Negotiating Brexit:

What do the UK's negotiating partners want?

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The UK in a Changing Europe

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Foreword

Hussein Kassim, Simon Usherwood

Amidst the intense political debate and coverage in the UK, it sometimes seems to be forgotten that the outcome of the current negotiations will not be decided in London. The UK's negotiating partners – the other 27 member states, as well as the EU institutions, and perhaps even the members of the European Free Trade Association – will also have a major say. In fact, contrary to political wisdom in some quarters, it may even be that the UK's negotiating partners hold the upper hand.

For that reason, but also because the UK's departure will have far-reaching consequences for the EU, neighbouring states, and countries across the globe, it is important to know how the UK's partners are approaching the negotiations. How important is Brexit to them? Did they see it coming? How are they preparing? Do they see the UK's departure as a matter for regret, an opportunity, or both? And, although the EU has set out principles that will guide its approach, will they hold? How are they viewed from the national capitals of the EU27?

These are the questions that this publication and our wider project, 'Negotiating Brexit: national governments, EU institutions and the UK', sets out to answer. We asked our authors, all seasoned observers, to tell us for the country or institution for which they are expert: how official and unofficial perceptions of the UK's EU debate have developed at key stages from Prime Minister Cameron's 2013 Bloomberg speech to the present; the approaches governments and institutions are taking to the negotiations, what their concerns have been so far, and what might matter in the future; and which forces or actors are shaping their positions. But as editors we did not impose a template. We encouraged authors to report it as it is and in their own style.

Their responses make fascinating reading. The main messages that emerge are: shock, but not surprise, at the referendum outcome; limited sympathy for the UK, but a desire to maintain good relations and close cooperation in the future; and strong support for the principles agreed by the European Council in June 2016 and for Michel Barnier, the EU's Chief Negotiator.

As editors, we should like to express our gratitude to the authors for contributing such insightful pieces, to Vanessa Buth who has overseen the process with characteristic efficiency and humour, and to Richard at Anchor Print for his professionalism and patience.

Hussein Kassim Simon Usherwood

For more information about the project, news, and future publications, please see

https://www.uea.ac.uk/political-social-international-studies/research/negotiating-brexit

Twitter: @NegotBrexit

The European Council, the Council of the European Union, and the European Commission

Hussein Kassim

Shocked, but not surprised

Although the results of the UK referendum came as a shock to officeholders in the EU institutions, it was not a surprise. The UK had always been an awkward partner, even if its contribution to the EU's development was widely recognized and appreciated. As well as its role in the design and delivery of the single market, the UK had been influential in many important areas of policy, including trade, development and competition. It has played a constructive role in institution-building, was top of the class in implementing EU law, and was a net contributor to the EU budget. Though it could be difficult, the UK was respected for its pragmatism, the skill, strategic and tactical, of its negotiators, and the efficiency of its machinery for coordinating EU policy.

Yet, it was also understood in Brussels and in national capitals, that domestic support for the UK's EU membership was never instinctual and party political support was rarely bipartisan.

When the Conservative Party returned to government in 2010, albeit as part of a coalition, it was divided over Europe and the party leadership made immediate concessions to the growing eurosceptic element within its membership. The latter grew in strength with the Eurozone crisis and the apparent inability of the EU to deal with migration from across the Mediterranean, which also fuelled the development of the UK Independence Party.

Prime Minister David Cameron's pledge in his Bloomberg speech in 2013 to hold an in-out referendum following a renegotiation of the UK's relationship with the EU should a Conservative government be elected was a bid to contain these challenges. With the surprise victory of the Conservatives in 2015 and against the background of an escalation of anti-EU feeling with an exacerbation of the migration crisis and the bitter medicine handed out by the EU to Greece, the new government came under immediate pressure to name the date.

Although EU member states and the President of the European Council Donald Tusk sought to find a compromise with the UK that would be acceptable to both sides, there was frustration with the time that it took London to identify its areas of concern. Following a tour of capitals by the UK, they were finally presented in November 2015. By February 2016, the European Council was able to announce a new settlement between the UK and the EU, and Prime Minister Cameron announced the date for the referendum the next day.

In both the European Council and the European Commission, however, there was a concern that, although the EU had gone as far as it could go within the bounds of EU law in reaching this agreement – perhaps even further in the area of the free movement of people – the compromise struck with the UK would not be enough for the government to win a referendum. Both the Council and Commission agreed that it would not be appropriate for the EU institutions to intervene in the referendum campaign and prudent not to draw up plans for the post-referendum period that would be politically sensitive and might be leaked.

Though not optimistic about the outcome given the tone and nature of the referendum campaign, there was still shock on both sides of the rue de la Loi when the results were reported the next morning.

A quick and decisive response

Given the potential economic and political

consequences of the vote, neither the President of the European Council nor the Council Secretariat, which supports the European Council and the Council of Ministers, was inactive. Some quiet thinking was given to how the EU should best manage the exit process in the event of a vote to leave in early June, but it was only on the eve of the referendum – in the last 48 hours -- that Donald Tusk phoned heads of state and government of the EU27 to clear with them his response as President of the European Council to the result. In the case of a victory for Remain, the new UK-EU settlement would be put into operation. Should Leave win, he proposed a number of principles that should inform future steps, as well as a meeting of the European Council the following Sunday. The Presidents of the European Parliament and of the Commission were also consulted.

When the results of the referendum were known, a text setting out the line that had been cleared with them was sent to the prime ministers of the EU27. The central message was that EU business would continue as usual, that everything was under control, and that there was 'a pilot in the plane'. The aim was to pre-empt a political crisis or adverse reactions in the markets. Within the Council Secretariat, a Task Force was set up under Didier Seeuws, a Belgian diplomat and former staff member of former President of the European Council, Herman von Rompuy, that was intended to convey the same: that a process was underway and that it was being managed.

The next key step was the agreement among the leaders of the EU27 on 29 June 2019 of the principles that would guide future action. The first was 'no negotiations without notification'. In other words, that no substantive discussions should take place with the UK before it had formally triggered the Article 50 process. Second, although there was strong desire for the UK to remain a close partner of the EU, there needed to be a balance between its rights and obligations. Third, the four single market freedoms concerning the movement of goods, capital, services and people would be indivisible. Fourth, that the terms of the UK's withdrawal from the EU would need to be completed before discussion of the UK's future relationship with the EU, including trade, could begin.

Working together

These principles have so far proved to be enduring, helped by continuous bilateral conversations between the President of the European Council and national leaders. This has cemented a sense of unity among the EU27 and dispelled any anxiety that a stitch-up was taking place behind the scenes between Berlin and Paris. Periodic interventions from Chancellor Angela Merkel have underlined that the interests of the EU come before national commercial interests – even of German car makers. Moreover, the points of substantive negotiation were developed through discussions among the EU27 on balancing

rights and obligations in whatever agreement is ultimately reached.

Unity also extended to relations between the European Council, the Council of the European Union, and the European Commission. Despite reports of rivalry between the Council and the Commission, especially in the wake of the creation of internal Council working group, the two have worked effectively together. It had been thought that the negotiations with the UK would follow the same procedure as the negotiation of trade agreement with third countries, where the Commission is given an instruction by the Council, undertakes the negotiations, and reports back two years later. With a process as sensitive and far-reaching as Brexit however, it was considered that closer cooperation was necessary.

That the Commission would, on the basis of a mandate from the Council, negotiate on the EU's behalf, was never in question. French former Commissioner, Michel Barnier, was appointed as Chief Negotiator for the EU by Commission President Jean-Claude Juncker in July 2016. Sabine Weyand, an experienced trade official and German national, was appointed his deputy two months' later, when at the same time the Article 50 Task Force was created. The Article 50 Task Force is organized into four units responsible for cross-cutting policies and level playing field, internal market and sectorial policies, budget, spending commitments and programmes, and international agreements and customs, and three responsible for strategy, coordination and communication that cover relations with think tanks and communication, Inter-institutional affairs, and Legal affairs.

The European Council, the Council of the European Union, and the European Commission work closely together at all levels. At the highest political level, this involves contact between Tusk and Juncker, the heads of their respective cabinets, and the Secretaries General of the Council and of the Commission. Draft documents, including those that have become major reference texts, are routinely shared. There is also frequent and regular interaction between the Article 50 Task Force and the Council Working Group. The latter was created to ensure continuous involvement of the governments of the EU27 in the process. Its permanent chair gives the work of the group continuity.

Myth-busting

That the European Council and the Commission are institutional rivals, incapable of working together, is one myth that has been challenged by the way that the process has worked so far. A second that has been contested by where and how decisions have been taken is that faceless 'Brussels bureaucrats' rather than political leaders pull the strings. The EU's ability to take decisive political action is a third. Within 48 hours of notification from the UK that it was triggering Article 50, the EU had tabled an essentially political declaration. The text was not an exercise pettifogging bureaucracy, but an enunciation of political principles, partly inspired by the knowledge that the UK is a formidable spinner and that a self-explaining document was necessary to spell out the EU position. The same consideration lies behind Michel Barnier's commitment to transparency; to make all key documents, descriptions of structures, and the EU's negotiating papers publicly available on the European Commission's website.

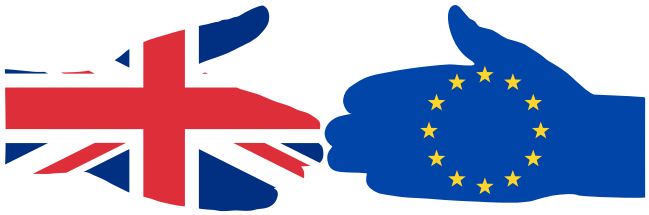
A fourth myth or set of myths concerns the UK. Although Brexit may in the minds of some in Brussels be considered the inevitable outcome of a tendency within the Conservative Party towards growing euroscepticism, that has grown unchecked by British pro-Europeans, officeholders in the EU institutions and observers across the EU have still been taken by surprise by the UK's actions since the referendum.

The causes are several: the time that it took the UK to post formal notification, despite Prime Minister Cameron's indication that, in the event of a no vote, Article 50 would be triggered on the following day; the repeated statements that the UK would need to by-pass the Commission and make a direct appeal to the national capitals, even though Michel Barnier is the EU negotiator, acting on the basis of a mandate from the political leaders of the EU-27; London's apparent disregard for the principles enunciated by the 29 June European Council as early as five days after the referendum and its repeated attempts to 'divide and rule', ignore the EU's insistence on

the sequencing of talks on withdrawal before discussions concerning the future relationship, and to 'cherry pick' EU policies that it likes; and the magical thinking – imagining that the existing privileges of membership will continue even after the UK leaves either as they are or in a reinventing form; in short, of 'having its cake and eating it'.

There is also the apparent failure to prepare political or public opinion for the realities of the UK's departure, to take the action necessary for businesses in the UK and other parts of the EU to ready themselves for the day after exit, not to mention continued overstatements of the UK's bargaining power, repeated off-colour remarks that allude to the war, compare Brexit to liberation, or portray the other EU member countries as 'the enemy', and the thinness of many of the UK's negotiating papers.

Barnier's repeated reminders about the realities of the consequences of Brexit and about ticking of the clock towards the end of the two-year period can partly be seen as exasperation about the lack of progress and the apparent absence of a plan in the UK. They are also expressions of surprise that the UK's pragmatism and negotiating expertise, features of its diplomacy and its management of EU policy for which the UK was legendary across the EU, appear at least momentarily to have deserted it.



Brexit as a cause for regret ... and an opportunity

As with many member states, the EU institutions regret the UK's departure, but at the same time see that Brexit also opens up opportunities. The UK's departure will lead to a loss of resource for the EU that goes beyond the net contribution made by London to the EU budget. But it will also remove a brake in some areas of activity. Beyond the message that business will continue as normal, as reflected in the periodic comments from UK officeholders on how little EU's time is being spent on Brexit or Commission President Jean-Claude Juncker's reminder that 'The EU is not Brexit', there is a determination to map out a clear future for the EU. As evidenced by statements of informal European Council meetings at 27 in Brussels, Bratislava, Malta, Rome and Tallinn, leaders of state and government intend to move towards solutions to address major problems that have beset the EU, notably in the Eurozone and in migration. Of course, the extent to which they will be successful remains to be seen. Brexit will not be a panacea.

The role of parliament

Although it has no formal role in the negotiations, the European Parliament still has an important part to play. The Parliament's consent is required for the withdrawal agreement, which gives the institution leverage as a veto player. The Parliament appointed Guy Verhofstadt MEP, President of the Alliance of Liberals and Democrats for Europe, as its lead representative. Well known for his federalist views, Verhofstadt has already made a number of interventions. He will lead preparation of the Parliament's position together with the EP President and the party leaders, relevant parliamentary committees, including the Constitutional Affairs Committee, chaired by Danuta Hübner, and coordinate and prepare Parliament's consideration of the UK's withdrawal as chair of the Brexit Steering Group.

Conclusion

The shock of the referendum result resonated in Brussels, as it did in all EU capitals, and was met with disappointment and regret. But, having followed the debate in the UK, particularly within the Conservative Party, the EU's political leaders and senior officeholders in EU institutions were not surprised. What has been a source of bewilderment has been the slowness of the UK to formulate a coherent approach to the negotiations, its failure to engage seriously in the negotiating process, and the persistence of magical thinking. The hope is, that with the clock ticking, there will be a realisation in London that a more realistic approach is needed to make the necessary progress and avoid an outcome that is the worst possible for all sides.

The European Parliament and Brexit

Nathalie Brack

Although not the lead EU institution, the European Parliament has been very active since the UK triggered Article 50. Using its formal authority under the treaties to approve or reject a final withdrawal deal, as well as any future agreement between the EU and the UK, the EP has sought to influence the content of the negotiations by making clear what it will and will not accept. The appointment of a Brexit coordinator and the establishment of a Brexit steering group underline the salience of the issue for the institution. Moreover, a large majority of five political groups adopted two resolutions in 2017. The first outlines the red lines of the EP, the second assesses the (lack of) progress in the negotiations. This chapter describes how the EP reacted to Brexit and the negotiations, explains the red lines of the chamber in the Article 50 negotiation process, and assesses the impact of Brexit on the institution.

An incremental mobilization

It is only since the triggering of Article 50 that the EP has become proactive in the negotiation process. The EP group leaders reacted to David Cameron's 2013 Bloomberg speech by highlighting the gamble made by the British PM and pointed to domestic party management as the reason for it. Between 2013 and 2016, there was little action on the EP's part, beyond the expression of more or less explicit support for European Council President Donald Tusk, the work of the European Council, as well as concerns for EU citizens' rights.

After the referendum, the President of the EP as well as the leaders of the main political groups stressed the need to proceed quickly and asked the UK to trigger Article 50 as soon as possible, in order to prevent uncertainty and to 'protect the Union's integrity' in a resolution of 28 June 2016. Smaller groups emphasized particular concerns: the radical left group (EUL/NGL) highlighted the need to take into account the particular situation of Ireland in the negotiations, while the European Conservative and Reformist group, where the Tories sit, asked for understanding and avoidance of a punitive approach towards the UK during the negotiations.

The issue really gained salience after Article 50 was triggered in March 2017. The EP appointed a Brexit coordinator in Guy Verhofstadt, the leader of the liberal ALDE fraction, and set up a steering group to follow the negotiations on the withdrawal of the UK. The steering group will be key to shaping the EP's position. As with crucial political decisions previously, the EP is attempting to maximize its leverage. Although it has no official role in the negotiations, the EP has threatened to use its veto power on the final deal in order to advance its view and to influence the content and pace of negotiations. Notably, the EP warned in a letter of 9 July 2017 that it will reject any deal if its position on citizens' right is not taken into account.

The work of the steering group is supported by a broad majority in the EP, composed of representatives from the socialists (S&D), Christian Democrats (EPP), Liberals (ALDE), Greens, and the radical left (EUL/NGL). Such a broad coalition is necessary if the EP to make its voice heard in the process. However, it should not be inferred that there is no disagreement or internal tensions. The groups on the right of the EPP are excluded, even though the ECR and the EFDD are the two groups to which most British MEPs are affiliated. The ECR has already complained about a lack of consultation. Moreover, the very creation of a steering group was intended as a control mechanism over the Brexit coordinator. In particular, the two largest groups (S&D and EPP) want to keep close tabs on the work of Verhofstadt, who they consider to be too federalist or too extreme in his proposals. The steering group gives them a way to be closely involved in key political meetings at the EU level during the negotiations.

What are the European Parliament's red lines?

The European Parliament has so far adopted two resolutions: the first on 5 April 2017, which sets out its red lines; the second on 3 October 2017, which reaffirms its position and comments on the negotiations.

