



European
Institute

External Perspectives on the UK's membership of the European Union

Report of the hearing held on 1st March, 2016



LSE Commission on the Future of Britain in Europe

Rapporteur:

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Foreword

This is a report of the hearing that took place on Monday 25th January 2016, from 16.30-19.00hrs. This was the fifth session in the 'LSE Commission on the future of Britain in Europe' series.

The hearing began with three keynote presentations:

- Joaquin Almunia (Former VP of the European Commission; Commissioner for EMU, 2004-10; Commissioner for Competition, 2010-14), 'What Brexit might mean from an economic perspective for the rest of the EU?'
- Dominique Moïsi (Professor, Sciences-Po; Senior Adviser, IFRI; Visiting Professor, KCL), 'The implications of Brexit for Europe's common foreign and security policy'.
- Sara Hagemann (LSE), 'The Effects of Brexit on EU decision-making'.

A broad range of experts and practitioners were invited to participate in the discussion. These included guests with senior experience of political office; former diplomats; high-level figures in banking, finance and trade; leaders of policy think-tanks; senior journalists; and, consultants and academics. For the discussion, we were keen to have contributions from a wide variety of EU and non-EU member states, in order to properly gauge the external perspectives on a possible 'Brexit' and we achieved that. As such, different shades of political opinion were also covered.

We are very grateful for the expert contributions made in our discussion and for the additional papers submitted in parallel to the hearing by both participants and non-participants. Together, the material provided high quality evidence on which to draw conclusions. The hearing adopted the 'Chatham House' rule on not attributing comments to individuals in any public statement afterwards and this rule is respected here.

Marion Osborne provided excellent organisational support. David Spence helped greatly with the invitation list, the wider preparation for the hearing, and comments on an earlier draft. Any remaining errors in this report are my sole responsibility.

Professor Kevin Featherstone

Head of the European Institute, LSE.

Contents

1. Introduction	4
2. Summary	5
3. The Day After...	6
4. Looking at the Alternatives to EU membership.	8
5. The Economic Implications for Europe	10
6. The Geopolitical Impact	12
7. EU institutions and decision-making.	15
8. Domestic Politics takes a knock.	14
9. Conclusions	16
Participants list	17

1. Introduction

An important dimension in the 'Brexit' debate is the impact of a possible UK withdrawal from the European Union on Britain's partners, individually but also in their collective policies. For even a UK outside the EU will continue to be impacted by its policies and standing. This was the prime concern of the hearing on 'External Perspectives on the UK's membership of the EU'. 'Brexit' would prompt early consideration of the kind of relationship the UK might have with the EU from outside. The hearing was an opportunity to discuss the expectations and interests of the rest of the EU with such an agenda. Specific attention was given to the existing relationships established with the EU by a variety of non-EU states in Europe - in particular, Norway – as these have entered the debate in Britain, and any such arrangement would structure the impact on the rest of the EU.

More widely, the external impact of a 'Brexit' impinges not only on the EU, but also on the rest of the world – amongst the UK's main trading and investment partners and in key areas of foreign and defence policy. Thus, the hearing also considered the effects of 'Brexit' on non-EU countries internationally.

The hearing focussed its discussion in two main policy areas: economic policy and foreign/ security policy. It also considered the impact of 'Brexit' on the pattern of EU decisions across policy areas. It opened with keynote contributions on each, then explored the issues raised.

2. Summary

The conclusions of the hearing's discussions were that:

