



BREXIT – THE RESULT

LEAVE 51,9%

17,4 mio

REMAIN 48,1%

16,14 mio

ENGLAND

53,4%

46,6%

WALES

53%

47%

SCOTLAND

38%

62%

N. IRELAND

44%

56%

LONDON

40%

60%

PARTICIPATION 72%



Article 50

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.

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.

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.

A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union.

5. If a State which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.



THE FACTS

- REMAIN-SIDE: NO PLAN B / LEAVE-SIDE: NO PLAN A
- NEW PM – NEW GOVERNMENT
- PARLIAMENT: MAJORITY REMAIN / MINORITY LEAVE
- CONSERVATIVE SPLIT – LABOUR SPLIT
- "TO START *ARTICLE 50* BEFORE END OF MARCH"
- "BREXIT MEANS BREXIT" - BUT WHAT IS BREXIT?
- CONTROL OF FREE MOVEMENT OF PEOPLE
- LEGISLATIVE AND LEGAL SOVEREIGNTY



EU-27 DECLARATION

- REGRET BUT RESPECT
- EXPECT *ARTICLE 50* SOON
- NO "CHERRY PICKING" – BALANCE RIGHT AND OBLIGATIONS
- FOR UK GOVERNMENT TO DECIDE FUTURE
- NO NEGOTIATIONS BEFORE NOTIFICATION OF ARTICLE 50
- UNTIL FORMAL LEAVE UK REMAINS A FULL MEMBER



WHAT NOW?

- MORE QUESTIONS THAN ANSWERS
- REFERENDUM OUTCOME:
 - *LEAVE EU + NO FREE MOVEMENT OF PEOPLE FROM EU + NATIONAL CONTROL*
- AND WHAT ELSE?
 - "HARD" OR "SOFT" OR "BESPOKE AGREEMENT"
 - INTERNAL MARKET, CUSTOMS UNION, JHA, CFSP DEFENCE, AGRICULTURE, FISHERIES ETC.
 - PARLIAMENTARY SOVEREIGNTY?
 - NO PAYMENT TO EU?

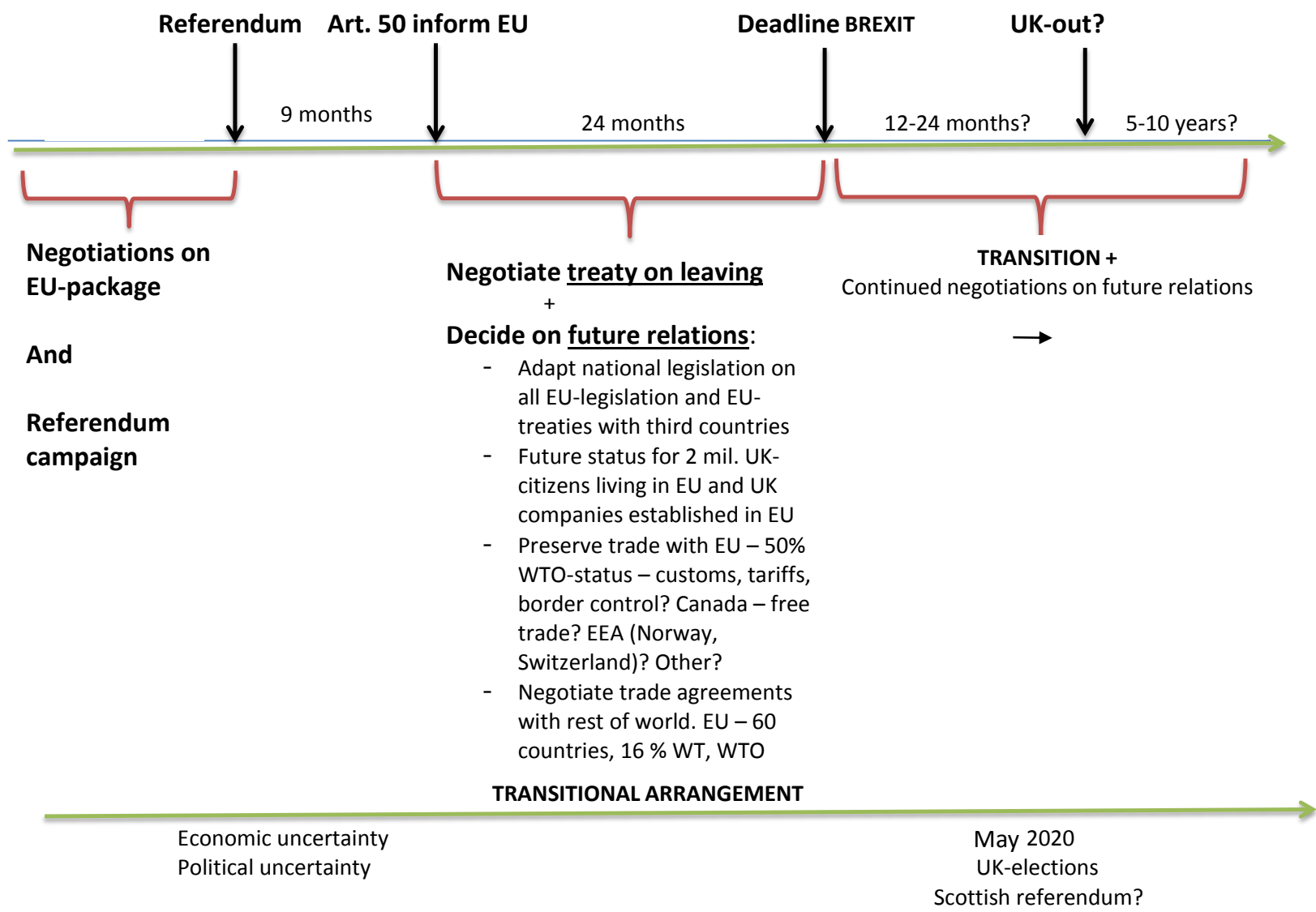


Separate but interlinked, successive or parallel processes:

