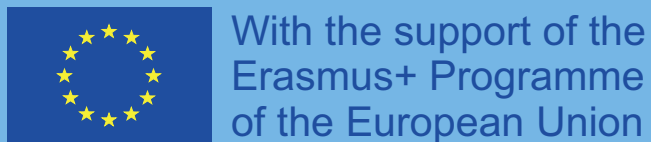


# Jean Monnet Module

## “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

Brexit definition

Relevance of the phenomenon

- Loss of specific weight of the European Union
- First time someone leaves the Union
- Question mark for the future: the cascade effect

## 2. BREXIT CONTEXT

There are a multiple factors that come together

- International context
- European Union context
- UK context

# INTERNATIONAL CONTEXT

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

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

# EUROPEAN UNION CONTEXT

The multiple crises of the 2010-2020 decade

- Economic and financial, with consequences
- Social (inequality, discontent)
- Politics (rise of populism, internal north-south divide)
- Euro crisis and its resolution
- Immigration or refugee crisis (internal east-west divide)
- Crisis of the Rule of Law (Poland, Hungary...)

# UK CONTEXT

The UK has always had an ambivalent relationship with Europe:

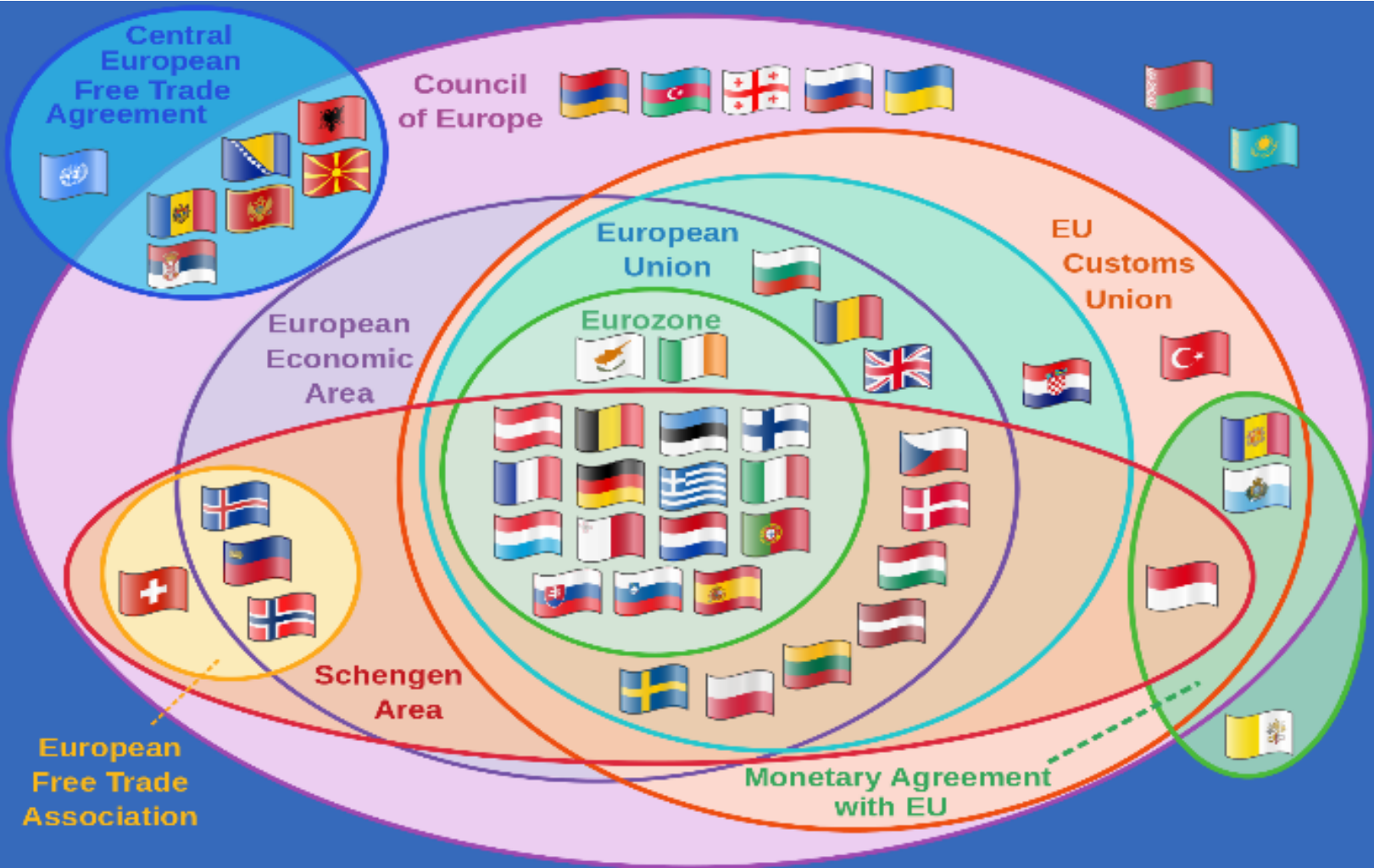
- Island geography
- Peculiar Story: The Balance of Power
- Foreign policy
  - Relationship with the United States
  - The commonwealth
- France's veto on entry into the European Communities

# NO TO THE EUROPEAN COMMUNITIES, YES TO EFTA





# EUROPE INTEGRATION IN LAYERS



# UK CONTEXT

The United Kingdom has had a different perception of the European project:

- The failure of EFTA
- 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 the opt-out as a political strategy

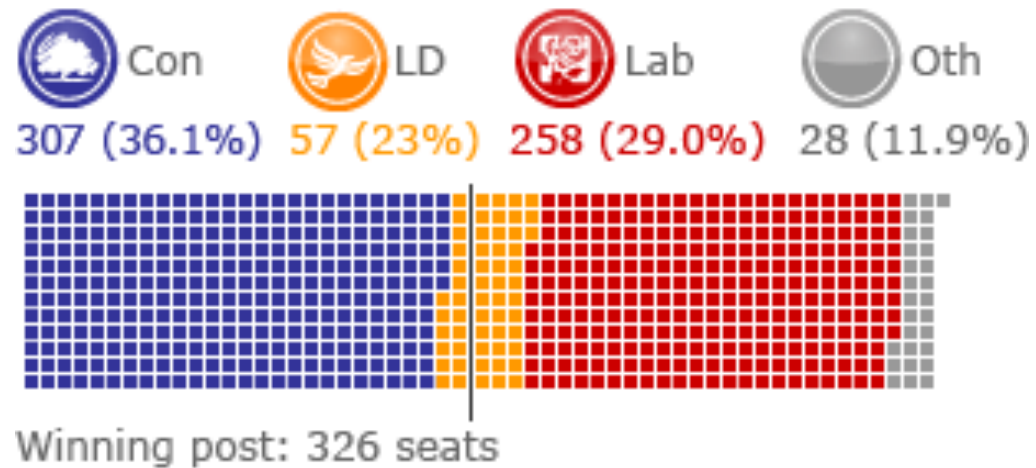
# HISTORY IS NOT LINEAR



# 3. THE ROAD TO BREXIT

British Majority Democracy

Situation of the Hung Parliament



Fuente: BBC

# GOBIERNO DE COALICIÓN

- Desarrollo en contexto de crisis
- Incumplimiento de programa liberal
- Recuperación económica