- The immediate 'Brexit' impact would be shock and uncertainty over how it can be managed. The best strategy for Britain's partners would be to wait for London to present its proposals for a future relationship. Importantly the 27 are unlikely to agree a first offer.
- The alternatives to EU membership (following the Norwegian, Swiss, or Canadian models) are unclear, would be costly for the UK and produce few advantages. The search for a different solution might set precedents for new framework agreements with other countries like Turkey and Ukraine.
- Economically, both sides will have an interest in trying to reach a trading deal as soon as possible, if the political climate allows it.
- Brexit will threaten an important market for continental exporters. Likewise, the EU27 represent a major market for UK exports.
- On the EU side, member states will lose a major net contributor to the EU budget. They may well seek a high price for continued access to the single market.
- Financially, the general uncertainty of a Brexit vote is likely to discourage FDI into Britain.
- The prospect of restrictions on free movement between the UK and the rest of the EU would likely entail economic costs for both sides.
- Without Britain, the EU might become more 'inward-looking'. In Council decision-making with qualified majority voting, France will become more pivotal in a number of areas. Britain is a long-standing advocate of freer trade and meaningful structural reforms. The relevant coalitions supporting such policies in EU meetings may be significantly weakened.
- The EU would lose a member with one of its biggest military and diplomatic capacities, is its main advocate of interventionism, and which has the strongest link with Washington. 'Brexit' will weaken Europe's ability to stand up to Putin's aggression, its response to the challenges of jihadism, and its rapport with East Asia.
- Politically, the domestic impact for Britain's partners will be a boost to the extremes and to populists who advocate a block on Europe's development or even their own exit.
- The presidential prospects of Marine Le Pen in France will look brighter and the voices of the far right in places like Hungary, the Netherlands, Austria, Greece and Poland will become louder.
- Following a 'Brexit' vote, the taboo over 'GREXIT' may begin to be lifted.
- Perhaps because other member states have been slow to react to the prospect of 'Brexit', a 'no' vote will shake the EU suddenly and deeply. It will pile on the agony amidst the migration and debt crises and deepen the general air of self-doubt.

3. The Day After...

A UK referendum vote to remain in the European Union (EU) would elicit a huge sigh of relief across the EU and the capitals of Britain's major trading partners. For the reality is that nearly all the UK's main partners want it to remain inside the EU. Having been slow to appreciate the possibility that the referendum might result in a vote to leave the EU, the UK's allies were suddenly confronted with a scenario of which they had little comprehension. They feared the ramifications. The British campaign seemed a 'side-show' alongside the immediate crises of the euro-zone and the flow of migrants into Greece and Italy, both of which excited the popular imagination much more.

If Britain votes 'no' in the referendum, and thus to leave the EU, the latter will not collapse as a direct result. The survival of the EU is in the overwhelming interest of the other member states; there are no strong players in the foreseeable future for whom its breakdown would be the highest preference. Thus, a British 'no' vote creates an agenda for the kind of relationship the UK will have with a continuing system possessing significant economic and political clout.

The immediate effect of a 'Brexit' vote will be high levels of uncertainty and confusion as to what might happen next. The international media will likely report panic across the world's financial markets, and political leaders across Europe will be asked for their immediate reactions, no doubt adding to an impression of discordant voices as each seeks to interpret

the implications and set out what might happen next. The strong belief of the participants in this hearing was that this outcome would lead to short-term disruption within and beyond the EU. It would have been difficult for Whitehall, any EU member-state government, or the EU institutions to prepare for a 'Brexit' scenario and such a vote would probably create confusion, instability and friction.

Some suggest that, in order to sustain a shared interest in the flow of business transactions, the UK and the EU would come to an early agreement. But it is unclear what exit might involve in the first stage after a referendum 'no'. Existing EU legislation – the 'acquis communautaire' – would likely remain in force in the UK. Britain might then have the option of deciding case-by-case, step-by-step which EU laws ('directives') to revoke. If this was to occur in parallel with negotiations for withdrawal, this could provoke antagonism from the rest of the EU. It could de-stabilise the agenda. But the scope to revoke EU laws at will rests on what Britain's partners would require it to accept as the price for access to the single European market, and thus the fundamental shape of the overall decision post-Brexit. All parties assume such market access is an essential British economic interest. But a quick divorce agreement might assume an overly generous EU behaving in an unprecedented fashion. Some early political agreement that establishes a broad framework might be mutually acceptable, but it would then be subject to detailed negotiations.

The evidence gathered by this hearing suggests that Britain's negotiations over Brexit could well be difficult, prolonged and with an uncertain outcome. The expectation is that the negotiations would take years. Indeed, it seems unrealistic to expect that negotiations will be completed within the stipulation of two years, from the date on which the UK Government informs the EU of such an intention, as set out in Article 50 of the EU Treaty. The smart move by the EU would be to sit back and wait for Britain to make a proposal. Indeed, the political shock of a 'no' vote might lead the British government to hold a further referendum on membership options at some point – an option floated by likely leadership contender Boris Johnson early in the campaign – and Europe might prefer to allow the UK to clarify what it was requesting.