Three elements are key for the EP regarding the withdrawal agreement. First and foremost, the institution stresses the rights of EU citizens and argues that these rights should not change after Brexit. The legal status of EU-27 citizens living or having lived in the UK and of UK citizens living or having lived in other Member States must be settled before the UK leaves the EU. These status and rights of citizens should be informed by principles of reciprocity, equity, symmetry and non-discrimination. The EP also demands the protection of the integrity of Union law, including the Charter of Fundamental Rights. The EP remains unconvinced hitherto by the UK position and considers the 'settled status' proposed by London as insufficient. It strongly criticized the new proposal made by the UK government on 7 November. The steering group argued that settled status should be automatic, without any conditionality or cost, and should apply only after Brexit.

Second, agreement on a financial settlement should be settled before any discussion on a future deal. The UK must respect in full the financial obligations it undertook as a member state, as well as any other financial costs arising directly as a result of its withdrawal. Third, the EP is concerned by the potential impact of Brexit on Ireland and on the Irish border. In its resolutions, it insists on the need to ensure continuity and stability of the Northern Ireland peace process and to do everything possible to avoid a hard border.

Regarding the sequencing of the negotiations, the EP is very clear. Substantial progress must be made on the withdrawal agreement before any negotiations on a transition deal can take place. The withdrawal agreement should be decided and implemented before the next EP elections, in early June 2019. Moreover, an agreement on the future relationship between the EU and the UK as a third country can only be concluded after Brexit. In its resolution of 3 October 2017, the EP stated that the progress made so far has not been sufficient to proceed to the next step of the negotiations.

Finally, the EP considers that any transition agreement should last for a maximum of three years. It cannot be a substitute for membership, but at the same time must ensure the four freedoms and be supervised by the Court of Justice of the European Union.

Impact on the European Parliament

Brexit is likely to have a twofold impact on the European Parliament. On the one hand, the political spectrum is likely to change following Brexit and the survival of two political groups is in doubt. The ECR group was founded by British Conservatives, which also form the largest delegation within the group with 21 MEPs. Together with the Polish PiS party, they give relevance and respectability to the group. Likewise, the EFDD group is likely to disappear after Brexit. Created around UKIP (20 MEPs) and the Italian 5 Star Movement (15 MEPs), it is likely to fall below the threshold of 25 MEPs from 7 member states necessary to form a group. One possibility is the consolidation of a right-wing Eurosceptic group if, after the 2019 elections, some delegations currently in the EFDD apply to join and are accepted by the radical right group ENF, though at this point this remains speculative.

Brexit has also triggered discussions on what to do with the 73 seats currently occupied by British MEPs. The EP's constitutional affairs committee is currently discussing a report which proposes cutting 51 of these seats from the Parliament after Brexit, bringing the institution down from 751 to 700 MEPs. These seats could be used either for future enlargement or for pan-European lists. The 22 remaining seats could then be distributed among the remaining 27 Member states to ensure a better implementation of the principle of 'degressive proportionality'. The most contested issue is undeniably the idea of transnational lists. Brexit has given a new impetus for this old federalist idea which has been discussed in the EP for twenty years. But despite the renewed interest, it is very unlikely that such transnational lists will appear in time for the next EU elections in 2019. Indeed, such a change would require a reform of the electoral law and the unanimous support of all Member States, which is likely to prove elusive in the current context.

Negotiating Brexit: the view from Germany

Eva G. Heidbreder

The German Position in a nutshell: Consolidating the EU-27's Future

Germany's position is aligned with the EU institutions and its EU peers in the European Council. Germany has accepted, albeit with regret that the UK has filed a request to withdraw and that it will exit the EU in March 2019. It supports the position adopted by the informal European Council at 27 on 29 June 2016 about the sequencing of negotiations in two phases and that sufficient progress needs to be made on the terms of the UK's withdrawal from the EU before discussions open on the future relationship. For Berlin, the future of a EU of 27 member states and its citizens, built around the single market core, is the main priority. In Germany's view, these positions are non-negotiable and reflect fundamental political principles.

As the future relationship between the EU and the UK is highly complex and engages a diverse and broad range of interests, the second negotiation phase poses the more challenging period in terms of position formation inside and among the EU-27. Entering the second phase will be based on a renewed negotiating mandate from the European Council to the Commission.

The Foreign Office in Berlin has the lead in coordinating current position formation during the negotiations. Mirroring by-and-large the complexity of German EU-policy coordination, the government has set up a vertically, horizontally and public-privately inter-linked policy-coordination infrastructure. Except for non-agreement between the Länder to limit the applications that each city can submit to host the EU agencies that are currently located in the UK to one, the elaborate coordination system is designed to deliver sustainable positions. Although the impact of the general elections of 24 September 2017 cannot yet be fully estimated, any future government, is unlikely to change Germany's approach.

Initial reactions 2013-2016: from reluctant observation to pro-active agenda-setting

The debate on a possible UK withdrawal from the EU was actively launched by Prime Minister Cameron's 'Bloomberg speech' in 2013. While the German government did not issue an official statement, Germany underlined at the highest political levels its commitment to the EU as a political project. It has also repeated that there will be a firm rejection of any attempts by the UK at sectoral 'cherry picking' or at challenges to the indivisibility of the single market, especially in regards to the free movement of persons. Germany supported the UK's call for reforms directed toward improving competitiveness, cutting red tape, improving policy delivery and, less prominently, strengthening subsidiarity and democracy. However, its main concern was to strengthen the Eurozone.

These reactions were in line with those expressed in the European Council decision of 18 December 2015, which was intended to offer UK voters an alternative to a full EU withdrawal. The non-negotiability of free movement and non-discrimination were firmly established at this early stage. Regarding strategic position formation, the formula that has become the Chancellor's established model for commenting on Brexit was first observable in this 2015 decision. A statement from the Chancellery is followed by a joint press conference with one or more heads of state or government – in 2015 with prime minister David Cameron – then a government declaration and a debate in the Bundestag to prepare the European Council that follows shortly thereafter. Essentially, the German

position was formulated within a week and confirmed at the EU level.

The immediate reaction to the UK referendum outcome in 2016 was marked by strong unity among all political actors. Agenda setting moved almost instantly from the Foreign Office, which is formally responsible for EU affairs, to the Chancellery. The firmly defined position of the Chancellery, widely supported in parliament, spelled out the general direction with a slight shift to stress the need to further strengthen the EU despite strong regret over the UK's intention to leave. The rejection of any kind of 'cherry picking' was repeated and the prerogative to obey the Article 50 procedure as laid down in the EU Treaties, was added to the pre-existing priorities.

German position formation between 2013 and 2016 must be understood against the background of the widely-perceived deep EU crisis, relating in particular to the Euro, migration, and right-wing populism, which had led to unprecedentedly high levels of euroscepticism. It is hence remarkable that directly after the Brexit referendum, public opinion polls in Germany were quick on uptake and reached figures of pre-crisis support for the EU. Furthermore, a Frankfurt-based initiative, Pulse of Europe, aimed at publicly displaying general pro-EU support, spread throughout Germany and 19 other European states, and achieved substantive support in weekly public assemblies as well as widespread media coverage, peaking in March 2017 when the UK submitted its official request for withdrawal.

Negotiation priorities in under Article 50: Towards an orderly exit

Public opinion has seen a visible shift, if not a break from crisis-related EU-scepticism, in key part as reaction to the Brexit vote. After the referendum, there was a realization that Brexit is a lose-lose situation that harms above all the UK itself. Rather than pointing to the negative consequences of Brexit, a more positive script has been in evidence for a post-Brexit EU. While in the run-up to the EU's sixtieth anniversary the Visegrad member states launched a statement favouring a basically purely economic EU, Commission President Juncker used the celebrations in Rome on 25 March 2017 to present a White Paper with five scenarios for a future Union.

A European Council declaration issued in Rome itself has since been used as narrative to communicate a proactive and forward-looking EU approach. The reference to of this narrative is best illustrated by President Macron's and Chancellor Merkel's joint press conference on occasion of passing the European Council guidelines for the first negotiation phase. In Chancellor Angela Merkel's words on that occasion on 23 June 2017, 'I think that after the Agenda of Rome we have all realised that shaping the work of our future 27 member states must take precedence over the exit negotiations with Great Britain. This does not mean that we will not intensely conduct negotiations, but we realised how much we must concentrate on our own future. Therefore, this present Council has already a significant importance'.

The current German negotiation positions follow directly from the initial agenda, approved both by a large parliamentary majority in Germany and by the European Council. Neither Chancellor Merkel nor Foreign Minster Siegmar Gabriel have been actively involved in negotiations, thus respecting chief-negotiator Barnier's request for member state restraint. For the on-going negotiations, the Foreign Office serves as main coordinator. On the occasion of a German-British parliamentary dialogue in June 2017, Staatsminister Michael Roth, who is State Minister in the Foreign Office and responsible for Brexit, highlighted

the following conditions:

- regret for Brexit vote but respect for the decision made by the British people;
- a wish for 'constructive negotiations' and 'orderly exit that avoids legal uncertainty';
- unity of EU-27 as first priority over any future EU-UK relationship;
- strict commitment to sequencing as laid down in EU Treaties;
- putting citizens first as acknowledged agreement on both sides;
- the inextricability of the market access and EU membership;
- the settling financial interests as a 'rational exercise' between separating partners;
- a responsible handling of the situation in Northern Ireland, including a crucial role for the UK Government in securing the peace process, which involves more than settling the issue of customs duties;
- the need for UK to present clear and detailed preferences, setting out its desiderata;
- a future relationship should cover fields such as trade, internal security, on foreign policy, defence and research based on:
  - o already existing EU programmes that are open for contributing third states, respecting the EU legal framework and common standards at the same time,
  - o continued close cooperation in the NATO, concretely regarding the common approach towards Russia and Turkey, Western Balkans and middle East, etc.
  - o continued bilateral UK/German efforts against climate change,
  - o continued efforts to sustain strong links in UK/German civil society.

In essence, the German government treats the exit negotiations as a process of reverse accession. The government has emphasized an orderly and legally sound withdrawal, guided by the strict adherence to the sequencing defined in the Treaties. To facilitate the detailed portfolio-knowledge needed to negotiate paragraph-by-paragraph all legal issues affected, Germany has created an internal coordination structure to handle position formation inside the complex federal democracy.

Multilevel position-making: tightly networked policy-coordination

The interaction between different state institutions is of high relevance for German position formation. Around the date of triggering Article 50 in April 2017, the actual day-to-day coordination responsibility moved from the Chancellery back into the Foreign Office. As the negotiations started, the Länder, meeting in the Bundesrat, claimed an active role in the negotiations.

German EU policy coordination is generally complex due to the strong portfolio autonomy of the line ministries (horizontal coordination) and the division of competences in the federal system (vertical coordination). In addition, both on the Bund and the Länder level coalition governments are dominant, and Germany has a strong corporatist tradition with well-established social partners, representing business and labour. Mirroring roughly regular EU policy-coordination, the Foreign Office forms the central hub that assembles positions by all relevant portfolios, levels and actors, including an active dialogue with business and citizens affected by Brexit.

Since March 2017, coordination has been formally institutionalised, although there are also important informal interactions. Due to the high relevance of the negotiations, special staff has been assigned in the EU department of the Foreign Office (Brexit Arbeitsstab, Brexit working corps). The working corps has access to and interacts pro-actively with all line ministries. It holds regular consultations with business and has organised a public form for citizens affected by Brexit. It also cooperates closely with the German embassy in London and the permanent representation in Brussels.

The existing institutions responsible for the coordination of EU policy in Germany have added Brexit to their regular agenda. At the highest political level, this includes the half-yearly meetings between Chancellor and 16 Länder Prime Ministers as well as the Länder's EU-Minsters' Conference. At working level in vertical coordination, an additional platform has been set up in the standard format, the so-called Bund-Länder Arbeitsgruppe

(federal-regional working group) statement reiterated. Key to German Brexit coordination is the Council working group on Brexit (Brexit Ratsarbeitsgruppe) in Brussels. Unlike the initial coordination set-up (March 2017) in which the Foreign Office pooled all resources and represented Germany in Brussels in the 2+1 Council working group format, the Länder have gained extensive information rights and the right to occupy one of the three seats in the Council working group if Länder competences are at stake. Bavaria (for the CDU-dominated governments) and Lower Saxony (for the SPD-dominated governments) coordinate and represent the Länder in the Council working group on Brexit. An extensive screening exercise, conducted by all Länder to identify their specific interests, feeds into the coordination and position formation in the Foreign Office.

Main principles and outlook: Negotiating the post-Brexit EU

Germany has clearly-defined positions for the first negotiation phase. The second, more demanding phase is currently being prepared in a quickly established and administratively elaborate coordination infrastructure. The probable change in government is likely to in-crease inner German coordination needs. The baseline negotiation position declared since March 2017 is that Brexit is secondary to securing and shaping the EU-27's future. This narrative is linked to Juncker's call on member states to contribute to the debate on the future EU before the next EP elections. German position formation can only be understood in terms of these broader efforts. The speeches delivered by Commission President Juncker and President Macron in September 2017 feature positions not necessarily shared by a – temporarily – weakened German government. The European Council in Tallinn in September 2017 delegated President of the European Council Donald Tusk to further develop the future EU agenda. It is likely that all parties will agree with the statement reiterated by French President Emmanuel Macron in his EU address: Brexit offers the remaining member states a window of opportunity to set the course for a post-crisis EU.

Brexit – a French perspective

Christian Lequesne

French society and Brexit

There is very little public debate in France about Brexit. Of course, when Michel Barnier opens a new round of negotiations with David Davies in Brussels, articles appear in the media. But generally, French society and even mainstream politicians have little interest. There are many people in France, who consider that Brexit is a positive development, because it will solve a problem: British governments, whether Labour or Conservative, have never really played the game of European integration. It is not rare to hear French ordinary citizens saying: 'Well, the UK has never liked Europe and the EU will work better when it leaves!'

For experts, it is not easy to convince the broader public that the UK has made many positive contributions to the EU since its accession in 1973. However, those areas where the UK's influence has arguably been greatest – its contribution to the establishment of the Single Market and to the enlargement of the EU toward Central and Eastern Europe – are not EU achievements that are considered as unequivocally positive in France. Indeed, the French are not especially well-disposed to these two issues since they are often perceived as neoliberal policies that challenged the 'right model' of a political Europe.

The fate of the French living and working in London also divides French public opinion. One not unpopular view is that London-based expats decided to cross the Channel in order to avoid paying their taxes in France. Of course, such a view is open to challenge. It neglects the large number of young French people who work in all sort of jobs, because they had no job in their home country. When French expats decide to return to France, there are immediately articles in the newspapers stressing that they feel 'better at home' on account of Brexit.

At the current time, the only identifiable societal interest in France that is vocally opposed to Brexit are fishermen. In 2017, Northern France, Normandy and Brittany vessels made 50% of their catches in the British waters, representing a revenue of 110 million euros per year. French fishermen want therefore to keep their fishing rights in UK waters. Other complaints coming from other groups in the society will probably emerge when Brexit becomes more effective, but for the moment there are very few anticipated complaints.

On the other side of the discussion, some French commentators have developed a discourse about the opportunities offered by Brexit, as in the case of the Paris financial community. There are regular declarations in the media from senior bankers stressing that Paris must attract financial firms based in London which do not want to renounce to the 'European financial passport'. The focus is particularly directed towards non- EU banks. Bruno Lemaire, the French Minister of Economics, travelled to New York in August 2017 to convince the financial community to move their branches from London to Paris. This discourse is also frequently used by officials and businessmen to attract Japanese bankers to the French capital.

At the current time, the concrete results of this strategy are modest. The only example is the announcement in February 2017 by HSBC's CEO that he will move 20% of the bank activity to Paris before Brexit day. Although that will involve about 1000 people, Frankfurt seems for the moment more successful than Paris in attracting financial companies from the City.

President Macron and Brexit

Brexit negotiations take place as the new French President, Emmanuel Macron, is developing an important political narrative on the future of the EU. Macron has delivered several speeches on the EU, including at the Sorbonne on 26 September 2017. In strategic terms, Macron's speeches are addressed primarily to the 25% of pro-EU French voters who supported him. The rest of the French population is either sceptic or indifferent to EU. The recurrent theme in Macron's speeches is that Brexit is an opportunity for France to relaunch the EU together with Germany. Building a strong Franco-German relationship inside Europe is not a very new narrative coming from the pro-EU camp in France. The formation of a 'Jamaica Coalition' between the Christian Democratic Union/ Christian Social Union parties (CDU/CSU), Free Democratic Party (FDP) and the Greens in Berlin will not make the task easy for Macron. His proposals to create a specific budget and new institutions for Eurozone for instance are not supported at all by the Liberals from FPD, nor by the Bavarian CSU. In Macron's message on the future of Europe, Brexit is presented as the opposite trend to the 'hard core' he wants to build with Germany and a limited number of member states.

In addition to the President's broader plans for the EU, there has also been much activity across the government and legislature to work on the fine detail of the negotiations. The General Secretariat for European Affairs, which coordinates EU matters under the Prime Minister has been involved in mapping French interests in Article 50, while the Ministry of Foreign Affairs has headed up a task force for

managing the process, including knock-on consequences. Meanwhile, the Assemblée Nationale has created a standing group to monitor the process in the immediate aftermath of the vote.