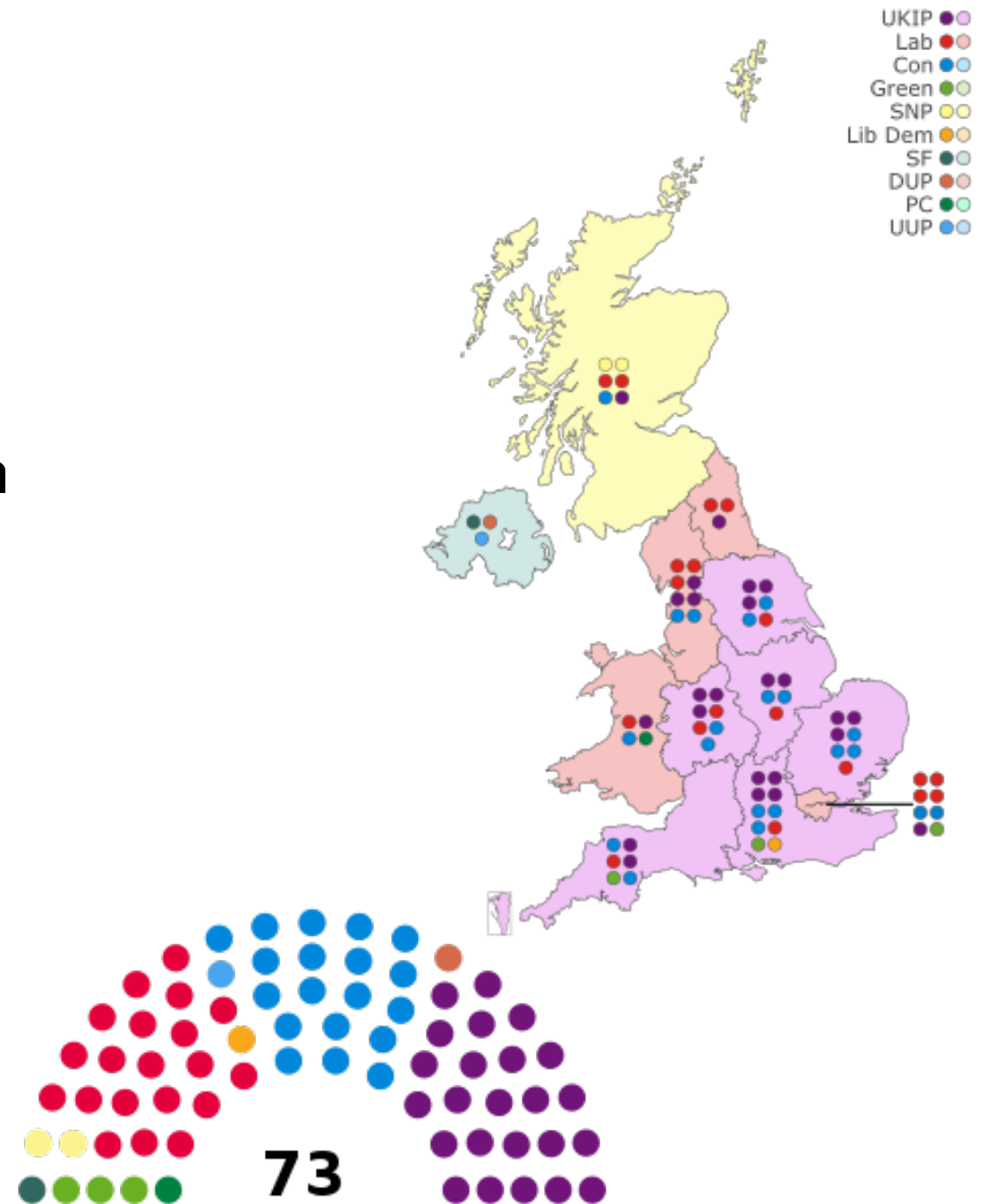


# NEW CLEAVAGES

## 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   |

Fuente: Wikipedia





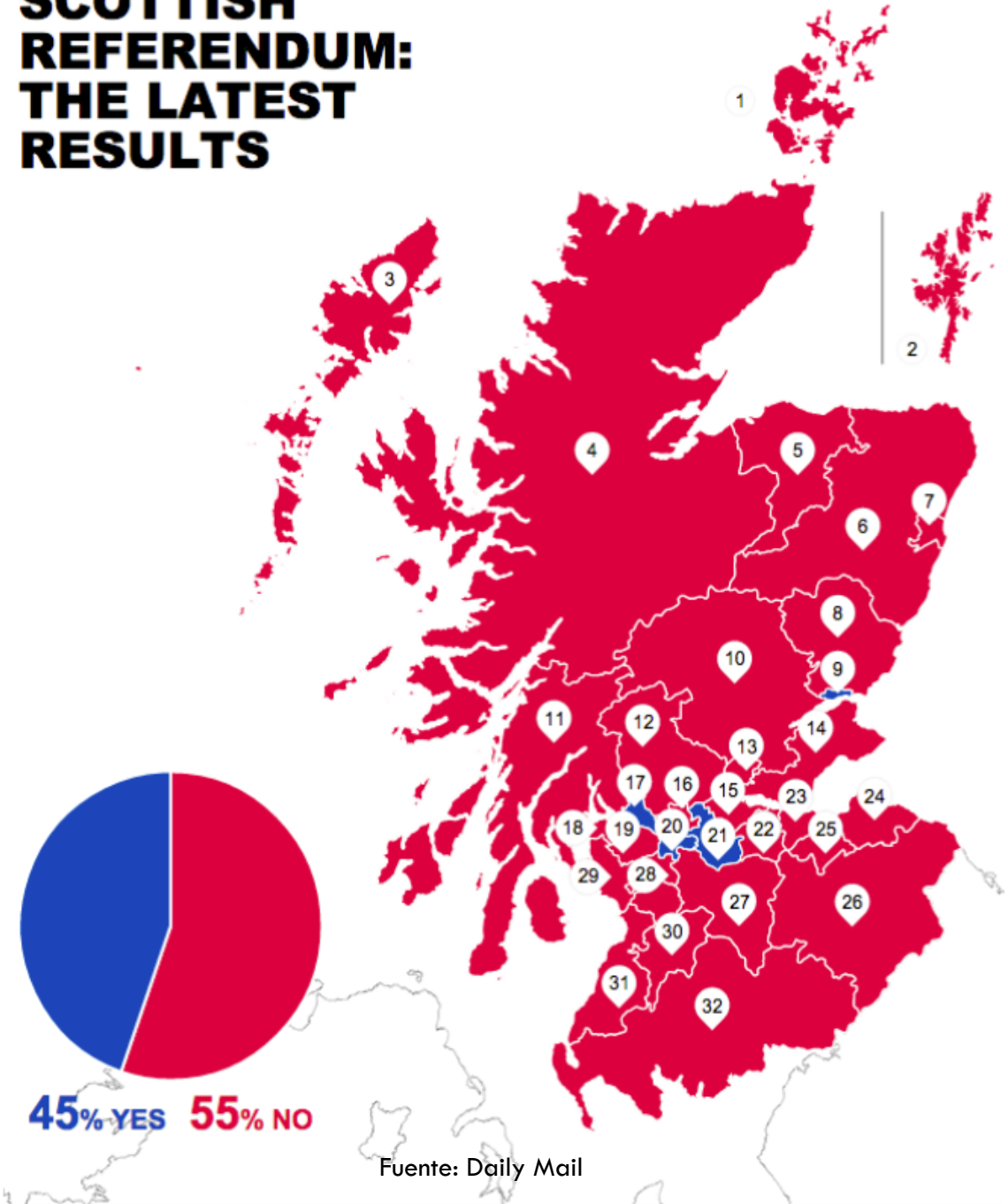
# NEW CLEAVAGES

Scottish independence referendum  
within 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 of the treaties