In any event, the other 27 EU governments would probably struggle to reach a commonly agreed negotiating position. The expectation is that the Commission would lead the formal negotiations for exit, just as it does for new entrants, and this would require much political orchestration by President Juncker. Moreover, the European Parliament would be required to approve any deal for British exit and this would pose its own political challenges. Should the EU27 be able to establish a common position, then the UK might face a 'take-it-or-leave-it' choice, given the considerable asymmetry in negotiating strength. If not, Britain would have some scope to manoeuvre and exercise 'divide-and-rule' tactics.

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But the short-term political fall-out of a 'no' vote would likely involve some animosity: having been pressed by Cameron to accept his demands as the price of overcoming the 'British problem', his EU counterparts would feel let down. They might well question his judgement. If Cameron were to resign as a result of a referendum 'no', there would be greater uncertainty as to the direction on which Britain was about to embark. The EU27 would likely be sensitive to the precedent that might be set by a UK withdrawal. It is not in their interest to create a positive scenario that might encourage euro-sceptic forces elsewhere. Significantly, the UK is due to chair the EU Council in 2017 at a time when it could be negotiating its own exit.

However, with a vote to remain in the EU, these nightmares would disappear. This would be one crisis averted, allowing Europe to return to its main business. Leaders across Europe would welcome a 'new start' for Europe, an opportunity to put the EU back on track.

4. Looking at the alternatives

A referendum vote to leave the EU will focus attention deeply on the alternative options to membership. Contributors to the hearing regretted that the early campaigning had not fully explored the alternative options.

The main alternatives for the UK appear to be to negotiate:

- a. A Norway-type relationship with the EU, possibly involving it re-joining EFTA¹. EFTA (minus Switzerland) and the EU have established the 'European Economic Area' since 1994, framing their trade arrangements.
- b. A relationship with the EU akin to that of Switzerland, which is somewhat less than that established by Norway.
- c. A bilateral UK-EU free trade agreement, similar to that agreed with Canada (the Comprehensive Economic and Trade Agreement, CETA) in 2014.

The hearing considered the various alternatives. It noted that Norway contributes over €800 million to the EU each year in order to acquire access to the single European market. If the same proportionate 'levy' was applied, given the UK has a population more than 12 times as big as that of Norway, the UK might be required to contribute some €9.8 billion to the EU. But this is a matter of speculation, given the uncertain outcome of post-Brexit negotiations. This figure, though, compares to a net EU budget contribution in 2013 by the UK of €10.8bn, a possible saving of €1 bn.

In addition to its contribution of €800m, Norway is required to accept all relevant current and future single European market legislation. It does so without the right to participate in any of the EU's decision-making processes. In sum, Norway is obliged to apply the vast majority of EU laws, but without formal representation in the deliberative process. Critics see this as a form of taxation without representation.

For its part, Switzerland's EU relationship is based on a variety of bilateral agreements:

- a Free Trade Agreement signed in 1972 and extended in 1999 and 2004 to cover agricultural products;
- other agreements which cover mutual recognition of product standards and rules governing public procurement;
- a 1999 agreement on freedom of movement between Switzerland and the EU, under which each gave the other's citizens the right to enter, live and work in its territory.
- In addition, Switzerland is an associate member of Europe's border-free Schengen area and a full participant in the Dublin system for dealing with asylum claims.
- Switzerland has participated in a number of EU research and educational programmes.

Switzerland is the EU's 4th largest trading partner, while the EU is Switzerland's largest. Over a million EU citizens live in Switzerland, and some 430, 000 Swiss citizens live in the EU.

¹ EFTA: the European Free Trade Area. The UK initiated its establishment in 1960 and remained a member until it joined the European Communities in 1973. Only Norway and Switzerland of the original EFTA members are now not part of the EU.

A number of the provisions in the Swiss case might not be acceptable to a post-Brexit UK: notably, those on free movement, open borders, and asylum. Since 2004, Switzerland has agreed to contribute funding to the EU – an ‘enlargement contribution’ – to support specific, high quality projects with the aim of reducing the economic and social disparities in the 13 new member states from Central Europe. In absolute terms, this is much less than Norway pays the EU.