Brexit negotiations between the Barnier and the Davis teams have kept the most difficult topics for the end. The development of these negotiations will probably not provoke more debate in France and will leave a comfortable margin of manoeuvre for the French government. Some segments of the French business community, however, will lobby the government to make sure that free movement of goods and services between UK and France remains easy under the new trade agreement. In 2017, the UK remains France's fifth most important customer of France and its eighth most important supplier. But the volume of trade is much less important than the one with Germany.

France has around 300,000 workers living in the UK, but there is also a large number of British citizens in France. The precise figure is unclear. Estimates range from 150,000 to 400,000, mostly concentrated in rural areas where they own properties. There has not been a xenophobic turn in France against those British expatriates in the wake of the Brexit decision. French small cities and villages are accustomed to 'their' Brits. In some regions like the South-West, such as the Lot, Dordogne, and Charente, there has been a dramatic surge in the number of British candidates for French citizenship. The newspaper Le Monde speaks of a general increase of 254% between 2015 and 2017, from 385 applications in 2015 to 1363 at the beginning of 2017. Many examples of French citizens helping their British neighbours and friends to fill the very complicated dossiers are observed at the local level.

Conclusion

Losing the UK as an EU partner is not an issue which creates a lot of concern in France. To a certain extent, this indifference gives more credit to Brexiteers than the British citizens who opposed Brexit. The politics of 'minimalist engagement' supported by all British governments since 1973 explains this French perception.

Of course, France has its own eurosceptic parties both at the left and right of the political spectrum. These parties represented 45% of the total first-round votes in the 2017 presidential election. But French eurosceptic voters do not necessarily support an exit of France from the EU on the Brexit model. Even an exit from Euro is not very popular among the French eurosceptic electorate. One of Marine Le Pen's biggest mistakes during the presidential campaign was to put on the agenda the withdrawal of France from the Eurozone. Many FN voters, especially among the middle-class part of her electorate, were against an exit from the EU and from the Euro, because they worried about the stability of their savings. It explains why Le Pen had to create a somewhat contorted narrative at the end of her campaign, saying that she wanted to go back to the French Franc but without renouncing the Euro – a proposal which makes little sense from an economic point of view. The recent resignation of Le Pen's lieutenant Florian Philippot from the FN is also linked to this debate. Philippot was heavily criticized inside the party for having wrongly recommended to Le Pen a retreat of France from the Eurozone, at the beginning of her campaign. So even among the most established eurosceptic party, Brexit is considered as a British idiosyncrasy that has its logic, but is not an example that France should follow.

Negotiating Brexit: Irish Approaches and Dynamics

Brigid Laffan

The importance of Brexit for Ireland

In large part as a function of the deeply intertwined histories of the two countries, Brexit has deeper and wider implications for Ireland than for any of the other 26 member states. The decision by the UK to leave the EU has disturbed Ireland's core geo-political and geo-economic interests. The communal violence in Northern Ireland that was brought to an end by the Good Friday Agreement (GFA) 1997 was not resolved, but rather morphed into an uneasy peace.

Britain and Ireland's joint membership of the EU in 1973 was crucial to improving and then normalising British Irish relations. It enabled Ireland, as the smaller state, to replace dependence on the UK with interdependence in the EU. British and Irish ministers used the margins of EU meetings to discuss Northern Ireland and the EU itself was very supportive of all efforts to reach a settlement in the North. Moreover, the single market greatly reduced the salience of the border as checks were reduced and Northern Ireland became more fully integrated into an all island economy. Brexit throws into question all of Ireland's anchors and re-opens Ireland's UK question after a relatively short period of normalisation.

There is little or no support for the decision of the British people to leave the EU and considerable disquiet at the lack of attention paid to the Irish dimension during the referendum campaign.

Phase 1: Prior to the referendum

When David Cameron made his Bloomberg speech, the Irish political establishment and Irish society more widely understood immediately the salience for Ireland of what was proposed. The hope and expectation was that the UK would remain a member state. The Irish approach was low key in the initial phase given that the UK had to have an election and then re-negotiate the terms of membership. The National Risk Assessment 2014 underlined Brexit as a risk and threat to Ireland and in early 2015, the Taoiseach's department was re-organised to include a Brexit Task Force with responsibility for doing the home work on the possible strategic and sectoral consequences of Brexit. However already by 25 March 2015, when Foreign Minister Charlie Flanagan stated at an address in Leinster House when launching a book on UK-EU relations voiced what was and remains the consensus view in Ireland:

> A core message that leaps from this book's pages is that it is in our country's fundamental interests that the UK remains a member of the European Union. There is, I think, absolutely no doubt about that. British membership of the Union is hugely important for this country – for our economy, for the strength of the British-Irish relationship, for peace and stability in Northern Ireland and for our long-term strategic positioning within the EU.

Given Ireland's interest in the UK remaining within the Union, it was supportive of PM Cameron's re-negotiation but within the broad framework of EU membership and the EU acquis. The Taoiseach Enda Kenny met with Cameron on the reform package in London in January 2016 when the issue was a key issue on the EU agenda. The Taoiseach acknowledged that it was essentially up to the citizens of the UK to decide on EU membership but he reminded everyone that Ireland had a core interest:

> Clearly, it is very much a matter for the British people to make that choice. Yes, Irish citizens living here will have a vote. As indeed will voters in Northern Ireland and

> UK citizens living in Ireland. But the United Kingdom's future is very much in the hands of its own people. And yet, in Ireland, we are not disinterested observers. Nor should we be.

The Taoiseach set out Ireland's and the UK's shared interest in the EU and also the areas where they had broadly the same perspective, such as supporting a globally competitive EU, one that worked efficiently and that was able to address the big challenges facing it. Ireland was thus a helpful partner to the UK during the re-negotiation period. During the referendum, Irish politicians, and the Irish ambassador to London engaged actively in the debate encouraging Irish voters in the UK to vote Remain. On 10 March 2016 Irish4Europe, an initiative by Irish-born, UK-based business leaders, was launched to campaign to persuade the 400,000 Irish residents of the UK with a vote in the referendum to vote Remain and the Irish Council of the European Movement engaged in an active campaign to persuade young Irish people to register their vote for the referendum.

As the referendum date approached and the polls looked as if the result could go either way, discussion of Brexit deepened. On the 21st April 2016, a major debate on Brexit was held in the Dail, the lower house of the Irish parliament. The Taoiseach set out how the Government was approaching the prospect of Brexit. The essential elements were as follows:

- As the UK's closest neighbour, Ireland has a unique perspective and interest in the outcome of the referendum.
- We will remain an EU member irrespective of the referendum result.
- We want the UK to remain part of the EU and work with us to make it better.
- We will continue to build on the strength of the British Irish relationship that has benefited from our common membership of the EU, especially in the Northern Ireland context, and as co-guarantors of the Good Friday Agreement.
- We will continue to articulate our position and promote engagement and understanding on the issues.
- We will deepen our analysis and understanding of the risks associated with a Brexit and ensure that any necessary contingencies are in place.

The period 2013-2016 was characterised by active diplomacy with the UK and the rest of the EU but also with a sustained political and administrative effort to do the necessary homework associated with events that were crucial to Ireland but over which Ireland had little control.

Phase II: From Leave to Article 50

The result of the Brexit Referendum was met with dismay in Government circles in Dublin and more widely within Ireland. Although the possibility of a Leave win was acknowledged before the vote, there was shock when it actually materialised. In Ireland, there was an immediate Government response. Both the Taoiseach and Foreign Minister made statements on 24 June and the Government published a Brexit Contingency Framework. The Minister for Foreign Affairs, Charlie Flanagan, underlined that a key priority for Ireland would be the ongoing work to support stability, reconciliation and prosperity for the people in Northern Ireland. In Northern Ireland, Sinn Fein was quick to express its dissatisfaction with the vote, pressing for a poll under the GFA, which is possible in circumstances where it is clear public opinion favoured Irish unity. The Northern Ireland Secretary, Theresa Villiers, responded that there was no basis for calling a border poll but this demonstrated the speed with which Brexit was impinging on questions to do with the Irish border. Both Houses of the Oireachtas were seized of the issue on 27 June when statements on Brexit were made in the Oireachtas. The Taoiseach set out Ireland's approach to the next phase:

> Ireland's starting point will be straightforward. A stable, prosperous and outward-looking UK is clearly in our own interests and those of the EU as a whole. The closer the UK is to the EU, the better for all of us, and above all for Ireland. However, it will be up to the UK to work out what it wants to achieve and how it sees its future. That strategy is unclear at the moment. Within the EU, Ireland will argue that the negotiations should be conducted in a

positive and constructive way but this will also depend on the UK's approach. I will be encouraging the next British Prime Minister to set realistic and achievable objectives and to build confidence in the UK's good faith.

Following the vote, the Government, state system, parliament and interest groups all began to intensify their attention to the issues arising from Brexit. The responses consisted of a multi-level and multi-layered approach within Ireland, with UK Government, EU26 and the island of Ireland. The first priority was to work out a strategy to ensure that the EU27 partners understood Irish interests and concerns. The objective was to transform Irish interests into those of the EU. This consisted of an intensive process of meetings and briefings with heads of state, foreign ministers, officials across Europe and in Brussels. The key political players were the PM, Foreign Minister and the Minister for European affairs, but all ministers were expected to engage with the process. Ireland's effort was highly orchestrated involving all levels of the Irish Government and public system. In July 2016, the Taoiseach met Chancellor Merkel in Berlin and hosted President Hollande, before going to London for talks with Prime Minister Theresa May. The second priority was to ensure that there was clarity about Ireland's priorities for these negotiations. The issues once identified formed the core of the briefings. These were: the importance and volume of economic exchange between UK and Ireland; Northern Ireland, the peace process and British-Irish relations; and the common travel area and shared land border.

The Taoiseach's department had taken the lead on Brexit prior to the vote. By August 2016, the Irish Government had enhanced its governance capacity to deal with Brexit at domestic level. The Government appointed a second Secretary in the department to lead a new integrated division in the Department with responsibility for supporting the Taoiseach in his work on EU, Northern Ireland, British-Irish and International affairs. The Cabinet Committee, chaired by the Taoiseach, was coordinating the whole of Government effort. The Department of Foreign Affairs and Trade was also strengthened as were Ireland's diplomatic missions and the relevant state agencies. On 29 August 2016, the Foreign Minister convened a gathering of Ireland's senior diplomats from across the world to prepare the ground for what was seen as the most important bilateral and multilateral negotiation of this generation. Before the EU27 met in Bratislava, Ireland had established the institutional capacity and identified its key priorities for the Brexit negotiations.

The Irish state transformed itself into a task force to manage the disruptive and dangerous process that Brexit represented. The Department of Finance published an analysis of the possible economic impact of Brexit on the Irish economy in October 2016. By November, the Government had established an all island Civic Dialogue on Brexit which met 16 times and which brought together interest groups and civil society organizations from both sides of the border. The formal GFA institutions also addressed Brexit. The North South Ministerial Council dealt with Brexit at a meeting on November 2016. The Council was attended by Northern Ireland's First and Deputy First Ministers, the Taoiseach and senior Ministers. A High Level Working Group involving officials from both administrations was established to do detailed technical work on issues such as free movement of people and goods, peace funding and the land border. The Oireachtas began to deal seriously with Brexit which was examined by the Joint Committee for European Affairs and the Joint Committee on the Implementation of the Good Friday Agreement. Ministers, experts and interest organizations made

submissions to the Committees. Economic interest groups always vocal on Brexit responded with considerable urgency to PM May's Lancaster speech. IBEC, the British-Irish Chamber of Commerce and the Institute of Director's all published reports highlighting the disruption to the all island economy and the Irish economy arising from the hard Brexit proposals of the UK Government. The Irish Congress of Trade Unions' Winter 2016 Congress Briefing was devoted to Brexit again underlining the dangers and vulnerability that Brexit would generate for the island of Ireland. They called on both the Irish and British Governments to create an early warning system for different sectors.

The future status of Northern Ireland within the EU was the subject of a private members motion in the Dail when Sinn Fein introduced a Motion on 15 February calling on the Government to 'negotiate for Northern Ireland to be designated with a special status within the EU and for the whole island of Ireland to remain within the EU together'. Fianna Fail tabled a similar Motion which was accepted by Sinn Fein and advanced as a single text. The Government did not want to support the motion as it felt that 'special status' might not get the support of the EU26 as it might set up an unwanted precedent for other regions in the EU. The Government sought to amend the motion but was defeated by 84 votes to 59 and the Dail adopted the Sinn Fein/ Fianna Fail Motion by 77 votes to 65. In his contribution to the debate, the Minister of State for European Affairs, Dara Murphy, said that:

> To date, we have demonstrated two characteristics regarding how we engage with these negotiations. The first has been the strong level of consensus among parties here in the Dáil while the second has been a very strong consensus about the absolute importance the Government and people attach to the issues and challenges that will be faced by our brothers and sisters in Northern Ireland.

Thus the disagreement was tactical rather than a deep divergence about Northern Ireland. Ireland's upper house established a Special Select Committee on the Withdrawal of the United Kingdom from the European Union on 23 February. On the same day, the House of Commons' Exiting the EU Committee, led by Hilary Benn MP, visited Leinster House on 23 February for discussions with the relevant Oireachtas Committees. A flurry of meetings with heads of state, Commissioners, Foreign Ministers and Ministers for European Affairs were held in February-March 2017. Preparing the economy for Brexit was at the core of a Government Strategy Document on trade. The strategy is to diversify exports, particularly of indigenous companies, beyond the UK while ensuring that access to the UK market to the extent possible is not undermined.

Phase Three: Triggering Article 50

Once the UK sent its Article 50 notice letter, it was possible to gauge the response to the EU26 and EU institutions to Ireland's sustained political and diplomatic efforts which involved a total of 400 meetings with counterparts in other countries at both political and official levels. The Guidelines for the negotiations issued by the European Council after a discussion lasting a number of minutes identified Ireland as one of the three priority areas for the first phase of the Article 50 negotiations. The Government responded to the Guidelines positively. Moreover, the Irish Government succeeded in getting a European Council Declaration on Irish Unity, essentially the provisions of the GFA written into the Council minutes. On 2 May 2017, the Irish Government published Ireland and the negotiations on the UK's withdrawal from the European Union, a sixty-page document setting out the Government's approach in detail. The document states 'the unequivocal conclusion that Ireland's interests are best served by remaining a fully committed member of the EU' while maintaining close political, social and cultural links with the UK. The paper concludes that 'the negotiations Ireland faces are among the most important in the history of the State'. It underlines the fact that Ireland will be negotiating from a 'position of strength as part of the EU Team of 27 Member States.'

Before the formal opening of withdrawal negotiations, the Chief EU Negotiator Michel Barnier paid a very important three day visit to Ireland to underline the importance being accorded to Ireland in the talks by the EU. Barnier met with the Taoiseach and

Government for private discussions and was given the honour of addressing the two houses of the Oireachtas. This was followed by a fact-finding mission and highly symbolic visit to the border area where he met with local politicians and representatives of business. Mr. Barnier assured the Oireachtas that he would do his utmost to ensure that a hard border did not return to the island of Ireland. Meanwhile, Brexit continued to be the subject of major examination and deliberation in a range of parliamentary committees. The Seanad Select Committee on the withdrawal of the UK from the Union continued its hearings with a wide range of societal actors including former Taoisigh, ministers and civic society organizations. The Chief Economist of the Irish Central Bank addressed the implications of a hard Brexit scenario under which the Central Bank concluded that 'after 10 years, GDP would be lower by 3% and the number of people employed would by 40,000 fewer.' The Select Committee produced a 70-page report based on its public engagement with a large number of key political and societal actors. The Oireachtas Joint Committee on Finance was also involved in highlighting Brexit related issues at hearings with senior officials from the Finance Ministry, the Revenue Commissioners, and the Ministry of Jobs, Enterprise and Innovation. In June 2017, the Joint Committee on the Implementation of the Good Friday Agreement published a substantial report on 'The Implications of Brexit for the Good Friday Agreement: Key Findings.'

In June 2017, there was a significant shift in Ireland's Brexit team when a new Taoiseach was elected following the resignation of Enda Kenny. He was replaced by Leo Varadkar who appointed Simon Coveney as the new Foreign Affairs Minister with responsibility for coordinating the Brexit negotiations. Helen McEntee was appointed Minister of State for European Affairs to replace Dara Murphy. The new team began immediately to meet with the key actors. The Taoiseach met May in London on 19 June 2017 for talks on Brexit and Northern Ireland. This was followed by a meeting between Coveney and Barnier and the new Taoiseach attending his first European Council. He used the occasion to hold bilateral meetings with the President of the European Council Donald Tusk, and the President of the European Commission Jean-Claude Juncker. A full Dáil debate on the outcome of the June European Council took place on 28 June 2017 at which McEntee informed the parliament that discussions were underway with business groups on the need to plan for the implications of Brexit. The Government was seeking opinions on the support needed in different sectors.