1. Art.50 – divorce settlement and Treaty adaptations (simple procedure)
2. Agreement on UK's future relations with EU to be concluded after having left formally
3. Transitory interim arrangements UK/EU (part of art.50 or separate?)
4. Establishing UK-institutions and administrative bodies to replace EU's 40 agencies (Regulatory Agencies on Medicine, Food safety, Patent, IPO, Chemicals, Banking, Insurance etc., Competition and state aid authorities, Foreign Trade Dep, Agriculture and Fisheries Dep.) to be in place for day of departure.
5. Re-examination and possibly adaption of UK legislation based on EU law (directives) and adaption of new UK legislation where EU law is directly applicable (regulations or Treaties) – approximately 13.000 pieces of legislation to be ready before departure.
6. Negotiating on UK's future WTO schedules.
7. Negotiating with 53 third countries to replace existing EU-agreements after having left.
8. Negotiating with other countries after having left.
9. Settlement of fundamental issues in relation to Northern Ireland, Scotland, Gibraltar, Isle of Man, Guernsey and Jersey. OCT's.



Possible time line for “Brexit”



Negotiations on EU-package

And

Referendum campaign

Negotiate treaty on leaving

Decide on future relations:

- Adapt national legislation on all EU-legislation and EU-treaties with third countries
- Future status for 2 mil. UK-citizens living in EU and UK companies established in EU
- Preserve trade with EU – 50% WTO-status – customs, tariffs, border control? Canada – free trade? EEA (Norway, Switzerland)? Other?
- Negotiate trade agreements with rest of world. EU – 60 countries, 16 % WT, WTO

TRANSITION +

Continued negotiations on future relations →

TRANSITIONAL ARRANGEMENT

Economic uncertainty
Political uncertainty

May 2020
UK-elections
Scottish referendum?



Estimates of economic impact of UK withdrawal from EU - I

	Impact on real GDP level	Key Assumptions
National Institute for Economic and Social Research (2004)	GDP would be 2.25% lower	No new trade deal, lower FDI
Bertelsmann Foundation (2015)	GDP per capita 0.6-2% lower than baseline by 2030	Norway/Swiss-style trade arrangement, higher value incorporates second-round effects from lower productivity due to less competitive pressures
	GDP per capita 3-14% lower than in baseline by 2030	No FTA plus loss of all other bilateral/multilateral trade arrangements
Open Europe (2015)	GDP permanently lower by 0.8% by 2030	Free trade arrangement with EU but no other trade deals
	GDP permanently higher by 0.6% by 2030	FTA with EU and rest of the world plus deregulation at home
Center for Economic Performance/LSE (2014)	GDP lower by 1-3%	Lower loss in case of Swiss-style trade arrangement, higher losses if no FTA
	GDP lower by 6.3-9.5%	Higher losses due to lower productivity as competitive pressures are lower. Range again reflects different trade arrangements
Institute for Economic Affairs (2014)	Impact ranges from loss of 2.6% to gain of 1.1%, with best estimate of +0.1%	Membership in EFTA, FTAs with other countries. In addition, implementation of investment promotion and deregulation policies



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Exposure to Brexit

States ranked by exposure to Brexit
Score based on multiple metrics (see next page)

Change in real GDP per capita in 2030 in selected countries for different Brexit scenarios in comparison to GDP per capita if the UK remains in the EU

	Soft exit	Isolation of UK
UK	-0.63 %	-2.98 %
Ireland	-0.82 %	-2.66 %
Luxembourg	-0.48 %	-0.80 %
Belgium	-0.20 %	-0.96 %
Sweden	-0.13 %	-0.48 %
Netherlands	-0.10 %	-0.35 %
Germany	-0.08 %	-0.33 %
Spain	-0.08 %	-0.32 %
France	-0.06 %	-0.27 %
Austria	-0.05 %	-0.18 %
EU without UK	-0.10 %	-0.36 %
World	-0.06 %	-0.25 %

Source: calculations by the ifo Institute.

BertelsmannStiftung

Rank	Country	Score
1	Netherlands	28
2	Ireland	25
3	Cyprus	23
4	Portugal	17
5=	Greece	16
5=	Malta	16
7	Sweden	16
8	Denmark	15
9	Czech Republic	14
10=	Belgium	13
10=	Latvia	13
10=	Lithuania	13
13	Germany	13
14	Luxembourg	12
15=	Slovakia	12
15=	Spain	12
17	Finland	11
18=	Estonia	9
18=	France	9
18=	Hungary	9
21	Poland	8
22	Bulgaria	7

Austria	7
Romania	5
Italy	5
Croatia	4
Slovenia	4

Danish exposure

Exports to the UK % of GDP,	FDI stock in the UK % of GDP	Regulatory policy alignment subjective	Residents in the UK % popIn	UK bank links % of GDP, 2014	Trade liberalising alignment subjective	Net budget contribtn. % of GNI, 2013	Output Gap % potential	EU perception % negative, 2014
3,2%	1,9%	Yes	0,4%	12 %	Yes	0,5 %	-1,2 %	18 %

Source: Global Counsel, 2015