A third option for the UK would be to try to emulate the EU-Canada Free Trade Agreement, agreed in 2014 after a protracted set of negotiations, lasting some seven years – itself a source of uncertainty and instability should they be replicated in the case of Britain and the EU. With the Canada agreement, however, over 99% of tariffs between the EU and Canada will be removed and it is expected to create sizeable new market access opportunities in services and investment.

It is important to distinguish free trading access as in the case of Canada – involving the removal of trade tariffs – and full participation in the single European market. The adoption of the same product standards and regulations grants a country market access on the same terms as EU member states. This is not provided for in the Canada agreement. As in the case of Norway, the issue is participation in setting the rules and standards. The Swiss example of mutual recognition of product standards offers something similar, though at a significantly lower financial price. Moreover, Switzerland adopts EU product standards only for sectors

governed by existing bilateral agreements.²

Again, all sides would be sensitive to any new deal with a UK on the outside of the EU. A better deal for the UK would encourage other non-EU states to seek the same or stimulate other EU states to leave and demand similar. Moreover, any new agreement for the UK might set a model followed with Ukraine or Turkey.

Beyond these models, the UK might negotiate its own relationship based simply on common membership of the World Trade Organisation (WTO). This would likely be the minimal option in terms of trading access. A bilateral UK-EU trade deal would not by itself grant British businesses access to the markets of third countries that have negotiated their own deals with the EU. The UK would be obliged to negotiate such access separately. The asymmetries could weigh heavily on the speed and conditions of such agreements. The U.S. has 320 million consumers, and the EU has 500 million. Britain, with its 65 million, is a fifth the size of the US and a seventh the size of the EU. Similarly, China and Japan are both major trading partners of the EU and they are unlikely to prioritise the UK market over that of the EU when negotiating trade deals. In relative terms, Britain would have less economic clout to bring to bear in trade negotiations with its major partners.

The kind of deal that might follow a Brexit vote remains uncertain, but the economic implications for both Britain and the EU are huge.

² Since 1974, Switzerland has negotiated successive bilateral agreements with the EEC and later the EU, granting it access, first to free trade, then to the single European market in certain spheres. According to the Mutual Recognition of Conformity Assessment (2015), Switzerland must adopt EU product standards in the following areas: industrial production; agriculture; civil aviation; overland transport; and public procurement.

5. The Economic Implications

The UK is an important part of the EU economy, with some 2m jobs in the 19-nation euro-zone dependent on trade with Britain.³ Half the UK's imports come from the rest of the EU. In the short-to-medium term, Eurozone exports to the UK would suffer a significant negative impact if, as foreign exchange markets expect, sterling fell sharply after a pro-Brexit result.

The broader economic impact of Brexit on the rest of the EU can be considered along several dimensions:

- The internal EU effect on the relations between euro and non-euro states;
- The consequences for trade and investment flows.
- The influence of the EU on the international stage and, particularly, within organisations like the WTO.
- The implications for the EU budget.
- Any new provisions affecting freedom of movement.

Several contributors suggested UK withdrawal from the EU would significantly weaken the bargaining position of the remaining non-euro states with respect to economic and financial policies. Their relative economic clout

would be greatly reduced. A UK exit would change the balance of power between the euro-zone and the wider single market countries, with the former more able to impose their interests.

The negotiation of Brexit might also prompt the EU to regard GREXIT (Greece's exit) as more feasible. Greek membership of the euro-zone became highly problematic in 2015. This prompted serious investigation of how its expulsion might be facilitated. Its debt problem remains, whilst its third 'bail-out' and worrying economic prospects continue to be matters of major concern. Greece has remained inside the euro-zone, because its partners fear a domino effect leading to the disintegration of the 'club'. But a negotiated UK exit from the EU might break such a taboo – for both the EU and for opposition forces within Greece – and make GREXIT from the euro-zone, and possibly other EU policies, seem more manageable. Such fears are already evident in political circles in Athens.

Within the banking sector, some believed intra-EU transactions would likely seep away from the City of London to the euro-zone. In this scenario, the City would cease to be the prime financial hub, since no longer the nexus between the global and European financial markets. Moreover, new EU financial regulations would be drafted without UK input.

Further, Brexit would likely provoke competition between the UK and the EU for foreign investment. After a British vote to leave – and in a climate of uncertainty

Brexit would likely provoke competition between the UK and the EU for foreign investment

³ ING Group (2016), Financial Markets Research: 'The Shock from Brexit'. ING Group: Amsterdam.