# LOS BLOQUES DE LA POSTURA NEGOCIADORA DE CAMERON

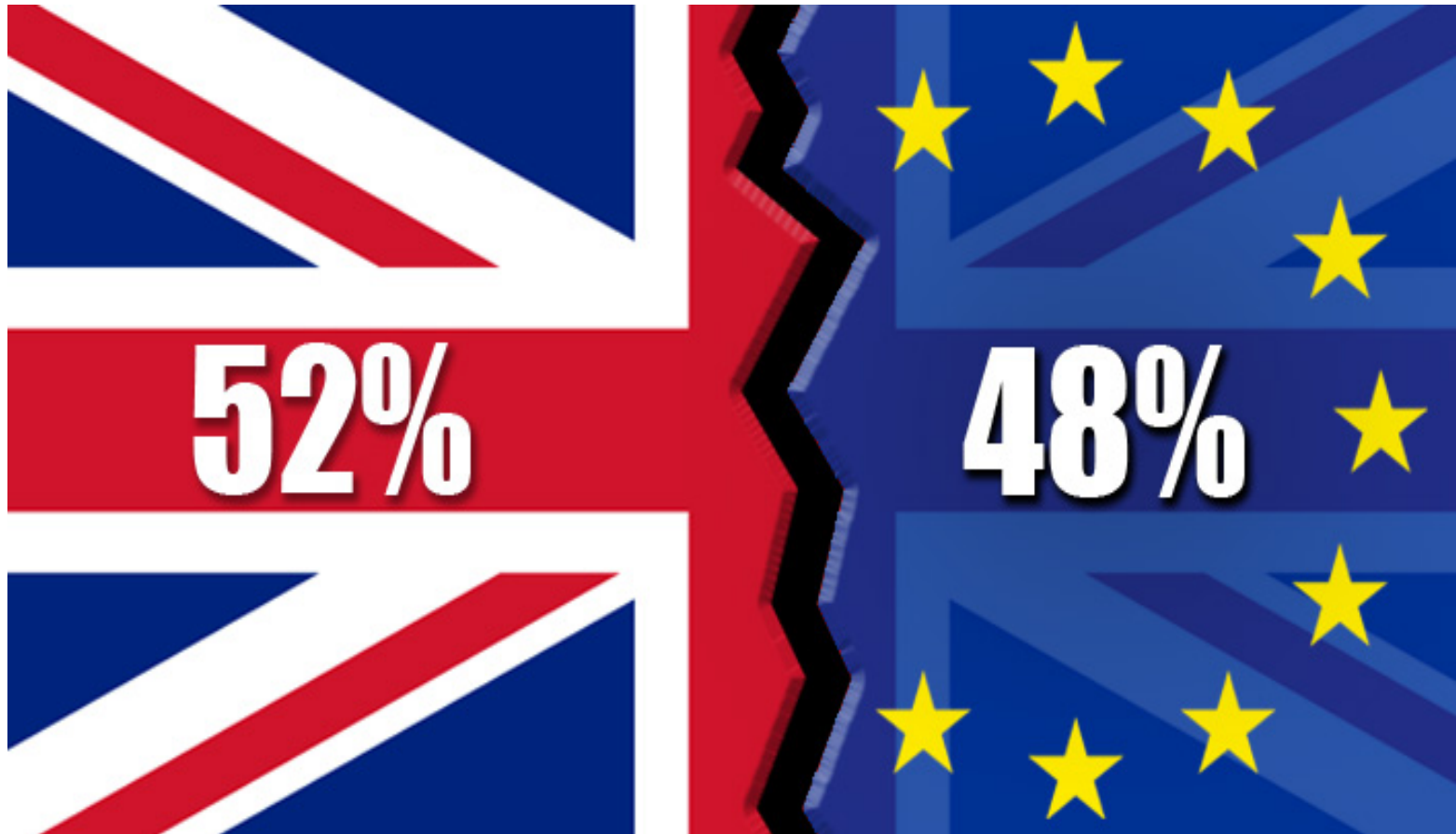
**Gobernanza económica:** garantizar que la eurozona no se convierta en el núcleo de la UE y que los estados miembros de la UE que no pertenecen a la zona del euro no se vean en desventaja dentro de la UE.

**Competitividad:** Ofrecer mayores poderes a los parlamentos nacionales para bloquear las legislaciones de la UE: “crear un compromiso claro a largo plazo para impulsar la competitividad y la productividad de la Unión Europea e impulsar el crecimiento y el empleo para todos”.

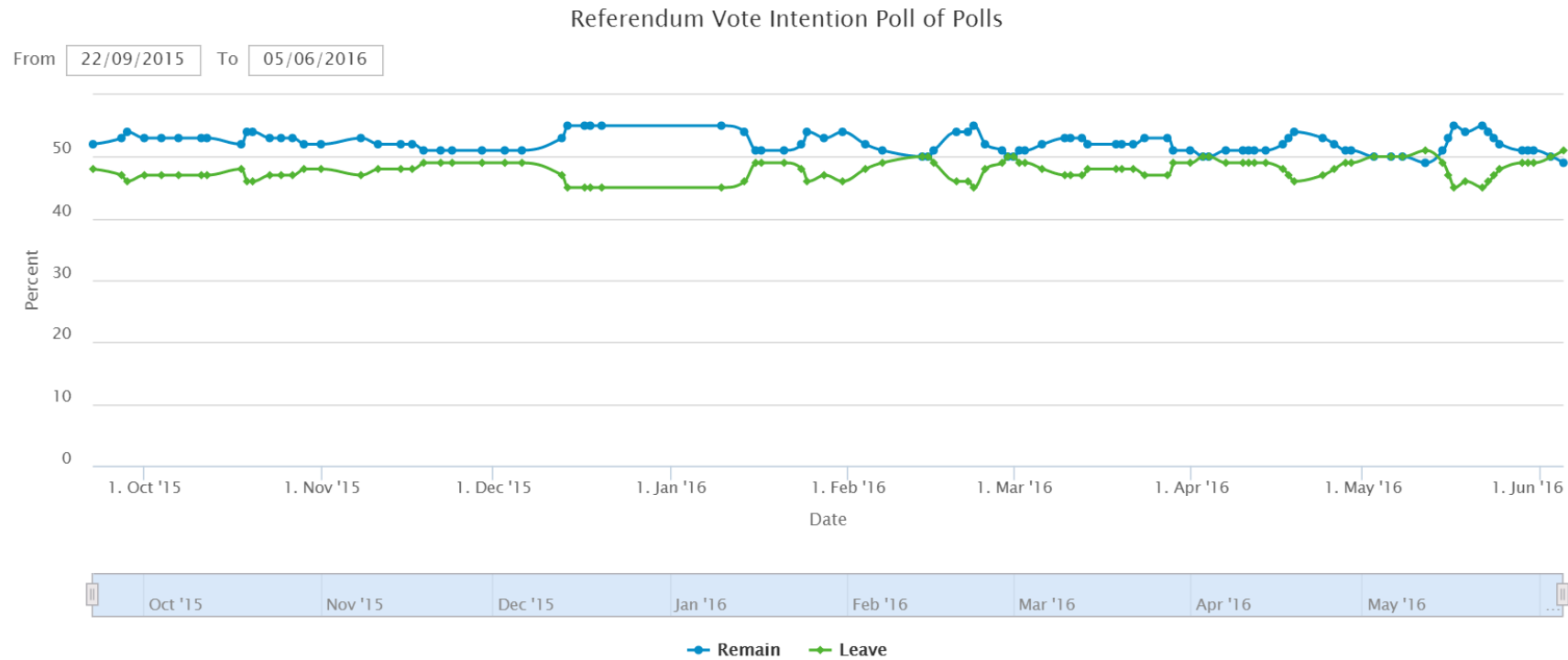
**Soberanía:** permitir que Gran Bretaña opte por no participar en la ambición fundacional de la UE de forjar una "unión cada vez más estrecha" para que no se vea arrastrada a una mayor integración política.