Key interest organisations, notably IBEC, ICTU and key state bodies continued their concentration on the issues arising from Brexit for the Irish economy and north-south economic exchange. The importance of the agri-food sector in economic exchange between both parts of Ireland and the wider UK led the Irish Food Marketing Board (Bord Bia) to develop a Brexit Barometer, as a risk analysis tool designed to help individual companies in the agri-food sector assess their exposure to six specific risk areas associated with Brexit – routes to market, customs and tax, supply chain, trade, currency and human resources.

In the approach to the October 2017 European Council, the distinctive Irish issues that relate to Brexit are high on the agenda. Leo Varadkar, speaking in Belfast on 4 August displayed some frustration with those who were advocating a hard border, namely those who sought a hard Brexit. In hard-hitting comments, he observed that:

> There are people who do want a border, a trade border between the United Kingdom and the European Union and therefore a border between Ireland and Britain and a border across this island. These are advocates of a so-called hard Brexit. I believe the onus should be on them to come up with proposals for such a border and to convince us and convince you; citizens, students, academics, farmers, business people that it's in your interest to have these new barriers to commerce and trade.

The Taoiseach was in fact criticising the decision of the May Government to leave the single market and customs union. On 16 August the UK Government published a position paper on Northern Ireland and Ireland setting out its view of how the

bilateral relationship and the border could be managed post-Brexit. The response was less than enthusiastic. One of Ireland's leading journalists and opinion formers described the proposals as absurd. Simon Coveney welcomed the publication of the paper but stressed that Ireland would not be used as a pawn in the Brexit negotiations by the UK. Since the publication of the Brexit paper, the EU Task Force has published a Commission paper on guiding principles on Ireland, with significant input from the Irish Government and was welcomed by the Government. The paper begins by underlining that: "The onus to propose solutions which overcome the challenges created on the island of Ireland … remains on the United Kingdom." It also suggests that Ireland will require unique solutions that would not impact on other aspects of the post-Brexit EU relationship. Reading the principles suggests that the GFA may offer an institutional framework for post Brexit arrangements.

Conclusion

From the outset the Irish Government and administration devoted extensive political and administrative capacity to addressing the dangers to Ireland of the UK's decision to withdraw from the Union. The response may be characterised as a 'whole of Government' approach in that political and administrative systems were put in place to establish a coherent approach to determining what Irish priorities were, and how these priorities should be communicated and delivered on. The PM, Foreign Minister and Minister for European Affairs form the core of the political management of the issues. Their work is supported by a Cabinet sub-Committee, interdepartmental committees coordinated by Foreign Affairs, and sectoral work by every Government department and state agency. Brexit led to a re-organisation of EU business and an investment in human capital both at home and abroad. The Government acts as the central node in a system that reaches out to Ireland's partners in EU27, the UK, European institutions and other core states in the world. All Irish embassies are involved in communicating Ireland's position and in reporting on the positions of the other member states and key influencers. The Irish system has relentlessly deployed all formal and informal channels available to it. Between the outcome of the UK election and the triggering of Article 50, there were 400 meetings including up to 15 meetings at Head of State level on the Brexit issue. Since then a further 50 meetings have been held.

The Irish Government achieved its objective of ensuring that its partners and European institutions in the EU understood the unique challenges faced by Ireland in the Brexit process. The intense bilateralism that characterised this period had the beneficial side effect of strengthening Ireland's political and administrative engagement with the other member states. The April European Guidelines identified Ireland as one of three core issues to be addressed in the first phase of the Brexit negotiations. Ireland was now in the hands of the EU negotiating team but of course maintains a close eye on all facets of the negotiations. Ireland has continued to maintain close bilateral ties with the UK because of their shared responsibility for Northern Ireland but has not attempted to do side-deals with it on any issue. In addition to the external dimension of Brexit, the Government and parliament understood the need to engage with civil society actors on the issues. It initiated an all island Civic Dialogue and multiple sectoral dialogues that were held across the country. Key interest organisations have also been actively involved in developing papers on the challenges and making policy suggestions. The Government wants to ensure continued access to the UK market but also to encourage the diversification of small firms away from an over-reliance on the UK market. There are also plans for investment in enhancing Ireland's direct transport links to the continent because 70% of goods destined for the continent now go through the UK. Brexit has caused enormous uncertainty and unease in Ireland and having just come out of a major economic shock, the country is not relishing the prospect of another shock generated by the actions of its near neighbour. Ireland's great strength in facing the Brexit challenge is the flexibility and adaptability of its policy processes and the resilience of its population.

Austria and Brexit

Sonja Puntscher-Riekmann

Background

In the second semester of 2018 Austria will hold the rotating EU presidency. As the event will (presumably) coincide with the final phase of Brexit negotiations Austria could play a more important role in the process than initially expected. Whereas it is all but impossible to predict where negotiations will stand in a year's time and thus whether and what kind of difficulties the presidency will be confronted with, two questions are important in this regard: first, will Austria simply play the role of an honest broker or rather promote own interests? And second, if Austria is prone to promote its own interests, what will they be? The second question implies an analysis of domestic interests as far as they are voiced in the current political debate. It is another question whether they will indeed be advocated at the Brussels' negotiation table.

The following reflections are written in the shadow of a national election to be held on October 15, 2017. It may change the Austrian government, perhaps even the party system, and also Austrian EU politics. Opinion polls predict a victory of the conservative Peoples' Party (ÖVP) that has been considerably re-shaped by its young leader, Sebastian Kurz, former state secretary for the integration of migrants (2011-13) and current minister of European, Foreign and Integration Affairs. The Social Democratic Party (SPÖ) that has been leading the 'grand coalition' since 2008 is competing with the far-right and eurosceptic Freedom Party (FPÖ) for the second place. Both grand old parties are said to be prepared for a coalition with the far-right, though the incumbent Chancellor, Christian Kern, has ruled out that option. This election and the government that is its outcome are relevant not only because they may alter Austria's EU politics, but they may also frame its stance in the Brexit talks. To what degree, is difficult to foresee.

It is useful to recall the first coalition of the Conservative Party with the Freedom Party from 2000 to 2006. At the time the coalition unleashed the protest of the other fourteen EU governments who agreed upon 'measures against the Austrian government', dubbed and perceived as sanctions against the Austrian people in the domestic debate. The measures were lifted after a few months and a report by three 'wise men' certified that the government was not in breach of European fundamental values. The protest, however, helped in thwarting the previously fierce anti-EU stance of the Freedom Party that eventually split and left only a small fraction in government whose EU policy was in any case dominated by the Conservative Party and its chancellor Wolfgang Schüssel. In the 2006 EU presidency the government functioned by and large as honest broker, whereas the general policy was oriented towards German and core Eurozone positions.

Once in opposition the Freedom Party reorganised itself under a new leadership and reinvigorated its anti-Europeanism and anti-immigration position. Both stances were fuelled by the post 2008 euro-crisis first and the refugee movements in 2015. As expected, they also dominated the presidential election in 2016 in which the eurosceptic candidate of the Freedom Party and the pro-European candidate of the Green Party competed in the run-off ballot, as for the first time since 1945 the candidates of two traditional parties lost impressively to the nominees of the opposition. Whereas the Green candidate Alexander van der Bellen finally won by 54%, in the campaign the Freedom Party candidate Norbert Hofer unveiled his sympathy for the outcome of the Brexit referendum and even hinted to the possibility of an 'Öxit'. In the wake of the French presidential election campaign Hofer also briefly supported Marine Le Pen's advocacy of a withdrawal from the Euro. He eventually backed down from both positions claiming that they had been misinterpreted: What he really wanted was a change of the EU

if more exits were to be avoided.

One more contextual point is important. Owing to the refugee crisis in 2015 and to subsequent opinion polls in which the Freedom Party scored best with regard to potential national elections a remarkable shift in both coalition parties became visible. The Conservative Party and in particular its Minister of Foreign Affairs, Sebastian Kurz, became very critical of the national and the German Chancellor's 'Welcome policy' for refugees, putting the closure of the Balkan route front and centre in his discourse. On the other side the Social Democratic Party under the new Chancellor Christian Kern proposed an overhaul of EU directives on posted workers and more generally the freedom of movement. 'Immigration' of EU citizens into domestic welfare systems and 'social dumping' practised in particular by construction firms from Central and Eastern European countries became a major political issue. In this respect, there are open or latent sympathies for positions that were advanced in the UK referendum campaign, but also in, for example, Bavaria.

More generally, Austrian EU politics was marked by a more or less continuous alignment with German positions. Such allegiance was particularly important in the Eurozone crisis. However, important fissures have emerged with respect to migration and refugee policies. At the time of writing, the precise extent of this departure cannot be predicted for sure. As for the Brexit negotiations the Austrian government has firmly subscribed to the declaration of the EU27 at the Bratislava summit in June 2016, while in October 2017 the Minister of Foreign Affairs in his visit to London warned Boris Johnson of chaos, if the British government did not quickly table more substantive proposals.

Specific Austrian reactions to Brexit

With regard to the various moments in the Brexit history Austria's government, the media and the public at large, oscillated between ignorance, astonishment and growing interest. Interestingly, reactions to Cameron's Bloomberg speech of 2013 were scarce. While some of the Prime Minister's more general positions on the single market, democracy and accountability were shared, the debate on the return of competences to member states was brief and finally ebbed away. Despite frequent complaints about the encroachment of Brussels on domestic affairs, no government has ever drawn up a list of competences it definitely wished to return. It is noteworthy, though, that in the refugee crisis the Austrian government either acted autonomously – for example, in setting up a conference with the Balkan states – or quickly exploited Schengen provisions which allowed for national measures.

In terms of Cameron's advocacy of the empowerment of national parliaments, it is important to recall that from the start of membership in 1995 the Austrian parliament enjoyed remarkable constitutional rights of participation in the executive's EU decision-making. These rights include majority positions binding the government at EU level, whereas departure is possible only in the name of urgent integration issues and has subsequently to be justified before the parliament. However, these rights were hardly used and binding resolutions rapidly declined to zero already in the 1990s. The decline was to be expected as government majorities generally voted down binding resolutions from the opposition. Nevertheless, the parliament gained even more rights in the intergovernmental European Stability Mechanism (ESM), as in the absence of a constitutional majority of government parties the opposition obtained the power to veto the disbursement of credits and loans to Eurozone members under financial stress. Yet, these rights did not lead to a lack of support for the finance minister acting in the ESM. Rather they worked as a tool for sometimes fierce debates by the far-right about the transfer of money from the 'saints' to the 'sinners' in the Eurozone.

Eurozone membership is a defining feature for Austrian EU politics. Putting the occasional far-right flirting with Euro-exit aside, the vast majority of citizens and representatives recognizes the single currency as crucial for Austria's position in the EU and global economy. Moreover, Austria had, as many economists would hold, since decades been in a 'currency union' with Germany and pegged the Austrian Schilling to the Deutsch Mark and the monetary policy of the Bundesbank. Thus, understanding for the British opt out from the Euro is limited and dependent on commercial exchange with the UK which is considerably less important compared to other member states. In 2015 only 3.2% of commodity exports

went to the UK, whereas imports from the UK amounted to 1.8%. However, as suppliers to the German automobile sector Austrian industries' interdependence is higher, if not exactly quantifiable. In its report of March 2017 on the consequences of Brexit the Austrian Business Association (WKÖ) draws a bleak picture of the UK's future, while it expects implications for Austrian businesses in the technical and chemical sector as well as tourism. In the latter, however, despite the post Brexit devaluation of the pound in 2016 British demand increased by 5%. The report concludes that really important negative effects of Brexit on the Austrian economy largely depend on the future relations between the EU and the UK. From the WKÖ's standpoint relations should be as close as possible and tariff as well as non-tariff barriers avoided.

The organisations representing labour – trade unions and the chamber of labour – have a different perspective. While in their communications they regret Brexit as a problematic return to nationalism, they also criticize the EU as a largely neoliberal project. Yet neoliberalism is seen as a hallmark of British economic policy and, hence, as an important cause of the negative referendum. Thus, they advocate 'social Europe that would put social rights on a par with market freedoms. Such approach, so they hold, is no longer about more or less Europe, but about an EU in which workers' rights and wages are not considered as impairing competitiveness. Yet though Brexit will liberate the EU from a major opponent to the dream of a 'social Europe', while somewhat paradoxically labour share the British attitude towards freedom of movement. Not only the far-right Freedom Party, but labour representatives too have been so critical on this issue that the Social Democratic Party has begun to question the relevant EU legislation.

Last but not least with Brexit two major questions have become relevant: Who is to fill the gap in the EU budget after the departure of such important a net-payer? Who is to inherit the EU agencies European Medicines Agency (EMA) and the European Banking Authority (EBA)? After the initial shock had died down, not only the Austrian political establishment but also the public at large realized that there will be positive and negative implications of Brexit beyond the political danger of contagion or even disintegration.

With regard to the first question the reaction was immediate, univocal and largely concordant: Austria will not pay more into Brussels' coffers. This was the message of most parties in parliament and in particular of the finance minister. The issue is complicated by the fact that in 2018, hence possibly also under the Austrian EU presidency, the next Multi-annual Financial Framework will be negotiated. Two aspects are important here. First, if the current budget is to be maintained without UK's contribution others have to step in or disbursements have to be cut in particular to Central and Eastern member states benefiting from structural and cohesion funds. Second, the gap may render Brexit negotiations and the settling of the divorce bill more difficult. As a net-payer Austria will be driven by the interest to keep its contributions constant, whereas preparedness to compromise will largely depend on which government can be formed after the election of October 2015.

Austria also took part in the battle for the spoils of Brexit. Thus, Vienna was promoted as the ideal place to relocate both EU agencies. The high quality of life in the capital played a major role in negotiations, as did the presence of other international organisation, including branches of the UN branches and the Organization for Security and Cooperation in Europe (OSCE). Vienna was particularly keen to get EMA due to the much greater number of employees compared to EBA. At the time of writing, the game seems over for the EMA, but not necessarily for the EBA.

Conclusion

Given the imminent elections, conclusions can only be preliminary. A new government that includes the eurosceptic Freedom Party may choose to change Austria's approach significantly. As Austria will hold the EU presidency in the second semester 2018, in which Brexit negotiations could still be ongoing, government positions as well as parliamentary and civil society perspectives will be important. Depending on the formation of the new government, Austria may play the role of honest broker attitude in close cooperation with the Commission as the central negotiator, or it could be more interventionist, channelling strong domestic interests especially in regard to the financial settlement.

Brexit through the Eyes of Luxembourg

Anna-Lena Högenauer

General attitudes towards Brexit

The attitude of the Luxembourgish government to the negotiations surrounding Brexit has been influenced by two opposing factors. On the one hand, before the UK's Brexit referendum, Luxembourgish public opinion was strongly in favour of Britain's continued membership of the EU: in a TNS survey conducted in May 2016. 66% of respondents wanted the UK to remain a member, and only 25% thought it should leave. Similarly, among the political elite, members of all parties expressed first the hope that the UK would remain a member of the European Union, and then disappointment at the outcome of the Brexit referendum. Support for UK membership stems ideologically from pro-European attitudes and pragmatically from shared interests in banking and finance. The effect of strong support for British membership was that all politicians emphasized the importance of keeping Britain in the EU in the run-up to the referendum, and the importance of compromise to achieve this. This factor worked to David Cameron's benefit in his attempt to negotiate a new settlement in 2015 and 2016.

On the other hand, the manner in which Cameron announced the referendum and presented his demands for a special deal were widely perceived as 'cherry-picking' backed up by 'blackmail' and was described in those terms in numerous newspaper articles and by politicians from all parties except the small right-wing ADR. The concerns that 'successful blackmail' might encourage the use of similar tactics in the future were further fuelled by Cameron's attempt to veto the nomination of the Luxembourger Jean-Claude Juncker as Commission President in 2014 with the argument that the Brexit side might then win the referendum. Commentators pointed out, first, that Cameron was unable to guarantee a victory of the Remain side even if another Commission President was appointed, and second, that he would use these tactics again if the EU gave in now. In addition, there was a widespread perception that British demands were often more about domestic rivalries and squabbles between and within British parties than about genuine interest in the improvement of the European Union, and that European concessions – whether small or big – might therefore not be able to secure British support in the long term.

As a result, the Luxembourgish government was ultimately unwilling to compromise too much on key national and European interests in the negotiations before the Brexit referendum, despite the fact that it wanted Britain to remain a member.

