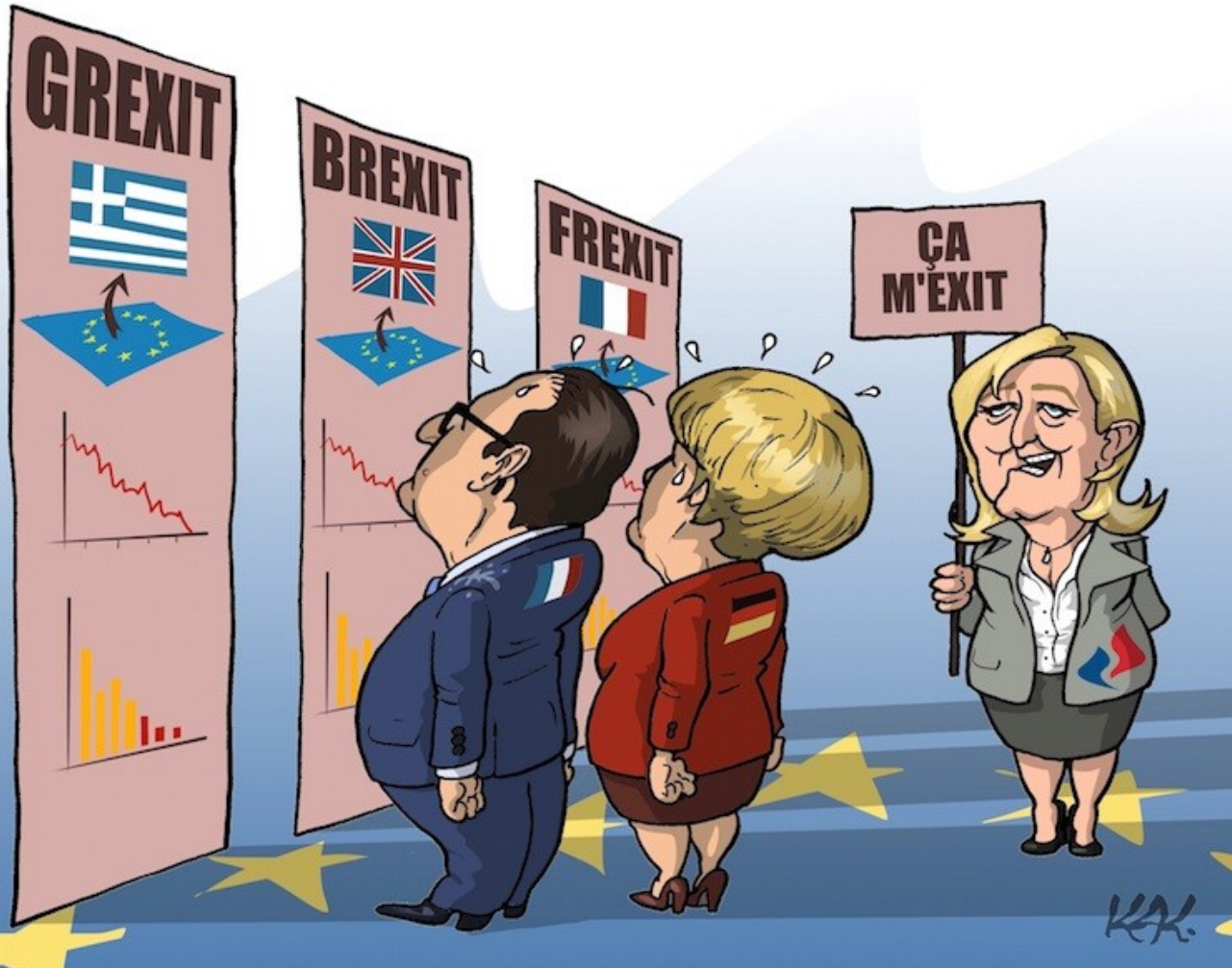


# BACK TO SQUARE ONE

Enrique Feás and Álvaro Anchuelo, on the Trade and Cooperation Agreement between the UK and the EU-27:

"The good news is that a no-deal exit has been saved that 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 maintains numerous frictions and presents a very low ambition in the field of services and movement of people. In short, a significant setback in terms of integration whose costs will cease to be merely theoretical and will begin to manifest themselves in a practical way in the coming months".

# 7. LONG-TERM CONSEQUENCES



# 7. LONG-TERM CONSEQUENCES



# 7. LONG-TERM CONSEQUENCES

- The EU has lost specific economic and military weight as a global actor
- ... but the EU has gained in the capacity for unitary action
  - Removing your brakes
  - Reducing the disintegrating factor of the United Kingdom
- The disappearance of the United Kingdom from the equation, together with the health crisis, have led to radical changes in the approach

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Call for Proposals: 2020 - EAC-A02-2019-JMO

Reference: 620595-EPP-1-2020-1-ES-EPPJMO-MODULE



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