**Inmigración:** restringir el acceso de los inmigrantes de la UE a las prestaciones sociales

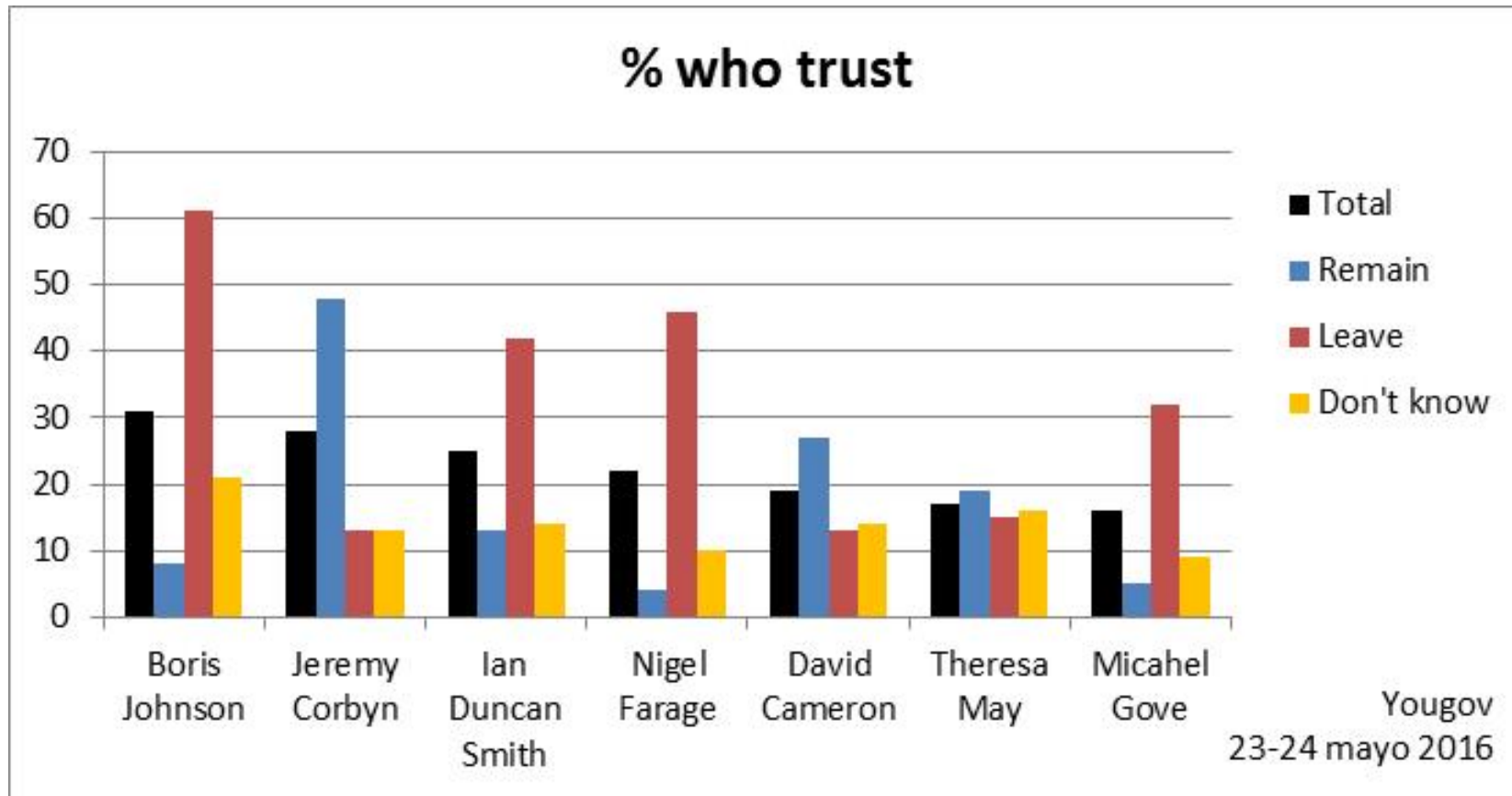
## 4. THE REFERENDUM: RESULTS



# WHAT DID THE SURVEYS SAY?



# SUPPORT FOR LEADERS (PRE-REFERENDUM)

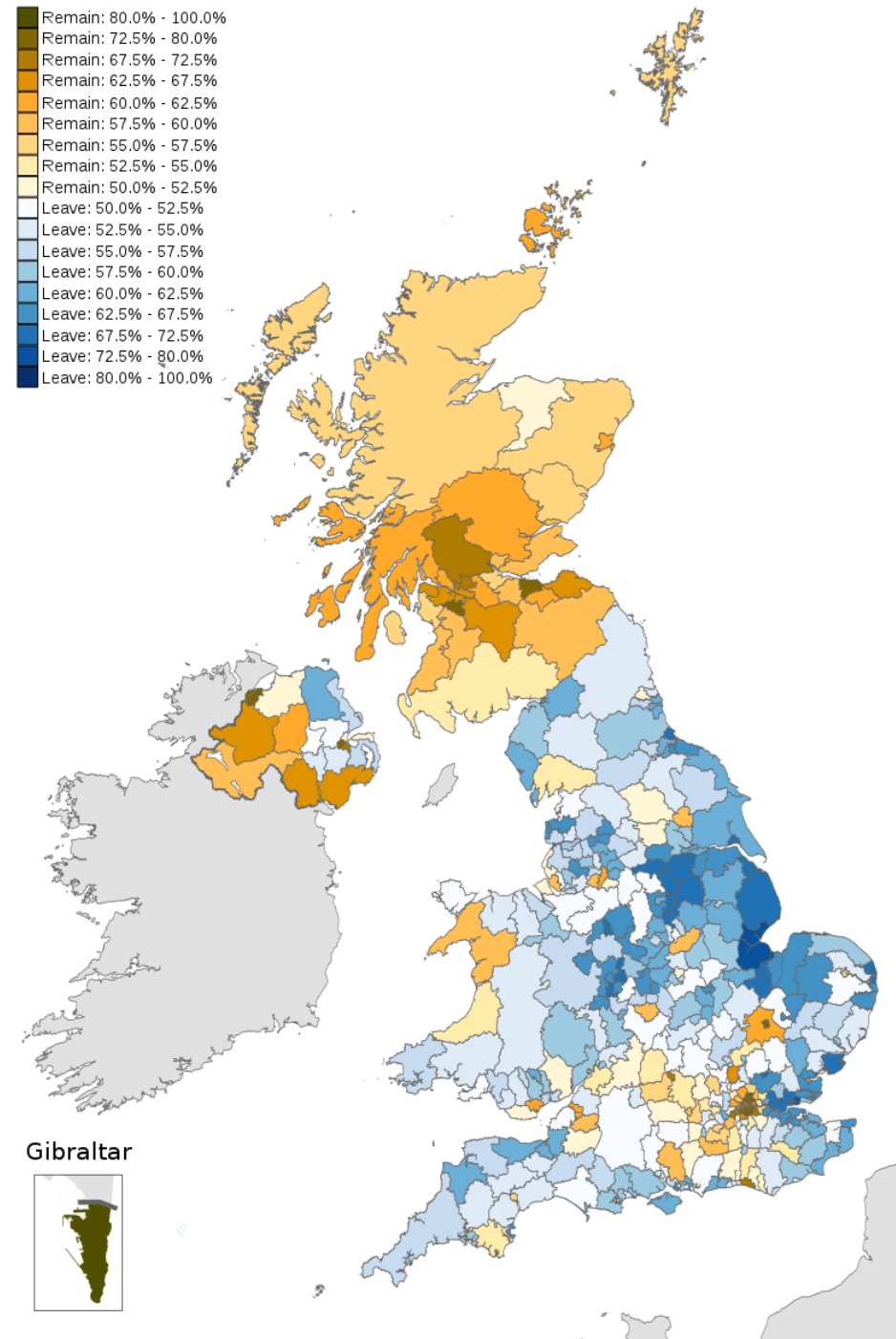


# REFERENDUM RESULTS

|   | Votes             | %             |
|---|-------------------|---------------|
| <b>Leave the European Union</b>                 | <b>17,410,742</b> | <b>51.89</b>  |
| <b>Remain a member of the European Union</b>    | 16,141,241        | 48.11         |
| Valid votes                                     | 33,551,983        | 99.92         |
| Invalid or blank                                | 25,359            | 0.08          |
| <b>Total votes</b>                              | <b>33,577,342</b> | <b>100.00</b> |