- other EU countries would likely be keen to capture trade and investment diversion gains arising from the UK's position outside the single market. The outcome of such competition must remain unclear. But in the near-term, the EU's integration with the rest of the world in matters of global investment would likely decline, as the UK is Europe's investment gateway in the services sector. The UK is also the biggest recipient of FDI within the EU. This is one aspect of the EU, without the UK, seeming to become more turned in on itself.

Internationally, it can be expected that the euro-zone would be the EU's dominant economic voice. Within the WTO, the EU would lose its strongest free-trade advocate. Trade multilateralism would continue, but Britain's voice would be less influential. With respect to the IMF, there are already voices within the EU calling for a single European seat at the top table and this would be more likely to be realised if the UK had just left the EU. More generally, the EU without Britain could be expected to engage in its own 'caucusing' much more, presenting a more singular voice. This might be felt particularly in banking and financial deliberations, e.g. at Basle. It is not clear that such caucusing would help Britain's interests.

With Britain no longer an EU member, the implications for the EU budget are unclear. The impact would depend on any financial contribution the UK might be asked to pay – à la Norway – for full access to the single market. Yet, the UK is second only to Germany as a net contributor to the common EU budget. Without Britain,

Germany and France might be called upon to contribute proportionately more.

The provisions of any new deal after a Brexit vote that affect free movement of peoples and of workers will pose significant implications for the rest of the EU. Any curtailment is likely to have economic costs for both sides. Within the EU, the implications are greatest for the central European countries. This was evident during Cameron's negotiations before the referendum was announced. The governments of Poland, the Baltic states, Hungary, Slovakia, Bulgaria, and Romania each voiced concerns over a deal that would keep the UK inside the EU, but would discriminate between workers in their ability to move to new jobs. Similarly, many of these countries each have hundreds of thousands of workers currently in the UK and the workers from such countries currently in the UK might lose their status, with mostly negative consequences for their home countries denied their remittances.

The economic effects of a UK withdrawal might also be acute for countries like Cyprus, Ireland and Malta with their traditionally close ties to the UK. Ireland, for example, might suffer a 20% loss in its trade with the UK, according to some estimates. But the the hearing underlined in general the significance of the UK-EU economic link as a whole and the risks of weakening it. In short, the EU needs the UK and the UK needs EU.

6. The Geopolitical Impact

In matters of foreign policy and security, the stark question arising from British withdrawal from the EU would be: is the EU a serious actor on the world stage without the UK? Many experts regard the UK as an indispensable part of the EU's global strategic voice. The chances of the EU being a third pole in international relations would be diminished without the UK. Without the UK, the EU would likely become less interventionist in international conflicts.

Brexit appears alongside numerous other geopolitical and domestic challenges faced by the EU. The rise of domestic terrorism, the issues posed by jihadism in the Middle East and Russia's aggressive policy are major threats to the EU. Having Britain outside the EU would just add pressure and further complicate the approach to these issues.

With Britain outside, the EU's international influence would be re-structured.

The EU would lose its strongest voice in Washington, arguably to the detriment of European interests. Indeed, an EU minus

the UK might be less NATO-friendly and more willing to develop separately, much to the chagrin of the US. And Britain is the one European power that understands the dynamics of East Asian politics. The EU will lose an important ally there if Brexit occurred.

Although it is not often recognised, the UK has been a strong supporter of the EU's common foreign and security policy (CFSP). Indeed, many of the EU's foreign policy successes can be attributed to British actions and suggestions. Moreover, it is difficult to identify any recent foreign policy issue in which the EU went ahead against the wishes of the British government. Instead, the UK has often leveraged the EU for its own foreign policy benefit. The British have notched up a number of successes in this respect: the Serbia-Kosovo agreement, the Iran deal, dealing with Somalia, and, sanctions against Burma. It has also favoured a common EU approach on sanctions against



Russia; human rights in China; and peace-brokering over Cyprus. British diplomats, like Catherine Ashton and Robert Cooper, have had significant personal influence. During a prolonged period of Brexit negotiation, the UK would be distracted and be less able to play a part in world affairs. Moreover, both the U.S. President and more recently President Xi of China have indicated that Britain would be less influential on the global stage if it were outside the EU.