After the referendum, the situation changed in that a majority of Luxembourgers were inclined to agree that 'Brexit means Brexit', even if this was originally not their preferred outcome. Thus, when the Tageblatt asked its readers whether a second referendum on the future of the UK would be justifiable (5 July 2016), 61 percent said 'no'. Most leading politicians agreed that the UK now has to leave the EU. The political consensus is that the Brexit negotiations should not be punitive, but also that there was no need to offer it gifts. The Luxembourgish government officially supports the European lead negotiator, but it is clear that the government has also identified a small number of priorities where it intends to defend Luxembourgish interests.

Key issues

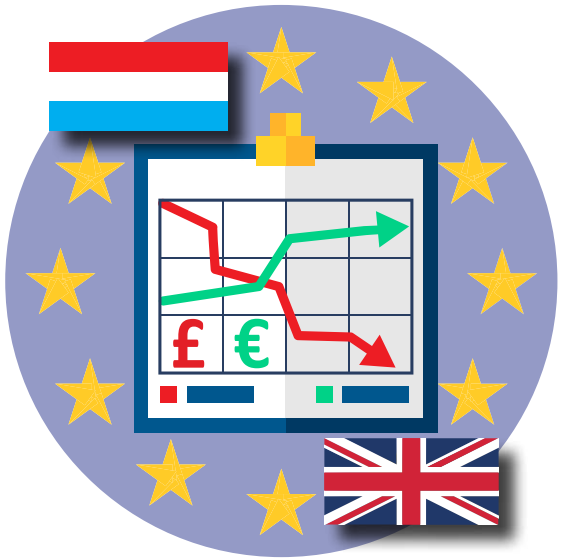
The Luxembourgish government officially lends strong support to the common negotiating position of the EU. However, in practice, some issues receive a lot of attention from politicians and the media, and can thus be regarded as national 'red lines', even if the government avoids that expression.

The main priority is the protection of the financial sector, which plays an important role in Luxembourg's economy. As the British and Luxembourgish financial sectors are closely intertwined, the ideal outcome would be that Britain maintains access to the internal market in this area, but under the condition that it has to abide fully by all EU rules and regulations. This would cause a minimum of disruption, while also maintaining a level playing field for all actors. However, should Britain decide to adopt a different regulatory framework, then it should lose access to the internal market. This outcome would most likely cause some disruption to the economy, but it would also offer opportunities to compensate for those losses, as London-based actors would need to create or reinforce subsidiaries in EU member states.

These positions are consistent with the Luxembourgish stance during the re-negotiation of the UK's settlement in 2016. Financial services are also the area where the government and economic actors are most concerned about 'cherry-picking'. The least desirable outcome would be that the UK can keep the advantages of EU membership, including access to the internal market, without being bound by the same rules and regulations, and it is unlikely that the government would agree to back such an outcome. Foreign Minister Jean Asselborn has stated on several occasions, for example in March 2017, that 'No deal is better than a bad deal' is also true for Luxembourg and that there would be no harmful compromises on the internal market for financial services. Given the strength of that statement, this is clearly a national 'red line'.

Secondly, the government insists regularly that the EU's four freedoms are inseparable, and that internal market access therefore goes hand-in-hand with the free movement of workers. Finally, Prime Minister Xavier Bettel has stated occasionally that he supports the EU's demands for a settling of financial liabilities, and that he is against a transition period after Brexit.

In summary, as the Luxembourgish government aims to support the EU negotiator and the EU's common position in the negotiations, it has not set out detailed national priorities on a wide range of issues. It has, however, made its position clear on a small number of key priorities.



Key actors

The next national elections will be in October 2018, and it currently looks like the liberal-left coalition government of LSAP, DP and Greens might lose its majority. In that event, the Christian-democrat CSV would probably return to power. As the next government would take part in the final negotiations around Brexit, it is important to understand not only the priorities of the government, but of all major parties in parliament.

All Luxembourgish parties - with the possible exception of the right-wing ADR (6.6% of votes in 2013) and the 'Déi Lénk' (4.9% in 2013) - are generally pro-European. However, these two parties are more euro-critical than eurosceptic and cannot be compared to UKIP or certain sections of the British Conservatives or Labour parties. Déi Lénk is critical of many EU policies, which it finds too neo-liberal, but is in favour of European integration per se and would indeed like to see more integration in a number of areas. The ADR would prefer a return of competences to member states, a Europe of national states and of multiple-speeds where each state can decide in which areas it would like to cooperate, but it also concedes that Luxembourg can only exist within the EU and that it benefits from membership.

As a result, there is agreement on many issues from (almost) all parties. For instance, all parties with the exception of the ADR agree that the four freedoms are inseparable and that internal market goes hand-in-hand with the free movement of workers. The ADR agree

with the UK government that the abuse of the freedom of movement needs to be limited, but still advocates an 'extensive' freedom of movement.

Similarly, all major parties share the government's position on the financial sector, and several leading politicians (e.g. from the CSV, DP, the Greens) have stated that there must be a clear differences between EU member states and non-members, and that there should be nothing in-between. The ADR, which proposes a quasi-membership status for countries like the UK is an exception in this regard. While those statements were made in 2016 and early 2017, they do not bode well for British proposals to base the 'new' relationship between the UK and the EU on agreements that are largely copies of the existing custom union and internal market. Thus, as all major parties adopt similar positions, the elections of 2018 are unlikely to change the Luxembourgish stance in the Brexit negotiations.

Outside the world of politics, a number of major associations in the financial sector could be influential in the debate. Their public statements suggest that their line complements the stance of the government. For instance, the Luxembourg Bankers' Association (ABBL) has insisted in the past that Britain should not get unfair advantages. The Association of the Luxembourg Fund Industry (ALFI) seems to assume that UK-domiciled funds will lose their passporting rights and will have to establish subsidiaries in the EU. It insists on the importance of maintaining a level playing field, i.e. on the undesirability of granting internal market access for the London City without full compliance with the EU's regulatory framework. It now focuses on advertising Luxembourg's financial place and on attracting new actors. Finally, the insurance industry has been very successful in attracting new investments to Luxembourg in the wake of the Brexit referendum.

To conclude, for most major financial actors, the worst-case scenario seems to be a soft Brexit that distorts competition and creates unfair advantages for British competitors. In that vein, they also lobby for a clear 'in or out' decision without, cherry-picking, The privilege of internal market access should always come with the obligation to respect the regulatory framework.

The salience of Brexit

The coverage of Brexit in the Luxembourgish media and the number of political statements and debates on the issue have substantially increased over time. The media did report on David Cameron's Bloomberg speech in 2013, but there was little political commentary and few newspaper reports on the issue in the following year. This does not necessarily mean that the question of UK membership was regarded as 'unimportant'. Rather, during those years, the Brexit debate was perceived to be predominantly about British politicians posturing in conflicts between and within UK parties. As such, foreign politicians (and citizens) could only wait for the outcome of the referendum.

The Luxembourgish debates on the issues picked up slowly in 2015, when negotiations on the special deal for Britain in the event of a Remain vote started. Coverage peaked in 2016 and 2017 when the conclusion of the special deal, the referendum and the start of Brexit negotiations presented opportunities for non-British politicians to shape outcomes.

Interestingly, the intensity of political debate does not fully reflect the economic salience of the topic. Initially, the general assumption was that Brexit would be disruptive due to the close ties between the financial sectors of the UK and Luxembourg. Until the referendum, politicians of all parties tended to argue that Brexit would slow economic growth in Luxembourg. However, as recent growth figures were quite robust, and as Brexit also opens up new opportunities especially through the relocation of financial actors, the government currently tends to argue that the economic impact of Brexit is impossible to predict precisely, but that it will most likely be somewhere in the range of slightly positive to slightly negative. Thus, despite the intense media coverage, the assumption is that the economy will not be adversely affected – provided that the EU does not grant the UK access to the internal market for financial services without a corresponding obligation to respect its regulatory framework.

Brexit and the (stronger than it looks) UK-Spain relationship

Ignacio Molina and Salvador Llaudes

An unhappy and unexpected result

Although sometimes overlooked, Spain and the United Kingdom have a strong relationship, both in economic terms and in terms of their populations. Differing visions of the future of Europe and tensions about Gibraltar sometimes give the impression that the two countries are not natural allies, but the presence of around 300,000 UK citizens living in Spain and about half that number of Spanish citizens living in the UK presents a somewhat different picture. Several million citizens from each country visit the other every year. Moreover, Spain has a higher level of investment in the UK (18.9 %) than in any other country, while the UK is the second largest investor in Spain (12.8 %). Bilateral trade under the EU umbrella accounted for more than €30bn in 2016.

For Spain, European Union membership is essential for its own national narrative – an important contrast with the UK. In Spain, democracy, modernisation and the country's external influence are connected inextricably with the EU. The EU is widely perceived as a benefactor. Even despite the extreme effects of the economic crisis, pro-European attitudes remained strong. As well as consistently high support for the EU in opinion polls, no eurosceptic political party won any seats in recent elections to Parliament, even if the left-wing parties are critical of EU policies.

Spain took a constructive approach to the talks between the UK and the EU on a new settlement between November 2015 and February 2016. Although it did not share Cameron's enthusiasm of dealing with the 'European question' via a referendum, Spain tried to be helpful in finding ways to respond to his four concerns of economic governance, competitiveness, sovereignty and immigration. It did not put down multiple red lines in those negotiations, hoping the agreement would be enough to convince British public opinion to keep the UK in the European Union.

But this was not to be. The result of the Brexit referendum was a shock for many Spaniards. That sentiment was felt among the elites and in the streets. Spain accepted – and regretted – the results of the referendum. At the same time, there was a strong fear that this unhappy and unexpected result could be fatal for the EU entire project.

Luckily the European Union, including, of course, Spanish diplomats and politicians, understood the gravity of the situation and decided rapidly to start a process of political reflection about the future, looking beyond the UK referendum result and setting Brexit aside. Since it had no clear vision of what leave meant, the UK had to take time to decide how and when to move. The EU's approach proved effective, as it created a degree of European unity that had been unexpected. That unity has stuck, proving that 'divide and rule' would not work in this case.

One manifestation of that unity was the absence of negotiation until the UK activated Article 50 of the Lisbon Treaty in March 2017. A second one was the rejection of the UK's attempt to retain access to selected parts of the Single Market, as the EU stated that the four freedoms, including the free movement of people are indivisible. Spain's position has been to not break the ranks and to show unity with the Commission's negotiator, Michel Barnier, in spite of the important economic and personal links mentioned above.

Citizens' status as the most salient issue

In the so-called divorce negotiations between the UK and the EU there are three key issues: the position of EU citizens in the UK and UK citizens in the EU; the financial settlement; and the management of the EU border between the Republic of Ireland and Northern Ireland.

The situation of European citizens in the UK and UK citizens in the EU is an important priority for Spain. It is clearly the most important dossier of the three that have to be negotiated in the divorce settlement, as Spain benefits from the freedom of movement: UK's pensioners and tourists boost the local economy by settling in the coasts of Spain, while young Spaniards can escape unemployment by looking for job opportunities (and the chance to improve their English) in the UK. While it is true that Spain is the only case in the EU where there are more UK citizens living in another EU country than the other way round, this does not necessarily give Spain a stronger hand in the negotiations. On the contrary, some coastal regions in Spain rely heavily on UK citizens' spending, traditionally even higher than it has been since the referendum due to the strength of the pound.

Given the high number of Spaniards living in the UK, as well as the large British community in Spain, Madrid is lobbying hard to reach an agreement with the UK that ensures a high degree of protection of the rights of both communities. Although restrictions to freedom of movement are likely be put in place by the UK's government, Spain will seek to ensure these restrictions are as soft as possible.

Regarding the financial settlement, Madrid believes that London should respect the agreements it has signed and has joined other capitals in pressuring the UK to abide by its commitments. In this sense, May's reversal of the UK's first position in neglecting it and therefore the acknowledgement that UK would have to honour its agreements has been welcome. Nevertheless, the amount of money the UK is willing to pay is still very low. Even 20 billion euros would not cover elements that have to be taken into account, apart from the Multiannual Financial Framework. Thus, a higher offer, which would include the pensions of the British EU bureaucrats or the participation of the UK in European institutions such as the European Investment Bank, would be welcome. In any case, Spain will not be the most belligerent country on money issues. As a net beneficiary of EU budget, Spain is worried about potential holes in the EU's budget, but would be unlikely to allow the negotiations to fail on account of this issue.

On the question of the Irish border, Spain has aligned itself with the EU, following what Ireland has asked for, regarding the Common Travel Area to safeguard the Good Friday Agreement that put an end to the conflict in Northern Ireland. That does not mean it will be easy to find a solution, but it will require willingness on both sides. At the same time Spain has taken the view that Northern Ireland could retain EU membership if it eventually secedes from the UK and joins the Republic of Ireland – a position of solidarity with Dublin, which is not at all obvious given the difficult issues it raises in relation to Catalonia's bid for independence.

Actors and interests

The Spanish economy is highly exposed by Brexit, for the reasons outlined above. Business has a strong interest in negotiating a successful outcome. At the same time, there is a strong concern about the rights of the citizens to move between the two countries. Both factors encourage the political actors in Spain to take the negotiations seriously. A situation in the future very similar to the status quo today would be preferable for everyone in Spain.

Spain's political actors will try to influence EU's position although without challenging common position agreed in Brussels. In these

negotiations the most important actor is Michel Barnier, the EU negotiator, who receives his mandate from the European Council. Thus Prime Minister Mariano Rajoy will call the shots for Spain. Vice President Soraya Sáenz de Santamaría, and the Minister for Foreign Affairs Alfonso Dastis, formerly Permanent Representative of Spain in the European Union, are also important.

A clear example of an early success of Spain trying to influence EU's position so far has been the softening of the stance as regards the negotiation of the future agreement. Thus, Dastis talked in January of the possibility of starting trade talks while negotiating the divorce, and that was incorporated through the 'sufficient progress' formula. A second success was achieving EU support for the Spanish goal of having a say in any negotiation concerning Gibraltar. Taking advantage of Brexit to reach an agreement with London on the final status of the Rock is high on the list of Spanish priorities, but this would be a bilateral negotiation and not part of Brexit talks between the EU and UK.

There is also some role to be played by the Spanish Parliament, which has multiple parties following the 2016 elections. The lack of an absolute majority and the emergence of two new parties, Ciudadanos, which is centrist and liberal, and Podemos, which is leftist, have made parliamentary debates more difficult for the government but, as regards Brexit negotiations, there is a broad consensus on how to deal with them.

It is also interesting to stress that Brexit negotiations will coincide with a period of reflection on the future of the European project. One positive effect for Spain could be its recovery of a more central position in the EU. The vacuum created by the UK's departure needs to be filled and Spain has a willingness to show more ambition in influencing the European Union. The creation of the 'Versailles Group' with France, Germany and Italy is a positive step, but more concrete work on different areas of integration needs to be undertaken. The aim is to regain that credibility that was lost due to a combination of a period of introspection, an enlargement that changed the nature of the EU, and the severe economic crisis that hit the country.

Too early to figure out how the future is going to be

It is too early to anticipate how negotiations are going to be finished, although one thing is clear: there will be sequencing of the negotiations and no negotiations on the future agreement unless 'sufficient progress' is achieved on the divorce arrangements. Fifteen months after Brexit and seven after the activation of Article 50, which gives only two years to finish the arrangements for exiting the European Union, leaves little more than a year and a half to complete the first phase.

It seems sensible to assume that the UK's exit in March 2019 will be followed by a transition phase or 'implementation period' as the UK's Prime Minister prefers to call it of around two years. That would grant some certainties to UK and EU businesses until 2021 or 2022, as they would all still be part of the single market. Being part of the single market would require the UK to pay its fair share, respect the European Court of Justice and the free movement of people, and all with little or no say in the decisions of the EU for the duration of the transition period.

Thereafter, a new framework will apply. So far, all the predictions, hopes and even threats by the UK have collided with reality: an unexpected unity – so far – of the EU27 behind Michel Barnier. Nevertheless, among the EU27 Spain's stance on economic relations between the EU and the UK is likely to be softer. For this reason, Spain is likely to adopt a more UK-friendly position when it comes to its future economic arrangement with the EU. That could even mean bilateral agreements on matters of interest, but only after the agreement with the EU has come to place. Spain, it is important to underline, would never break ranks. 'Divide and rule' is not a possibility.

What needs to be avoided is the (remote) possibility of not reaching an agreement, which is not in anybody's interests. A possible solution could be similar to a CETA, including not only trade and investment, but services and collaboration in the security and defence field. Nevertheless, it is too early to think seriously about this possibility. Although the UK government wants to proceed to the next stage as soon as possible, unless 'sufficient progress' is made, the EU is unlikely to respond.

Brexit: the perspective from Italy

Marco Brunazzo and Vincent Della Sala

Italy and Brexit

Theresa May's decision to hold a major speech on Britain's position on key Brexit issues in Florence as part of an appeal to a common European heritage traced back to at least the Renaissance was symbolic and strategic. She did so confident that she was in a member state that had traditionally looked to the UK as a close EU partner and might be, if not a useful ally, at least a friendly face at the table in negotiating the terms of the UK's divorce with the EU.