| Registered voters and turnout                   | 46,500,001        | 72.21         |
| Source: Electoral Commission <a href="#">61</a> |                   |               |

# REFERENDUM RESULTS

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





# VOTER PROFILE

The supporter of remaining typical is:

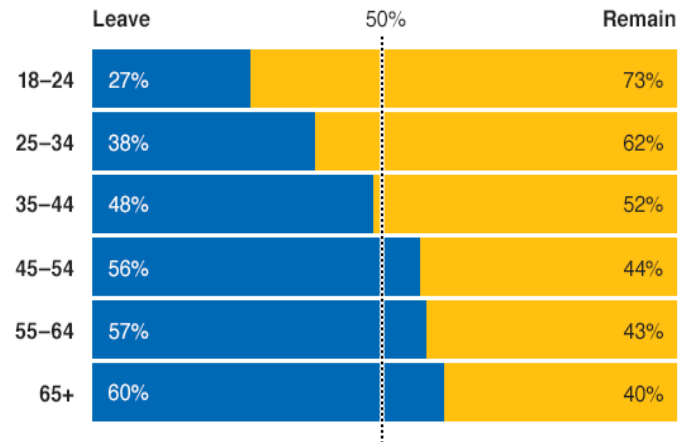
- from the center-left
- young
- from an urban environment
- middle/high social class and
- with a high level of studies.

The supporter of leaving is:

- conservative,
- older
- from rural areas,
- middle/lower social class, and
- low level of education

# CLEAVAGES IN VOTING PATTERN

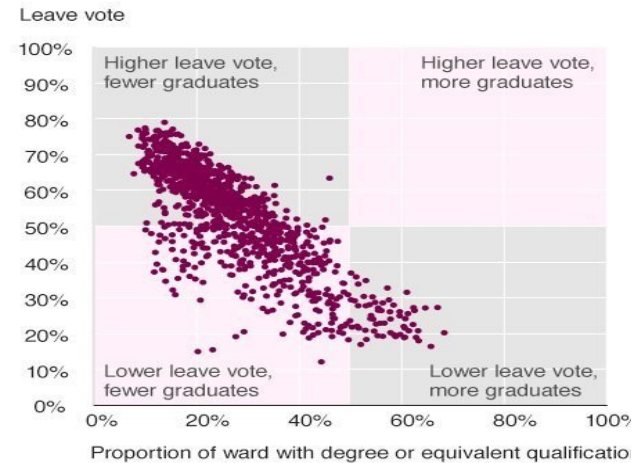
How different age groups voted



Source: Lord Ashcroft Polls

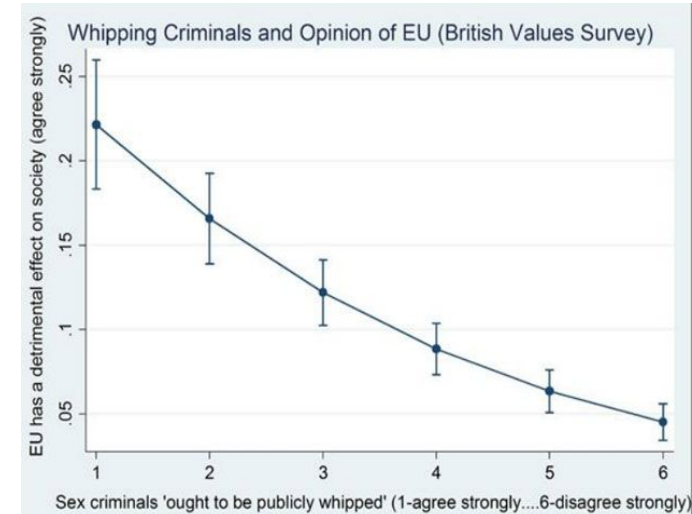
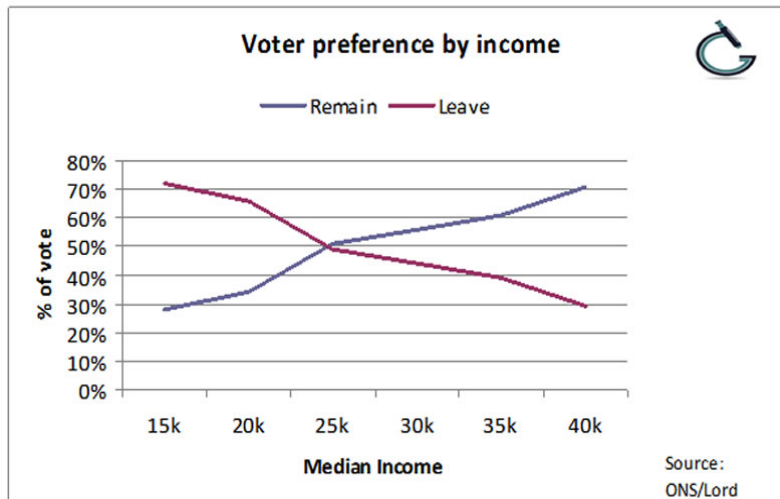