There is a wider set of concerns related to how the balance of power will look inside the EU if Britain leaves. Both for France and for the US, a potential Brexit might rejuvenate fears of German hegemony, since Paris may not be able to counter-balance Berlin. Germany itself has struggled with its EU leadership position and would certainly favour Britain inside the EU as a source of power balance. This is a perspective shared by other northern European states, like The Netherlands and Sweden. Similarly, Brexit would re-structure the north-south dynamic within the EU, weakening the northern influence over policy. For their part, central and eastern European countries have, in the recent past, viewed the UK as an important ally and champion. London championed both EU enlargement and the European Neighbourhood Policy (ENP). The latter helped to structure relations with Ukraine. With Brexit, that reference point would go. In short, the internal power dynamics of the EU would be placed in a state of flux.

Brexit poses distinct risks for Ireland, both the Republic and Northern Ireland.

Brexit poses distinct risks for Ireland, both the Republic and Northern Ireland. The EU framework was an essential condition for both states managing the violence in Northern Ireland from the 1970s to the Belfast Agreement in 1998. Constitutionally and in international law the two states are intertwined. If a Brexit vote led to a fresh referendum in Scotland leading to its secession from the UK, the impact on Northern Ireland could be huge. Unionists there might face a weakened England less willing to offer support and demands for Irish unity might disturb the new peace.

7. EU institutions and decision-making

The impact of Brexit on the decision-making processes of the EU institutions and the outcome in terms of general policy direction was a matter of some speculation in the hearing.

Careful analysis of voting patterns in the Council of Ministers suggests Brexit would shift the balance of power towards a pro-interventionist/social policy coalition, away from the more free-market, less red-tape orientation. The latter would suffer a substantial blow. Particular impacts would likely be felt in certain policy sectors, shifting EU positions on banking and finance, as well as nuclear and alternative energy. Some believe the rest of the EU would more easily press ahead with common policies and closer integration without Britain as the block, or awkward partner. Recent episodes such as the EU's Fiscal Treaty were cited. But a popular 'no' in the UK might also prompt more self-doubt and a be a brake on major new advances.

Other contributors felt British withdrawal would not result in a significant shift in policy direction by the EU. Some emphasised that the EU had already shifted towards policies intended to strengthen competition. Brexit would have little impact on the internal deliberations of the euro-zone.

In terms of the workings of the EU institutions, a UK withdrawal might witness fewer 'no' votes in the European Council and in the Council of Ministers, as the UK was one of those most likely formally to register its dissent. In matters of qualified majority voting in the Council, France would likely appear more pivotal across voting blocks. A British exit would not affect the dynamics of the European Parliament significantly, as in recent years, and currently, British MEPs have not held particular positions of influence.

Overall, a 'Brexit' vote and UK withdrawal would have an impact on the operation of the EU's institutions. However, it is evident that several scenarios are feasible. Most likely, the EU would become more united and more interventionist in economic and social policies, with less need to accommodate distinctive UK preferences. A UK on the 'outside' could expect to negotiate with a more cohesive actor.

Brexit would have little impact on the internal deliberations of the euro-zone.

8. Domestic Politics takes a knock

A referendum result in favour of the UK remaining in the EU would be strongly welcomed across Europe and further afield. The short-term threat – or political indulgence – of the referendum would be over. But the shockwaves of a Brexit referendum vote would likely be felt across the domestic politics of EU member states. The attention of the international media would help focus public debate on what this signifies for the European project, adding to the self-doubt engendered by the recent economic and refugee crises.

Britain has been the home of Euroscepticism for several decades, though it has spread in different versions across EU member states, nourished by specific domestic conditions. There was common agreement in the hearing that a referendum ‘no’ in the UK would give immediate political advantages to similar forces across the EU – in particular to the politics of populism and the extremes.

A medium-term impact might be felt in France in the context of its presidential elections in 2017. The prospects of Marine Le Pen will look brighter. According to one recent poll, 53 per cent of French voters want a referendum on EU membership. Furthermore, that France rejected the proposed constitutional treaty in a 2005 referendum renders questionable the assumption that the country – as a founding member – would vote to stay in.