Italy has indeed looked to Brexit an opportunity, but also one that is fraught with risk for Italian national interests, domestic Italian politics and Italian expatriates. Its approach to the issue reflects a broader approach to European integration and the EU: a growing mix of traditional idealism and pragmatism fuelled by a greater concern for more narrowly defined national interests and a growing unease about the EU in the Italian electorate.

Italy and the Brexit Referendum

The reaction in Italy to the initial call to hold a referendum by David Cameron in January 2013 was muted. It came in the midst of an election campaign where European questions were increasingly brought to the fore by emerging political forces, such as the Movimento 5 Stelle (M5S), that questioned Italy's traditional support for widening and deepening European integration. Despite rising challenges to Italy's traditional strong support for European integration and the period of economic and political instability caused by the Euro crisis in 2011-12, ministers in the 'technocratic' government of Mario Monti said that it was 'unthinkable' that the UK would vote to leave the EU.

Giulio Terzi, the Minister for Foreign Affairs, captured a view that was widely expressed when he said he was confident that the UK would be 'courageous and see the big picture' in voting to remain in the EU. The consensus amongst most political elites was that the referendum was a bargaining tactic that would not materialise but even if it did, would not likely lead to the 'unthinkable' outcome of a Leave victory. Moreover, Monti stressed that while he was positive that the UK would vote to remain in the EU and that a referendum was an opportunity for the EU to modify the treaties in order to strengthen European institutions.

The British elections in 2015 did not lead to any major discussions in Italy about the possibility of Brexit and the UK government's announcement in May of that year that it would proceed with the vote did not cause any great alarm in the government of Matteo Renzi. Renzi, echoing Monti from two years earlier, said that the British did not want to leave the EU; but that his government welcomed the referendum, if it meant that it would lead to renegotiation of the treaties. Successive Italian governments, even during the worst years and months of the Euro crisis, have looked to ways in which to enhance powers of European institutions, especially with respect to the governing of the Eurozone era. Paradoxically, they saw a planned referendum by one of the member states that had always resisted closer integration in many areas as an opportunity to change the treaties in order to deepen integration.

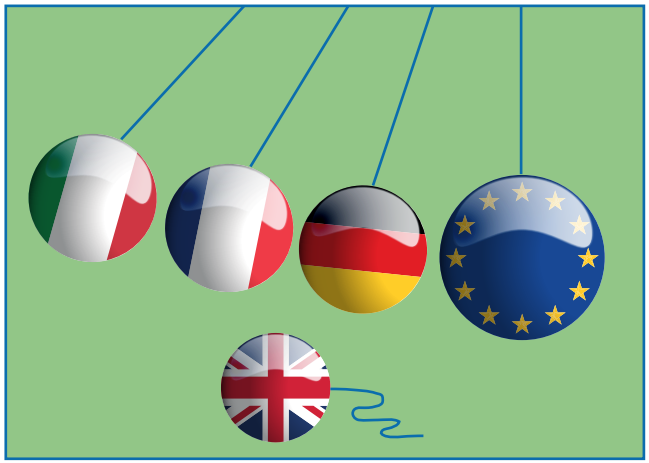
When David Cameron embarked on his tour of European capitals to negotiate new terms for the UK's membership in the EU between May and November 2015, he did not have a hostile reception in Rome, nor did he find a disinterested partner. Matteo Renzi's party, the Partito Democratico (PD), was beginning to feel pressure from the M5S and some of the centre-right parties that took an increasingly hostile position to EU policies if not the integration project itself. The position of the party (and government) was that Italy

strongly supported integration and remained committed to a federal vision but that 'this' EU needed to be changed. More concretely, moving to some sort of fiscal and transfer union as well as a centralised management of migration probably required opening a new phase in treaty negotiation.

Trying to find new terms for British membership, whether it led to a referendum or not, was embraced by the Italian government as the moment to open up the debate for re-structuring the entire institutional architecture of the EU. This allowed Renzi to claim that things could change in Brussels and that Italy was one of the driving forces. The negotiation of the UK position was seen as an opportunity to bring clarity to the EU, make decision-making simpler and allow for others to go forward. Renzi summed up the position thus: 'It is not a hodgepodge. Better to have a UK that has a clear position than one that wavers'.

In the bilateral talks held in the lead-up to the formal request sent by Cameron to Donald Tusk in November 2015, the Renzi government's position was that every effort should be made to find an agreement with the British government so long as it did not undermine the ability of those member states who wanted closer integration to go forward and that it did not threaten rights of Italian nationals in the UK. In the negotiations that followed that and resulted in the formal letter that Donald Tusk issued in February 2016, the Italian government started to make its position clearer. It claimed that the Euro created the need for enhanced integration amongst its members and that any agreement on a new relationship with the UK would have to ensure that no single member state could impose a veto and that those member states who chose to opt out should not be involved in economic governance issues related to the euro. Sandro Gozi, junior minister responsible for European affairs, guaranteed Parliament that the agreement would ensure that the rules for banking and finance would be applied uniformly and not penalise the Eurozone.

Members of the Italian government reiterated how Italy had been working closely with the UK in recent years to improve the single market and reduce regulatory burdens. It supported an agreement that would continue this close collaboration. A central issue for Italy was the question of the free movement of people and guaranteeing rights for Italian nationals in the UK. Gozi assured Parliament that the agreement on a new relationship for the UK in the EU was consistent with the treaties and with recent jurisprudence. The government defended the decision to grant the UK an opt-out of the "ever closer union" commitment in the Treaty. It claimed that it brought clarity to the UK's relationship with the EU and thus made it easier for others to go forward, especially in the Eurozone.



Italy and Brexit after the EU referendum

While the immediate reaction of disbelief in Italy to the referendum result was no different than in other member states, Italian political leaders quickly moved to dampen any momentum in domestic political discourse for the view that the EU was facing disintegration or that Brexit could fuel similar movements in Italy. Speaking before Parliament on 27 June, Renzi said, after expressing his surprise and disappointment at the outcome, that it was time to turn the page and to look for a re-launch of the integration project. Moreover, he argued that the result also reflected a spreading perception that the EU was responsible for the economic consequences of economic liberalisation. He argued that Brexit underscored how important it was for EU policies and institutions to be reformed significantly so that anti-EU sentiment could be countered by a more federal union that expressed solidarity in areas such as migration and fiscal policy. The referendum result, he concluded, created the conditions for these changes and for Italy to be at the heart of

a core group of states, along with Germany and France, that would lead the process. According to the Italian government, Brexit was a sad day in the history of European integration, but also an opportunity for the EU and Italy.

Optimism and appeal to ideals soon gave way to dealing with issues that most affected Italian interests with Brexit and the challenges in convincing other member states that Brexit was a 'federal' moment for the EU. A meeting with French President Hollande and German Chancellor Merkel in August 2016 on the island of Ventotene – famous in European circles for Altiero Spinelli's call for a European union – was intended to highlight Italy's adoption of a central role in the EU to fill the vacuum left by the UK's eventual exit. However, two months later at the Bratislava summit to deal with the EU's future after Brexit, Renzi and the Italian government were disappointed that bolder initiatives were not taken, especially with respect to migration, macroeconomic policy and opening up the treaties to meet demands of other member states.

The position taken by the Italian government, headed first by Renzi and then Paolo Gentiloni after December 2016, is that a constructive rather than a punitive approach should be taken in the negotiations over the terms of the divorce, especially since the widespread consensus amongst political and economic elites was that Brexit did not present any major risks for Italy. However, the Gentiloni government has spelled out that there are a number of key areas where Italian interests are to be protected. First amongst these has been that the rights of the more than 280,000 registered Italian nationals – the figure increased by 30,000 in the year after the Brexit vote – be guaranteed. Another important and related concern for Italy has been that the rules of the single market be respected if any state wanted to enjoy its benefits. These issues might explain why the Italian government has insisted on, and then supported, the EU position that the negotiations proceed sequentially, so that issues such as the UK's financial commitments and guarantees to EU nationals be resolved before charting a new relationship. Italian governments have tried to present their position on the negotiations as being constructive and cooperative, but they have insisted that they will support a tough stand if the outstanding issues are not resolved.

The referendum result did not produce any noticeable effect on the positions of political parties with respect to the European Union. The M5S, which supports the principle of a referendum on Italy's participation in the Euro, and the Lega Nord, which wants one on the EU, both welcomed the vote, if not the result. However, neither has called for a referendum in Italy or made more of anti-EU positions. Rather, Italian public opinion has started to turn in favour of Italy's participation in both and, not coincidentally, the M5S have tempered their call for a referendum and their attacks on the EU. A Piopoli poll conducted immediately after the Brexit referendum found that 40% of respondents would favour Italy leaving the EU, down from recent levels. The Spring 2017 Euro-barometer survey found that trends in Italian public opinion were in line with the rest of the EU, with positive responses increasing on almost all questions related to the EU and the Euro.

Divorce, Italian Style

Despite a decade long economic crisis and the emergence of eurosceptic parties in Italy, Brexit was not the catalyst for a major boost in anti-EU sentiment. If anything, there has been a slight increase in support for both European integration and the Euro since the June 2016 vote. Moreover, the Italian government has presented the British decision as an opportunity to push for major changes in EU institutions and policies. This is aimed primarily at a domestic audience it wants to convince that EU policies can change to meet Italian demands for greater solidarity in dealing with migration and stimulating economic demand; and that it can change with Italy playing a leading role. This optimist view of the opportunities afforded by Brexit have been tempered by the constraints imposed by a difficult EU-UK negotiation process as well as by the lack of a corresponding appetite for major change in other EU capitals. The result is that the Italian position is one of support for the line taken in the European Council, even if this means a hard Brexit, but hope that the divorce will be amicable and beneficial for everyone.

Brexit and Greece

Calliope Spanou

Perception of the debate in Greece

The UK has always been a reluctant partner in the EU. The country's longstanding caution about European integration was of course no secret in Greece, but at the same time there was not the slightest suspicion that the UK's ambivalence might extend to the very question of EU membership. However, ultimately the UK has proved to be the 'weak link' in the European chain.

Prime Minister Cameron's promise in the 2013 Bloomberg speech was interpreted as part of this eurosceptic tradition. Though it elevated the issue of EU membership to the level of his future governmental agenda and was seen as a high-risk strategy that challenged the EU, it was also seen as an expression of part of the traditional British vigilance concerning EU issues. The question of whether there could be a 'Europe without Britain' received a confident and comforting answer: 'Yes, but it won't come to that'. The PM's remarks was regarded as a manoeuvre as part of a renegotiation strategy.

The issue remained of low salience in Greece even after the February 2016 settlement agreed by the EU and the UK prior to the referendum. In unofficial discussions, some scepticism was expressed regarding the concessions afforded by both sides. This was particularly the case for as concerned the free movement of persons. However, the government decided not to issue an official statement.

The mood changed with the referendum result. Not only surprised, the Greek government was clearly 'not amused' by the outcome. Only one year before, in July 2015, Greece had held a referendum of its own that ultimately avoided a Grexit from the Euro. Despite the outcome of that referendum, the government of PM Tsipras agreed to a third macro-economic adjustment program and further austerity measures in order to remain in the Euro. In short, a victory in the referendum quickly turned into a defeat for all those who had hoped for a change of course. As in the case of the UK, a major challenge of referendum outcomes lies in the post-referendum management of unexpected success.

It was inevitable that the UK referendum would be seen in the light of the still fresh experience of the Greek referendum. Views generally reflected the same positions as the domestic debate in Greece. For government officials in Athens, Brexit confirmed their criticism of the neoliberal narrative in Europe and the need for profound change. In other words, it was interpreted as a further sign of failure and crisis in Europe. It was seen as the expression of the democratic right of people against policies and integration projects deemed insufficient or even a failure. The new line of argument in Athens focused on the demand that the EU 27 should now work for a more social and democratic Europe. For those who had seen the Greek referendum as an unnecessary risk, Cameron's move was criticized as myopic, playing Russian roulette in order to solve internal problems of the conservative Tory party in Britain. A third line of argument emphasized the long-standing ties between Greece and the UK and an expectation of continuity.

Soft Brexit

Greece rejected a punitive or vengeful approach to the negotiations. It wanted the EU to take care that the UK and its citizens are not estranged from the EU. This is the central theme of government statements showing reluctance to take punitive positions. But, more broadly, the Commission's approach is respected in Athens.

The negotiations should be 'smart and dispassionate', according to the Minister of Foreign Affairs, and the need for moderation, mutual respect and good will underlines the position taken by the Alternate Minister of Foreign Affairs with responsibility for the European portfolio.

At present, there is no discussion in public on Greek preferences as regards future bilateral issues. Rather, a wait-and-see attitude prevails.

Political developments in the UK are closely followed, in particular after the recent general elections, and assessed regarding their impact on the complexity of the ongoing negotiations.

Issues of concern

The main concerns in Greece relate to the economic impact of Brexit. Three major issues are important. First, the effects on the EU budget, since European resources, such as structural funds, are important for Greece, especially during 'hard times'. European Cohesion policy is a particular concern. The second is the rights of Greek citizens living, working and studying in the UK. There are around 70,000 Greeks resident in the UK. The same applies to the 45,000 UK nationals, which includes a number of pensioners. The impact of Brexit on the trade in goods and services, especially British tourism to Greece, is a third issue.

On the economic aspects, it is worth noting that the UK is one of the most important trading partners of Greece – its fourth most important in 2016 -- and the seventh most important destination for Greek exports. The value of exports represents 0.6% of GDP and 4% of total exports, more than 60 % of which are industrial products (pharmaceuticals, dairy, electrical equipment, copper, aluminium, plastic, food preparations, garments, etc.) and almost 30% agricultural products. Tourism is also a matter of concern. If the future rate of the pound to the euro continues to decline, visits to Greece will become more expensive for UK residents. This is crucial, since 2.5 to 3 million British citizens visit Greece annually.

Against this background, the Greek government's concern reflects the interests of the business community. In the post-Brexit environment, new trade agreements should ensure the effective access of Greek products to a long-standing and reliable export market in the British Isles. For Greek companies established in Britain, among which the shipping industry is most prominently placed, it is also important to maintain favourable status concerning the various aspects of their financial and commercial operations. Of equal importance and concern is the maintenance of the free movement of people, involving all aspects of the status of Greek nationals living in Britain, many for several decades. In these areas, there is a wish on the Greek side for as much continuation of the status quo arrangements as possible.

There are also issues that less often mentioned, but equally important. They include security and defence issues, given that the UK remains an important military partner with a commitment in the Balkans and Ukraine, is a member of NATO, and has military bases on Greek territory. Issues regarding Cyprus and Greece are part of the security and defence concerns associated with Brexit in Athens.

Although there are concerns, these area accompanied by an interest in identifying potential opportunities. One could be attracting pharmaceutical multinationals, shipping companies or the defence industry currently based in the UK (back) to Greece. Greece would also like to host the European Medicines Agency, which is currently located in London. A committee has been formed to champion the candidacy of Greece.

Actors

On the governmental side, two task-forces, ministerial and inter-ministerial, have been created in the Ministry of Foreign Affairs to follow and prepare the relevant dossiers. Their output is for the moment confidential. The Ministry of Economy and Development is also involved. Its overview of the economy and its coordinating role regarding the National Strategic Reference Framework for the use of EU Funds resources, have given it a central role from the start. Its main focus is the potential impact of Brexit on the Greek economy and remedies for them.

At the same time, the Greek government is keeping a low profile. The negotiations are led at EU level and there is little room for public statements in Athens and the articulation of positions on individual negotiating issues. The silence does not necessarily mean lack of interest or preparation, however. Informal discussions do take place between the two countries either on the occasion of visits of government officials from each country or with the UK Embassy in Athens. The results of these contacts might become visible at the next stages of discussion and later in bilateral agreements. Indeed, the strong suspicion is that there is more going on than meets the eye.

The UK Embassy in Athens points to the

converging interests between the two countries and the need for a 'bold and ambitious free trade agreement' that makes sense for both countries. It is a priority to ensure the support of Greece in order to conclude a mutual agreement regarding the rights of citizens.

The Parliament has not had an active role so far. Its standing committee for European Affairs has been updated on the EU guidelines for the negotiations by the alternate minister of Foreign Affairs in May 2017. The MPs discussed the potential impact and opportunities and showed interest in the possibility that the European Medicines Agency might relocate to Greece. At the end of August, however, the main opposition party, New Democracy, requested the setting up of a special subcommittee and joint sessions of the European Affairs and the Foreign Affairs Committees to follow and discuss the issues around Brexit and the future of the EU after the UK leaves.

It is not yet known whether this proposal will be taken up by the President of the Parliament, but it could be a game changer. The idea is that the Parliament could thus be actively involved in the process, ensuring that Greek concerns are seriously taken into account in the ongoing negotiations. It is also possible that Brexit will become an issue in party political and the wider public debate in Greece, which is not currently the case.