Wards with more graduates had lower Leave vote

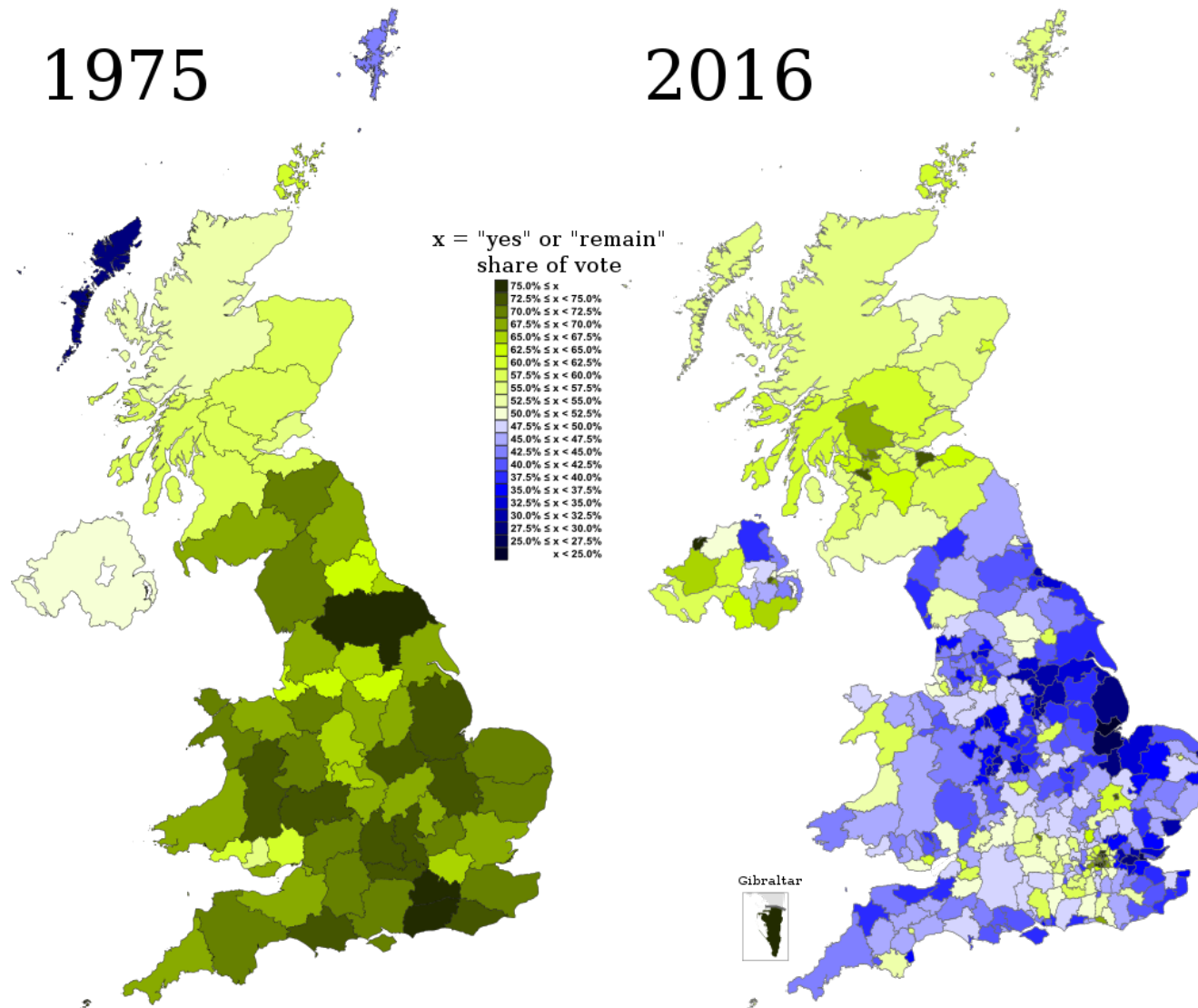


Source: BBC analysis of 1070 local government wards

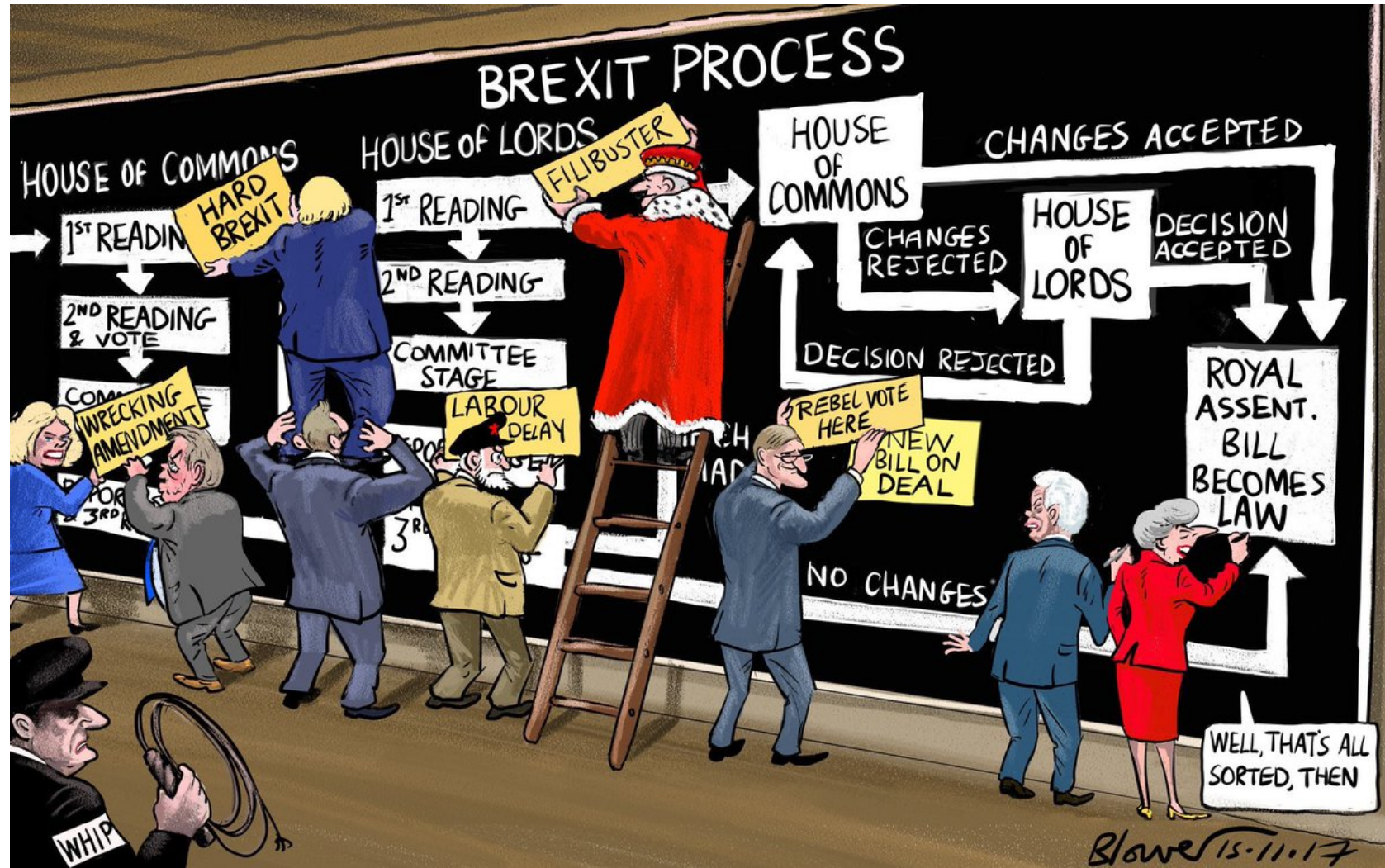
# CLEAVAGES IN VOTING PATTERN



# BREXIT - BRIMAIN, YESTERDAY AND TODAY



# 5. THE BREXIT NEGOTIATION





# CHANGE IN THE TORY LEADERSHIP (AND IN THE GOVERNMENT)



# BASIC NEGOTIATION PRINCIPLES FOR THE EU

Unity at 27

No negotiation without notice

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 backwards

The EU agreement with the United Kingdom may fail

# 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.

# POLITICAL GUIDELINES APRIL 2017

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

# POLITICAL GUIDELINES APRIL 2017

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 in the end) into two phases, with preliminary talks on the framework of the new relationship not beginning until the second of the phases, as well as the possibility of establishing some kind of transitory period.