More generally, following a shock Brexit vote, the voices of the far right in places like Hungary, the Netherlands, Austria, Greece and Poland will likely become louder. This would have implications for the political climate and the images of Europe.

In short, the hearing perceived the political ramifications of a Brexit vote as not only unwelcome for mainstream politics across Europe, but also de-stabilising for a European project already struggling with several major challenges.

9. Conclusions

Where studies have tended to concentrate on the negative implications of Brexit for the UK, comparatively few have explored its likely impact on the EU. Nor have many sought to assess the perspectives on the topic of the UK's external partners. This hearing sought to fill these significant gaps. In so doing, it reinforced the idea that there will be no winners from Brexit, with the EU suffering a number of potentially serious effects. Particularly, the hearing explored these through three main lenses: economic; geopolitical; and institutional, considering the impact both on the European Union as a bloc, and upon individual member states. The conclusions were illuminating and concerning. A Brexit vote on the 23rd June would lead to a period of uncertainty, whilst the UK government and the EU negotiate a new relationship. Moreover, a split might arise in the Brexit camp between those supporting a second referendum following negotiation of a new EU agreement – including Boris Johnson – and others committed to the view that the referendum result is final. The EU 27 will also find it difficult to agree a common position on a renegotiated settlement for the UK. Given the likely confusion, the EU's smart strategy would be to wait for the UK to present its proposals, before advocating its own.

Existing EU agreements with Norway, Switzerland and Canada provide legal precedents for a new relationship, with advantages and disadvantages present in each model. Irrespective of which is eventually agreed, the economic,

geopolitical and institutional ramifications of Brexit for the EU will be significant. This is particularly evident in respect to power dynamics within the EU, with Germany acquiring even greater influence - particularly in relation to France. Moreover, the EU would lose a main advocate of market liberalisation and structural reforms to promote competitiveness. In addition, Brexit would deeply affect certain countries – such as Cyprus, Ireland and Malta - that rely upon bilateral trade with the UK. Politically, there would also be ramifications. Brexit may help hasten GREXIT, breaking existing taboos surrounding member state withdrawal from EU schemes. Moreover, it might encourage the forces of nationalism across Europe, and legitimise their anti-EU arguments - a particular worry for France, with legislative elections in 2017. Geopolitically too, Brexit would considerably weaken the EU, its strategic voice on the global stage, and its ability to project power through diplomacy and military force. To compound this, the external perception of the EU as a security provider would also suffer. Institutionally, Brexit may presage a shift in voting patterns within the Council with advocates of market liberal policies losing ground to more protectionist and pro-interventionist voices. Overall, the hearing concluded that Brexit would represent a 'lose-lose' outcome for both sides. Perhaps because they have been slow to react to the prospect of a Brexit, a 'no' vote will shake the EU suddenly and deeply. It will exacerbate the migration and debt crises and foster the general air of self-doubt.

Participants List

First	Surname	Title
Joaquín	Almunia	Former European Commission Vice-President; former Commissioner for Competition; former Commissioner for Economic and Monetary Affairs
Erik	Berglof	Director of the Institute of Global Affairs, LSE
Vladimír	Bilčík	Head of the EU program, Slovak Foreign Policy Association
Fraser	Cameron	Director, EU Asia Centre, Hertie School of Governance
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Fredrik	Erixon	Director of European Centre for International Political Economy
Paul	Gillespie	Project Leader, UK Group, The Institute of International and European Affairs; Former Foreign Affairs Editor, The Irish Times
Charles	Grant	Director, Centre for European Reform
Sara	Hagemann	Assistant Professor, European Institute, LSE
David	Harley	Senior Advisor, Burson-Marsteller Brussels; former Deputy Secretary-General of the European Parliament
Martin	Hatfull	Director of Government Relations, Diageo; former Diplomat
Chintan	Joshi	Co-Head of European Banks Research, Nomura
Dominique	Moisi	Professor, Institute d'Etudes Politiques, Sciences Po; Co-founder and Senior Adviser, French Institute for International Affairs; Visiting Professor, King's College London
Simon	Nixon	Chief European Commentator, Wall Street Journal

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Tim	Oliver	Dahrendorf Fellow Europe-North American Relations, LSE IDEAS
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Lee	Rotherham	Director of Special Projects, Vote Leave
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