So far as business is concerned, Brexit is a major source of uncertainty. The business community has been quick to mobilize. The Hellenic Federation of Enterprises (SEV), which represents large and medium size enterprises, began to explore scenarios when the referendum was announced. Most of its activity in promoting their views takes place in cooperation with Business Europe representing businesses at the EU level. Individual business organizations, such as in the banking sector, the tourism sector, exporters, and ship owners, started studying the impact of Brexit in order to decide their approach and plan for the future.

The only initiative for a public debate has been up to now a one-day conference of the British Hellenic Chamber of Commerce (in April 2017) with the participation of government officials, business community representatives and scientific organizations (think-tanks). This was an opportunity to talk about the challenges around Brexit, particularly its impact on the Greek economy and the business community.

SEV submitted their positions to the two Greek ministries involved in the Brexit process. For the moment, the government has not reached out to the business community. The European channel is at present more appropriate, given that the negotiation takes place in Brussels. Though there is strong interest in clarifying future bilateral relations, this is for the moment put on hold. There can be no parallel negotiations between Athens and London.

There is a belief that there will be a 'soft' Brexit and that realism will prevail on both sides of the negotiating table. For the moment, soft and hard versions of Brexit are difficult to define in detail as long as the desired model has not been specified – EEA plus or minus, the Swiss model or the CETA, for example. The wish of business associations in Greece is to continue the existing state or have long transitional periods. This meets the current UK approach, as requested by PM May in her recent Florence speech.

For business the three key chapters are free movement of goods, labour and capital. Agreement on the freedom of movement for persons is seen as the key political issue that would mark progress in order to open the other chapters.

Overall salience

Beyond the business community, Brexit does not seem to preoccupy citizens outside the UK. The cautious attitude of the Greek government and the fact that negotiations are being conducted at the EU-level negotiation keep it off the public agenda for the moment.

The media follows and reports the developments in the UK, but there is little interaction with the domestic agenda. At times, aspirations about opportunities arising from Brexit feature in the Greek press. This contrasts with the initial reaction to the outcome of the referendum, when its direct impact on Greece, especially the budgetary consequences, was a matter of concern. The outcome of the UK referendum brought back memories and anxieties that had surrounded the Greek referendum the previous year. There is some chance that Brexit might at some stage revive the discussion and controversies surrounding a possible 'Grexit', though that debate has for the time being been laid to rest.

The Polish Perception of Brexit

Natasza Styczyńska

Poland and Brexit

The United Kingdom has a close historical affinity with Poland and has always been one of Poland's most important partners, politically and economically. As well as a preference for state-centric model of integration, the two countries share common positions on Eastern Policy and sanctions on Russia, as well as views on the Single Market. Since 2015, when parliamentary elections in Poland were won by the right-wing conservative Law and Justice party, there has been a further level of cooperation – the European Conservatives and Reformists group in the European Parliament, to which the ruling parties of both countries belong. This affiliation underlines another point of commonality between the two countries – a critical approach to the European Institutions. This stance fuelled the Leave campaign in the United Kingdom, while in Poland it is causing serious disagreement between the government and the European Commission that may result in the case being referred to the Court of Justice of the EU.

Brexit has attracted considerable attention in Poland, even if viewed through a particular prism. The Polish media has highlighed several possible effects; the end of Tesco's expansion, more expensive Scotch whisky, the introduction of work permits, and higher fees for Polish students. These were just a few of the possible disadvantages of Brexit listed by Rzeczpospolita, a national daily newspaper, at the time of the British referendum. But there has not been a fact-based Brexit debate in Poland on the issues at stake, either before or after the 2016 referendum. All EU questions are perceived in Poland in the light of domestic issues, and Brexit is no exception. Today, as before the referendum, concerns relate to what is important for Polish citizens, such as fears that Brexit will put an end to economic cooperation or worsen the situation of Polish citizens living in the UK. There has been no detailed engagement with the detail of the Brexit negotiations or discussion of the positions and their merits adopted by other EU member states. The rights of Polish people living in the UK are the overriding concern for the Polish government and the media.

What was the reaction of the Polish political elite to Brexit?

Immediately after the results of the referendum were announced, Jarosław Kaczyński, President of the ruling Law and Justice party, issued a statement claiming that the EU was in need of reform and that Brexit was clear evidence. Kaczyński declared that a new European treaty was needed – a suggestion that was later repeated by Minister of Foreign Affairs Witold Waszczykowski, who argued that it was high time for reform and a new treaty, and that Brexit provided a great opportunity for the European Union to fix the problems that it has been facing for some time. Waszczykowski added that it was crucial for the EU not to be dominated by the Eurozone countries, since this would increase the marginalisation of countries, such as Poland, that are not members of the Euro area. Prime Minister Beata Szydło offered her interpretation of Brexit as the result of a long-running unsolved and ignored crisis within the EU. The opposition parties, by contrast, took the view that Brexit is not a desirable solution, but a warning for other countries and the direct result of the 'wave of populism'.

On 21 July 2016, the prime minister presented a statement about Brexit in the Sejm (parliament), promising that the Polish government would negotiate the best conditions for Poles living in the UK and that the UK would remain Poland's strategic partner. The ruling party also argued that Brexit represented a failure on the part of the President of the European Council Donald Tusk – a former prime minister of Poland and

leader of Civic Platform. They contended that it was his ineffectiveness in managing EU-UK negotiations that led to the referendum, which could have been prevented.

On 29 March 2017, the Polish government issued an official document declaring its great regret but also its respect for the UK decision to leave the European Union. The document contained a pledge that the United Kingdom would remain one of Poland's most important partners, but also a warning that the UK needs to respect EU law until Brexit becomes reality. The government has also developed an official strategy for the negotiations, but this document remains unpublished.

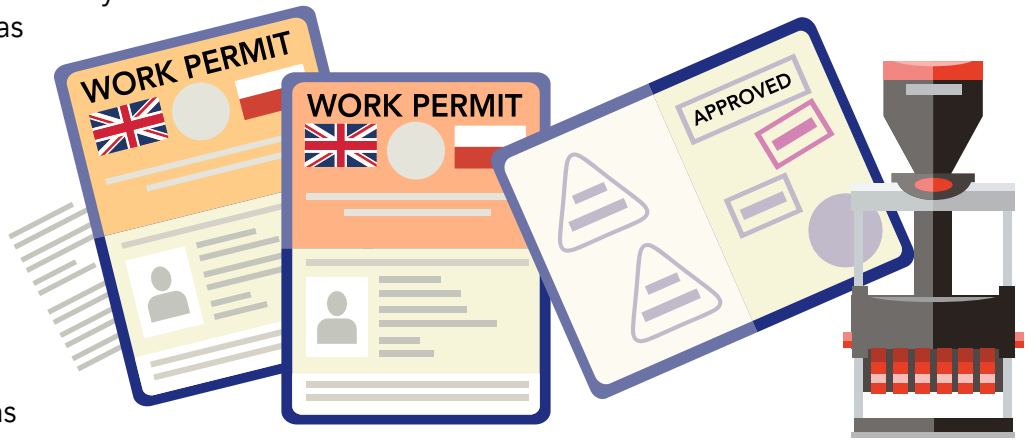
Who in Poland is debating Brexit?

Aside from political parties, there are a number of other bodies that are interested in assessing the impact of Brexit on Poland and the European Union in general. Some, such as the British Polish Chamber of Commerce, are issuing 'Brexit updates', reports that cover a wide range of economic issues. Analyses are also published by research institutes and think thanks, including the Polish Institute for Foreign Affairs. In parliament, the Committee for EU Affairs has established a 'Working Group on Brexit', located within the Department of the Committee for European Affairs. It was decided that the Secretary of State for European Affairs Konrad Szymański would represent the Polish government in negotiations with the UK. The Committee for EU Affairs hosted a meeting with European Chief Negotiator Michel Barnier as early as April 2017. It is important to emphasise, however, that the activities undertaken by these committees have very limited impact on public opinion and are rarely discussed in detail.

What are the main priorities for the Polish government?

As noted above, the most important issue for the Polish government is Polish citizens living and working in the United Kingdom. The Polish diaspora in the UK grew rapidly after the 2004 Eastern Enlargement and the immediate opening of the British job market to Polish citizens. There are between 700,000 and 900,000 Polish immigrants living in the UK, making Poles its largest non-British nationality. The volume of immigration – not only to the UK – is also increasingly salient in Poland, where, during recent election campaigns, political parties have exploited the issue. There is a growing fear that after Brexit becomes a reality the UK will introduce visas or work permits that may lead some Polish immigrants to return home. Brexit is also likely to influence the possibilities for Polish students to study at British universities, as well as their access to scholarships and loans. Among Poles living in the United Kingdom for less than five years, and therefore required to apply for permanent residency, there is a growing fear that Brexit will play a negative role in the employment possibilities in the near future. Prime Minister Szydło discussed the status of Polish citizens living in the UK with David Cameron in July 2016 and Theresa May in July and November 2016, and October 2017.

As the UK is the Poland's main trading partner for Poland after Germany in terms of exports, absorbing almost 7% of Polish sales, the economic aspects of Brexit cannot be overlooked. Moreover, Poland's National Bank estimates that Poles send home more than £728 million a year. Some analysts claim that, as freedom of movement is likely to be restricted, immigrants may come back to Poland and stimulate local businesses. Others suggest that Polish immigrants are more likely to move to other EU member states than to return to Poland.



Poland is also one of the biggest beneficiaries of EU funds, and the UK is among the top net contributors, which is why there are differences in approach towards cohesion policy, on the one hand, and Common Agricultural Policy, on the other. Prime Minister Szydło claimed that there should be no changes to the EU budget assigned for 2014-2020, even if Brexit happens before 2020. The Polish government's position is that there should be no 'punishment for Brexit, and other EU member states should be encouraged to maintain good relations and not to stigmatise the United Kingdom. It is important for the remaining member states, however, to keep the UK paying into the common budget for as long as possible. The Polish Minister of Foreign Affairs underlined that 'it is in our interest that Britain remain a European Union state as long as possible and pay contributions as long as possible'.

There is no doubt that the Polish position on Brexit reflects its broader attitude to European integration, which is highly pragmatic and instrumental. There is little sense of belonging to a community. Although that is not the only view, it is predominant, due to the eurosceptic stance of the Polish government. A segment of the Polish political elite, mainly from the conservative right, saw the UK as an important ally due to its similar perceptions of the EU, its role and organisation. Without the United Kingdom, they fear that the UK will start to integrate more quickly and deeply, which is not a favourable scenario for the Polish government or any on the political right.

Poland's president Andrzej Duda declared in 2016 that after the Brexit referendum the EU's main aim was to keep the Union together, as he anticipated that other countries were likely to follow the United Kingdom. At the same time, the Polish government speaks cautiously about Polish membership in the European Union due to the fact that the country is the biggest beneficiary of EU funds and Polish society is predominantly pro-European: 88% of Polish citizens are positive about membership in the European Union.

Jarosław Kaczyński has called for a new treaty, and will continue to press for a looser form of integration, built around the single market. Reinforcement of national parliaments and strengthening democratic legitimacy of the EU are also main priorities of Minister of Foreign Affairs Witold Waszczykowski, views that have been in line with those of the UK government. Still, even according to politicians from Law and Justice, there is no intention that Poland should leave the EU.

Conclusion

The political arena in Poland is very polarised, and the issue of Brexit is used by both the governing party and the opposition, though in very different ways. For the government, Brexit serves as a warning of what may happen if integration goes too far and the EU institutions are too powerful. For the opposition parties, by contrast, Brexit is a bogeyman, showing that this may happen in Poland if the eurosceptic parties increase their strength. Brexit serves as a tool to consolidate pro-European votes around opposition parties and movements.

Both strong economic ties and the significant number of Polish immigrants in the United Kingdom are likely to influence the Polish position on Brexit. It seems that Poland will support British access to the single market and free movement of people, especially if the Polish government is able to negotiate favourable conditions for the Polish community living in the UK. The Polish government may also like to support a transition period, as long as it would allow the free movement of people and commit the UK to contributing to the EU budget.

Czech Republic: Brexit as a way out from the problematic past

Petr Kaniok

The Czech Republic is not an EU member state whose reputation could be best defined as respectful, constructive or reliable. The image of a reluctant and grumpy figure, often saying what irritates them, but rarely putting forward positive suggestions, was formed during several Civic Democratic Party (ODS)-led governments in the period 2006–2013. Moreover, having prominent eurosceptic Václav Klaus as president in the same period did nothing to improve the Czech's reputation. The incoming coalition government of Social Democrats (ČSSD), Christian Democrats (KDU-ČSL) and the liberal populist movement, ANO, which came into office in January 2014 sought to change this image, but did not find it easy task. The migration crisis and the EU's approach hardened public opinion. Moreover, despite expectations to the contrary, the government made no move towards joining the Eurozone.

Brexit: Finally a chance!

The UK debate on its EU membership was seen as an opportunity to recast this image, and to show Brussels as well as fellow member states that things can change in Prague, even if only on this one subject. Discussions that started in the United Kingdom in 2013 when David Cameron delivered his Bloomberg speech did not initially attract much attention. The speech itself was registered by only small group of politicians – the then Prime Minister Petr Nečas (ODS), Jan Zahradil (an ODS MEP) and Libor Rouček (a Czech Social Democrat MEP). Although both prominent Czech conservative politicians welcomed Cameron´s message – not surprising, given the close and intensive ties between ODS and the Tories – Rouček warned against it. Again, this was not surprisingly as he is among the most pro-EU politicians in the Czech Republic. But for many months that was all there was to domestic discussion of the UK and the EU. The government's EU mid-term strategy in May 2013 made no mention, for example.

UK-EU relations only became an issue in early 2016. In January David Cameron visited Prague and discussed the Czech position on the new settlement between the UK and the EU with Czech Prime Minister Sobotka. As a result, the Czech Republic expressed its support for various British demands such as equal treatment of Eurozone and non-Eurozone countries, deepening of the internal market, and increased competitiveness.

On the same occasion, the Czech Republic rejected any attempts to limit free movement of people. Even though there was also disagreement on the issue of social benefits, Cameron found support in majority of his substantial demands.

The position of the Czech government did not change in following months. At the beginning of February, the coalition supported all four concerns voiced by the UK. Its only reservation concerned social security and welfare benefits where the Czech government requested that safeguard mechanisms would apply only to new coming citizens and not to those already residing in the United Kingdom. The Czech government also requested that the obligation to pay social benefits would remain with the country where the person lives or works. Regarding economic governance, the government – as a government of a country at least rhetorically willing to join the Eurozone – warned against a deepening gap between Eurozone and non-Eurozone members. As the Czech government felt that its concerns were reflected in the deal agreed at the February 2016 European Council, it gave its support to the text without its typical reservations.

The June referendum was closely watched, at least by those politicians with an interest in the EU, if much less so by the general public. The outcome was seen as a broadly negative development for the EU, Czech-UK relations and the Czech Republic itself, although a minority of eurosceptic hardliners expressed their support for what had happened. However, no one of significance challenged the result or tried to find any innovative interpretation of what had happened. In that sense, the Czech reaction was in line with the EU's mainstream political response.

In practical terms, the government reacted almost immediately. On 27 June 2016, a special Working group for Brexit and the future of the EU was established under the supervision of the Office of Government. One day later, the Czech government signed a joint Visegrad group declaration where the key demand for future development – protection of EU citizens in United Kingdom and their equal treatment – was expressed. Brexit and its consequences were also a main topic of a speech delivered by Prime Minister Sobotka on 30 June in the House of Deputies. This speech outlined the position that has since been advocated by the government: following the approach defined by the EU, with a peaceful and reasonable separation, a fair and balanced deal, and the protection of Czech citizens´ rights and interests in the United Kingdom.

The Czech position did not change during the first months following the UK referendum, nor after the UK government officially triggered Article 50. It has continued to support the key priorities – for example, the indivisibility of the four freedoms and the non-discrimination of EU citizens living in United Kingdom. The same can be said of the 'follow the EU-defined approach' logic that the government adopted after the referendum. The government has repeatedly expressed its support for EU positions and conclusions on Brexit.

What change there has been is found mainly at the procedural level. The government has advocated a constructive approach to the negotiations between EU and United Kingdom and repeatedly and explicitly warned against any effort to punish United Kingdom for Brexit. Interestingly, Brexit has been repeatedly framed as a 'window of opportunity. This framing has often referred to Brexit as an opportunity to reform and adjust the EU, but also to exploit the chance to recruit top British researchers or to relocate EU agencies currently in the United Kingdom to the Czech Republic. The influence of key domestic players has also shifted. The Office of Government has taken the role of coordinator for the government as a whole, leaving both parliamentary chambers and their respective committees for EU affairs in a much weaker position to influence debate. Social partners and non-governmental actors have been not involved in the Czech Brexit policy at all.