# POLITICAL GUIDELINES APRIL 2017

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

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

# 2017 ELECTIONS: THERESA MAY'S LOSS OF THE ABSOLUTE MAJORITY



# EU-UK NEGOTIATIONS

- December 2017: “sufficient progress” to move to the second phase
- February 2018: first draft of the Withdrawal Agreement
- November 2018: finalization of the 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)
- December 31, 2020: end of the 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 inevitably
- Immediate fallout in the UK: political disorientation and risk of bankruptcy for the country
- Immediate repercussion European Union: unity of 27 to face the management of Brexit
- Any disintegration agreement is bad, but the parties are doomed to understand each other

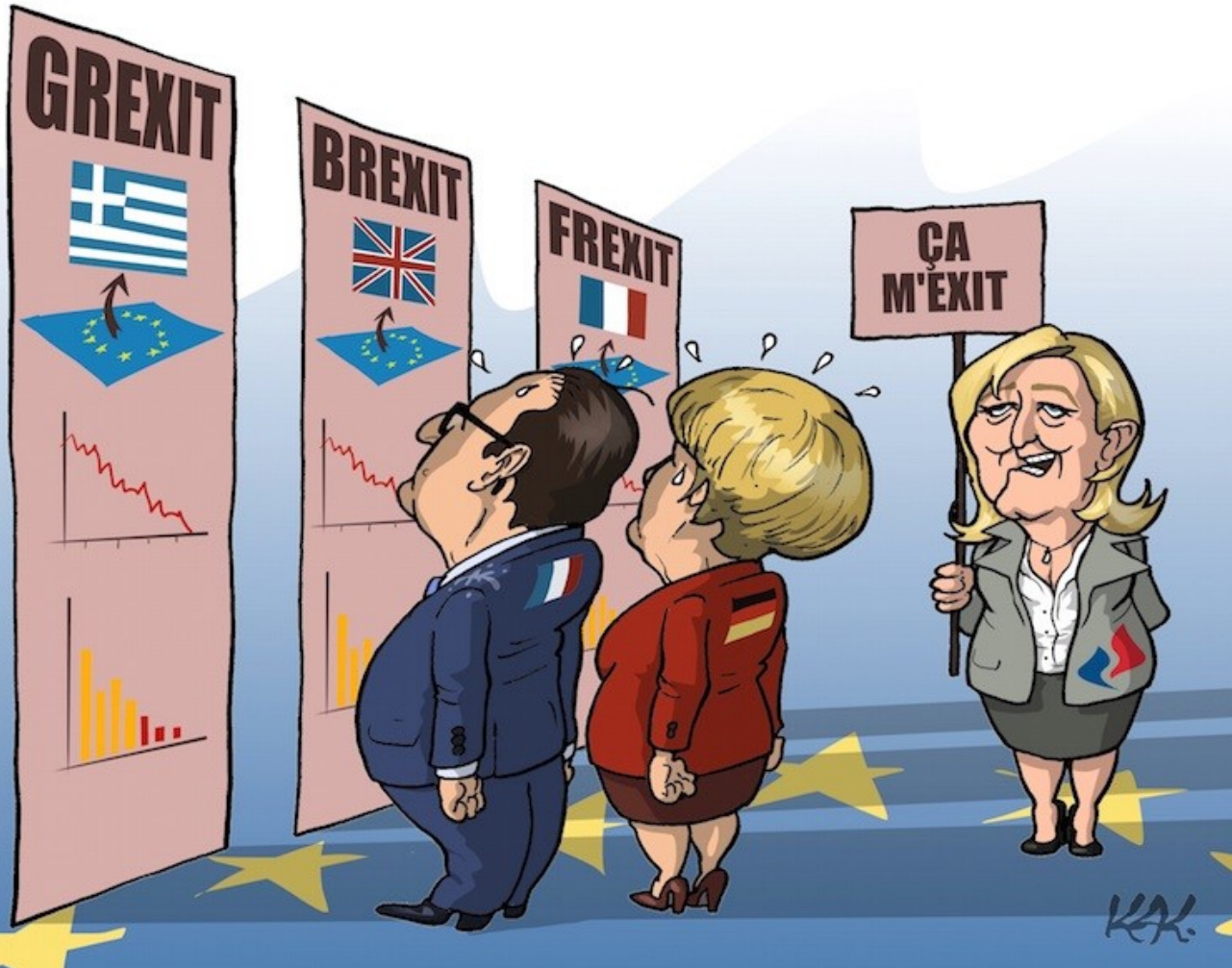


# RETURNING TO THE STARTING POINT

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 ”.

# 7. LONG-TERM CONSEQUENCES

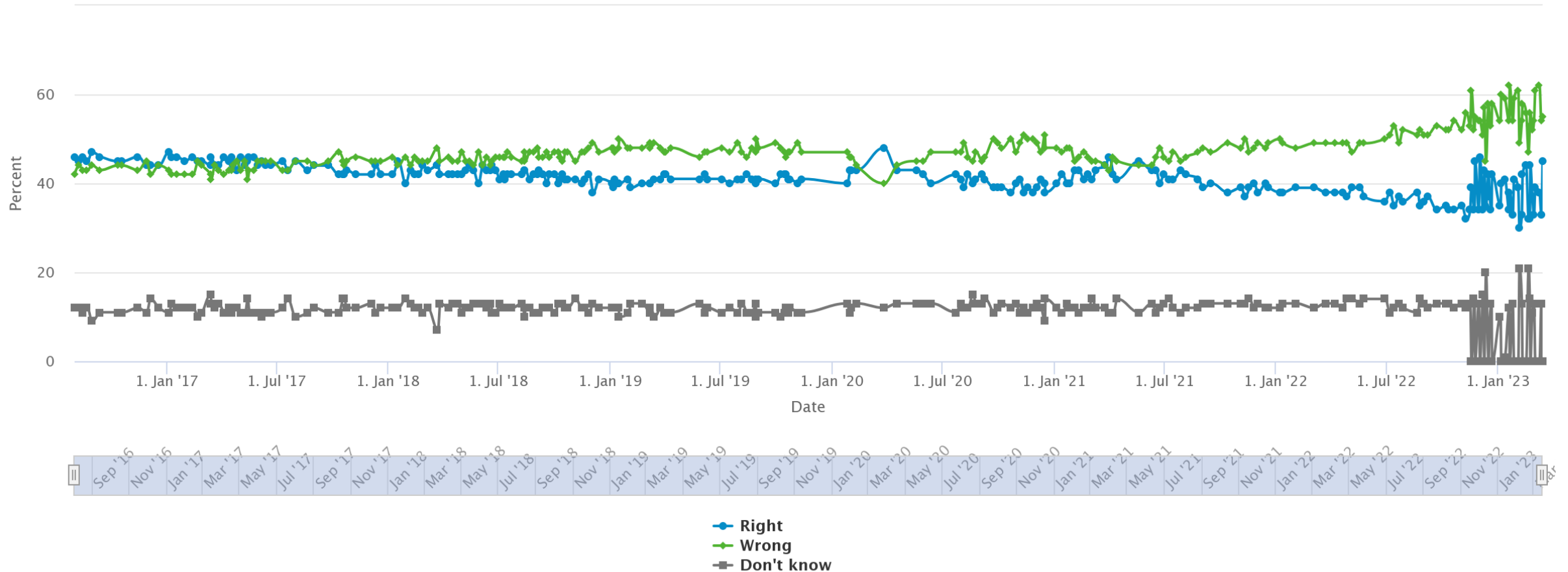


# 7. LONG-TERM CONSEQUENCES



# 7. LONG-TERM CONSEQUENCES

In hindsight, do you think Britain was right or wrong to vote to leave the EU?

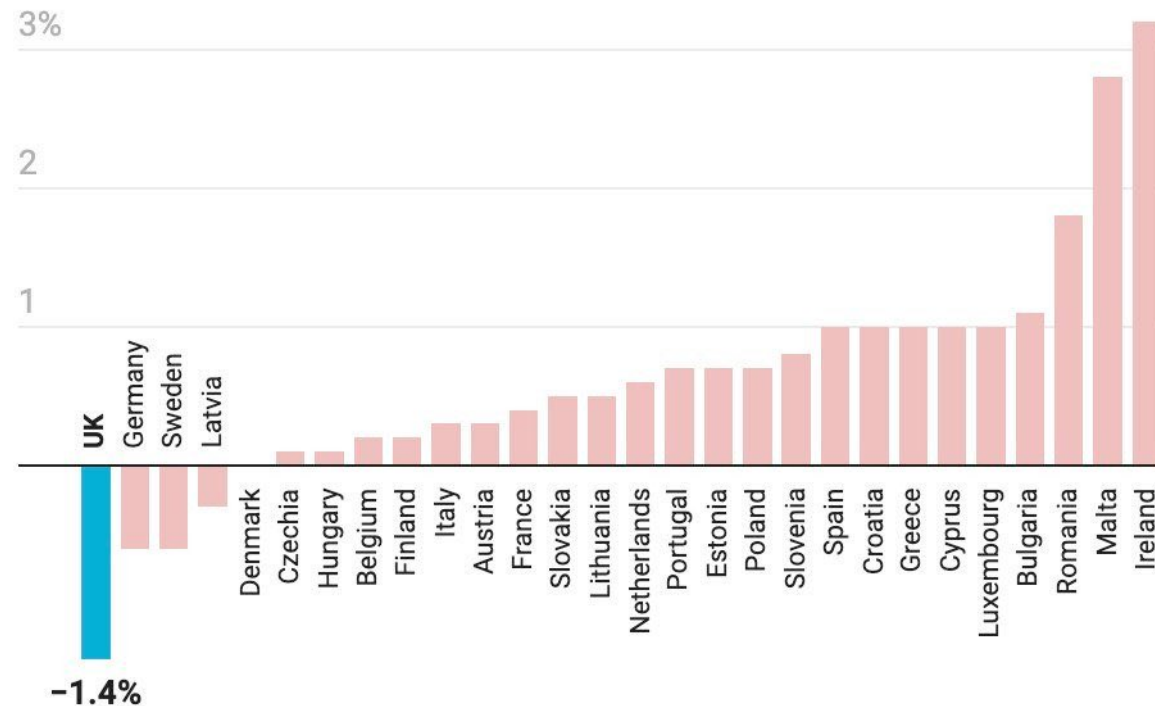


Source data at [www.WhatUKThinks.org/EU](http://www.WhatUKThinks.org/EU) run by NatCen Social Research

# 7. LONG-TERM CONSEQUENCES

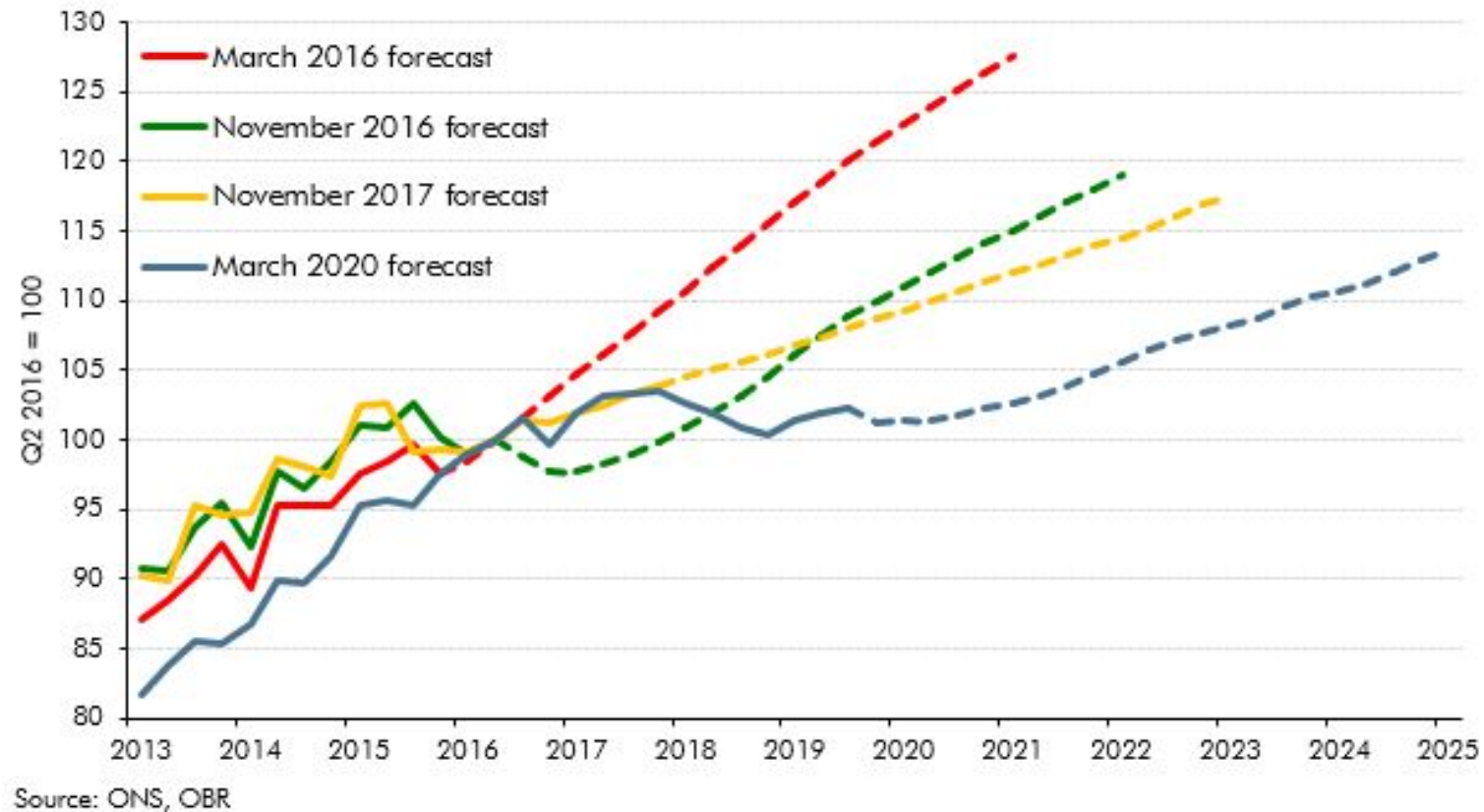
## UK: sharpest GDP decline in Europe

Forecasts for 2023, from OBR and European Commission





# 7. LONG-TERM CONSEQUENCES



Previsiones de inversiones en negocios

# 7. LONG-TERM CONSEQUENCES

- The EU has lost specific economic and military weight as a global player
- ... but the EU has gained in capacity for united action
- removing your brakes
- Reducing the divisive factor posed by 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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