Beneath the surface

One might be surprised that Brexit is a relatively uncontroversial issue, given the very controversial state of Czech politics. But the EU in general – even that being very controversial particularly for Czech party politics – has never been a topic on which much has turned. It does not matter much either for general public or for politicians – apart from the handful of EU specialists within some of the parties. Moreover, any possible contagion effect of Brexit was minimised by two events. First, the Czech governmental position on Brexit and Czech priorities are generally non-controversial. Hardly any relevant party could oppose demands to protect Czech citizens living in United Kingdom rights. And, agreement on national priorities was approved by a very large majority of relevant parties in February 2017 when the deal on their content was signed.

On the other hand, the low salience of Brexit

for Czech general debate does not imply that nothing has happened and that Brexit has no potential impact on the party landscape and its dynamics. So far, there have been two main messages. First, the Brexit issue in the context of day-to-day Czech party politics suggests that particularly for the right wing parties (ODS, Svobodni, TOP 09) attitudes towards the EU are a salient issue in building their identities. This is illustrated by the parties´ commentaries or statements on Brexit (Table 1). It is those parties on the right that are the most active. As their economic positions are often very similar, their approach towards the EU – here represented by positions on Brexit and its implications – can serve as an important differentiation message for prospective voters. Second, approaches towards Brexit expressed by eurosceptics – both soft or reformist and hard or rejectionist ones – who have a lively tradition in the Czech Republic have so far not confirmed followed the path that had been expected in the immediate aftermath of the referendum; namely, that soft euroscepticism would harden as the possibilities of a hard position became more evident, even as the limitations of a softer approach caused frustration. Instead, Czech party politics has continued much as before, with both hard and soft camps continuing to make the same cases, taking fundamentally different positions on Brexit – an illustration of how we need to be careful in presenting 'euroscepticism' as a single phenomenon, when it contains such radically different positions.

Future? No chance of change

On 20 and 21 October 2017, Czech voters will elect a new Chamber of Deputies, which is likely to produce a new government that will replace the current coalition. There are several possible line-ups of the new government, but no matter which parties will take part in it, Czech approach towards Brexit is unlikely to change. ANO, currently the strongest political force in the Czech Republic and likely to be the winner of the elections, is one of the Czech parties least interested in Brexit. It looks to areas and policies that are salient for its voters, and the Article 50 process does not fit. Moreover, even if relevant parties differ in their Brexit policies – for example, in terms of the implications of Brexit for the EU or how the EU should be reformed – there is a broad and shared consensus on the Czech positions and the Czech priorities. As long as this remains, the Czech Republic's position among the mainstream of EU members states will not change.

Table 1: Statements and commentaries of Czech political parties on Brexit

Party	5/2015 – 5/2016	6-7/2016	8/2016 – 7/2017	Total
Civic Democratic Party (ODS)	14	30	31	**75**
Party of Free Citizens (Svobodni)	15	12	20	**48**
Communist Party of Bohemia and Moravia (KSČM)	0	8	9	**17**
Dawn – National Coalition (ÚNK)	0	4	1	**5**
Freedom and Direct Democracy (SPD)	1	3	5	**10**
Czech Social Democratic Party (ČSSD)	4	7	7	**18**
Tradition – Responsibility – Prosperity 09 (TOP 09)	4	14	13	**31**
Christian Democratic Union (KDU-ČSL)	1	6	8	**15**
Action of Dissatisfied Citizens 2011 (ANO 2011)	0	5	1	**6**

Source: author´s own calculation

Brexit and Hungary:
advancing the Orbán government's euro-realist and anti-migration political agenda

Robert I. Csehi

Introduction

When David Cameron talked in January 2013 about a referendum on the UK's membership to the European Union (EU) unless the member states were given greater decision-making power in the institutions, not many took note in Hungary. The Hungarian government was about to introduce the fourth amendment to the country's already contested new constitution, which attracted most domestic political attention, and thus eclipsed Brexit as an issue in Hungary. However, as further details about the UK's demands concerning the reform of the EU became known, and as the Hungarian government intensified its stance against 'Brussels' on many issues ranging from constitutional amendments through utility price politics to the controversial issue of migration, more and more attention was given to the issue of Brexit and its potential consequences. The interest of the Hungarian government in Brexit was mainly driven by its euro-realist, if not eurosceptic, and anti-migration political agenda.

From a promise to the 2015 elections – partners in countering Brussels' power-grab

Even though David Cameron announced the possibility of a referendum on the UK's membership to the EU in 2013, as long as details of the UK government's demands on changing the European rules were not entirely known, the Hungarian government was rather constrained in its response. In fact, at first, Prime Minister Orbán asked for some caution about Cameron's request to redistribute competences to member states as it would open the 'Pandora's box' of treaty change. It was not until October 2013 that Budapest started to formulate a clear position on the UK's demands regarding its EU membership. Orbán visited Cameron in London and gave an interview to the Daily Telegraph explaining Hungary's stance.

Orbán underlined that he supported Cameron's efforts to change the European rules. Contrary to his earlier more cautious tone, he explained that 'we shall need a new basic treaty eventually'. Furthermore, Orbán stressed that he wanted to join Britain in resisting "the creeping movement of Brussels to eat up national sovereignty", and that it was necessary to settle which competences belonged to the member states and which to the European institutions. Among the potential points of agreement between Hungary and the UK, Orbán mentioned resistance to any harmonization of taxes, or social welfare programs.

By October, 2013, it became clear that the government started to divide the issue of Brexit into two clusters: one concerning institutional reform of the balance between member states and the EU institutions, and one relating to the UK's policy requests. At this stage, the first cluster was much more prominent and fitted the Hungarian government's political agenda much better. Orbán was 'fighting Brussels', arguing that the EU wanted to interfere with the government's policy on reducing utility costs in Hungary. The UK was considered a serious and reliable partner in the drive to counter attempts at

centralization by Brussels. A clear indication was the two countries' opposition to Jean-Claude Juncker's nomination to the European Commission Presidency in June 2014.

The Orbán government welcomed the election results of May 2015 and praised the courageous and outspoken views pronounced by Cameron on the EU. Interestingly, despite the centrality of migration in the UK campaign and the salience of issue in Hungary's domestic politics, Budapest's discourse concerning the UK's demands was more focused on the strengthening of member states vis-á-vis the European Union.

The run-up to the referendum – tensions rise

With the 2015 electoral victory behind him, David Cameron increased the pressure on the EU to make concessions in the form of a new settlement between the UK and the UK. As the range of policy issues put on the table by the UK expanded to include access to welfare programs, there was a growing tension within the Hungarian government's position. On the one hand, the government still supported the UK's desire to re-nationalize competences, and to adjust the institutional settings accordingly. The Hungarian Minister for Foreign Affairs Péter Szijjártó listed principles on which Hungary and the UK were in agreement: that a strong union could only be built on strong member states; that member states should focus on increasing competitiveness and decreasing bureaucracy; that non-Eurozone members should not be discriminated against; and that a greater role should be given to national parliaments in EU matters. The chairman of the Hungarian Parliament's Foreign Affairs Committee argued that Hungary and the UK were partners in safeguarding national sovereignty and that Hungary would be disadvantaged in the pursuit of this objective should the UK leave the EU.

On the other hand, there was a growing tension between the two countries regarding social welfare policies. Cameron's moderate anti-immigration stand presented quite a challenge for Orbán who, on the one hand, had to defend the interest of Hungarians living and working in the UK, yet had at the same time to be seen as a consistent anti-immigration politician at home. During his visit to Budapest in January 2016, Cameron again talked about the migration of people from East-Central Europe as a challenge in the UK that needed to be resolved. As a response, Orbán asked for more benevolence and openness towards Hungarian migrants to the UK and asked Cameron not to consider Hungarians living in the UK as migrants. The discussion was increasingly about workers' rights, an issue that was debated over during the February 2016 European Council meeting.

By mid-2016 the Hungarian government was divided on the Brexit issue. On the one hand, they still supported the UK's desire to claim competences back from the EU as it fitted the government's domestic political agenda nicely. Also, Orbán always counted on the UK as a potential partner in his debates with the European institutions so the government supported the UK's continued membership to the EU. Maybe it was because of this that Orbán got involved with the Brexit referendum campaign inasmuch as he had an ad put up in The Daily Mail in support of the UK's membership of the EU, stating: 'The decision is yours but I would like you to know that Hungary is proud to stand with you as a member of the European Union'. On the other hand, when it came to specific policies such as migration and access to welfare programs, the Hungarian government got into a debate with the UK and internally. It became hard for the Hungarian government to oppose migrants, yet attempt to defend Hungarian migrants' rights in the UK at the same time.

The referendum and its aftermath – blaming migrants, claiming migrants' rights

The results of the Brexit referendum held in June, 2016 were interpreted by the Hungarian government once again in such a way as to advance its anti-migration and Euro-realist political agenda. It was argued that the Leave vote won because of the migration issue. Orbán claimed that the results were a clear indication that the British people wanted to take back control, that they had had enough of the uncertainty caused by the migrant crisis, which the EU seemed unable to manage, and that the UK was fed up with endless lecturing

from Brussels. Orbán claimed that the EU lost a major player with the UK and therefore, needed to reevaluate the rules, which could only come in the form of institutional and procedural changes of European politics and policy-making. The government argued that the Commission should consider the position of member states much more. Foreign Minister Szijjártó even talked about the potential personal consequences at EU institutions of the referendum in the form of the resignations, including of the Presidents of the European Commission, the European Council and the European Parliament.

Hungary's concern for the European Union and its future was not a genuine or high-minded concern, however. On the contrary, the results of the referendum were used to boost anti-

EU discourse and the Hungarian referendum campaign on the EU's migrant policy in the fall of 2016. A reference to London's supposedly existing no-go zones was used during the campaign, for example. Orbán and the Visegrád countries seemed to want to use the Brexit to push for a nationalist stance within the EU which would ensure the historical, religious and ethnic integrity of nation states within Europe.

On the other hand, the Hungarian government also reflected on the particularities the referendum meant and took a stronger stand in the debate. In relation to the process of the UK's secession from the EU, Orbán emphasized that the interest of Hungary lay in the protection of those Hungarians living and working in the UK. With this, he meant to preserve the guarantee of free movement and Hungarian citizens' right to work in the UK. In November 2016, Orbán went to London to have negotiations with May where they agreed on the principle of reciprocity on workers' rights. The November visit was followed by a discussion between Michel Barnier and the Hungarian government on Hungary's position in the Brexit negotiations. Not only was it emphasized that the rights of workers could not be constrained and that there should be no negative impact on Hungarians employed in British companies in Hungary – meaning no lay-offs – but Foreign Minister Szijjártó also stressed the need for close cooperation in trade, finances and investment after Brexit.

Even though the salience of Brexit was quite low among Hungarians, a poll undertaken by Nézőpont, a government-aligned think tank, 60% of Hungarians thought that Brexit was bad for Hungary. This corresponds roughly with an Ipsos international poll where half those interviewed thought Brexit would have negative consequences for Hungary, while 63% in Hungary thought it would negatively impact the entire EU.

Conclusion

Brexit was an issue of rather low salience in Hungary. The government was supportive of the UK's objective to 're-nationalize' competences from Brussels, and Orbán wanted to maintain UK membership in the EU. As the salience of Brexit negotiations was low, it was in effect the government, and particularly Orbán himself, that dominated the discourse on the issue. Overall, it could be argued that the entire 'Brexit dossier' was used by the Hungarian government to advance and support his domestic political agenda which was primarily focused on 'stopping Brussels' from interfering the government's policies whether it be on constitutional matters, utility prices, or migration. More broadly, Brexit now seems, paradoxically, to have led to the situation where, contrary to what Orbán wanted – a slowing down of European integration and the taking back of power from European institutions – it could actually lead to a faster pace of integration of core countries, which could negatively impact on those outside the inner circle.

Lithuania and Brexit: security, money and citizens

Ramūnas Vilpišauskas

Initial reflections on the UK's EU debate

The UK debate on its EU membership initially attracted relatively little attention beyond elite circles prior to June 2016. Initially the debate in the wake of David Cameron's Bloomberg speech in early 2013 was mostly limited to the Lithuanian institutions involved directly in foreign and European policy making and a small circle of EU analysts. There was little evidence of a broader public interest in the issue, except for some concern of the Lithuanian community in the UK about the status of Lithuanian citizens residing there, something which has increased more visibly after the Brexit referendum.

The debate was characterised by several features. First, it was seen as an issue of UK domestic politics which posed certain risks to the EU and possible 'domino' effects on other member states' domestic politics, but which could be managed by negotiation and compromise to assure UK voters that it would be beneficial to remain inside the EU.

Second, although the actual possibility that the UK might vote to leave the EU was considered small, key figures pronounced themselves in favour of its continued membership. Lithuanian President Dalia Grybauskaitė remarked on 22 January 2013 that the UK's exit would benefit neither the UK nor the EU. The following day, Minister of Foreign Affairs Linas Linkevičius stated that the referendum was a 'threatening thing' and that 'European leaders are willing to listen to the concerns and expectations of Britain and discuss them'. On June 16, 2016, Lithuania's ambassador to the EU Jovita Neliupšienė said that there was no 'plan B' in the event that the UK should vote to leave the EU.

Third, there was general agreement among policy makers and scholars on why the UK's continued membership was important for Lithuania. Several reasons were adduced: the UK's contribution to the security of the Baltic States with Russia on their doorstep; the importance of the UK as a destination of Lithuanian migrants, as trade partner, and a contributor to the EU budget; and the role of the UK in counter-balancing France and Germany inside the EU both in economic policy and against the trend towards 'ever closer union'. The geopolitical implications of Brexit were considered at least as important as its economic effects.

Fourth, the Brexit referendum was framed mainly as a discussion between the UK and the EU rather than an issue that would have concrete implications for Lithuania. For example, following a meeting of the Baltic-Nordic-UK Prime Ministers on 29 October 2015, Lithuanian Prime Minister Algirdas Butkevičius was reported as saying that they had heard only in general terms how Cameron

had argued for reducing excessive EU bureaucracy, without presenting any concrete proposals on how to reform the EU. Lithuanian officials also voiced their support for the need to increase the competitiveness of the EU, as argued by the UK. This points to a belief that the UK was reflecting on the rationale for its membership of the EU and of ways in which the EU might be reformed rather than seriously preparing for an exit from the organisation.

Finally, in terms of possible EU reforms there were two preferences in Lithuanian official position articulated publicly during this period. Lithuania made cleared its opposition to a 'two-speed' Europe and to EU Treaty change. Again, this points to an assumption that no significant effects were expected from the initiation of the Brexit referendum debate in the UK.

The referendum and its aftermath

The outcome of the UK referendum received extensive coverage in the Lithuanian media. In its immediate aftermath, the Chairman of the European Affairs Committee of the Parliament Gediminas Kirkilas declared that the vote for leave had caused a crisis in the EU and that the process would not be easy. Comparing it to a divorce, he noted that Lithuania would aim to maintain good relations with the UK, which is also a NATO member, however, and warned that other EU member states might follow the UK example.

Minister of Foreign Affairs Linkevičius also expressed his wish that the UK would remain a close ally of Lithuania adding that it was 'a sad morning' for all those who believed in the future of the EU. He maintained that the exit of the UK would weaken the EU but declined to elaborate on more specific issues, saying that we should wait for the UK government to present its position. President Grybauskaitė stated that the UK would remain important security and economic partner of Lithuania, a NATO ally, adding that 'EU has survived difficult moments before, and our duty was to restore people's trust in the EU and preserve what we have achieved together so far'. Most analysts stressed the increase in uncertainty after the Brexit referendum, including the depreciation of the pound, which would affect the competitiveness of Lithuanian goods and the flow of remittances from the UK.

The main issues stressed by Lithuanian officials after the Brexit referendum included security - reflected in the references to the UK as a NATO ally and its military presence in the Baltic States – the rights of Lithuanian citizens in the UK, and the possible effects of Brexit on the EU budget. After the EU summit in late June 2016, President Grybauskaitė commented that she hoped the UK would remain strong, would not itself dissolve as a union of four nations. She also underlined that the issue of EU citizens in the UK had been discussed with Prime Minister Cameron and maintaining their status would not change during Brexit negotiations, and emphasized that the 'four freedoms' of the single market were indivisible. Concern about potential effects of Brexit on the EU budget was reflected in the parliamentary election campaign which took place in October 2016 in Lithuania. The Lithuanian Farmers and Greens Union, which won most seats and formed the basis of a new ruling majority, expressed concerns about the potentially negative implications of Brexit on EU financial support for Lithuanian farmers in its election program.

Increasing attention as Brexit negotiations start

Although the relative importance of concrete concerns varied among actors, the list of preferences has proved enduring, including continuing the UK's contribution to the security of the Baltic States, ensuring the rights of Lithuanian citizens in the UK, and minimizing the effects of Brexit on the EU budget and economic relations between the UK and Lithuania. A 'comprehensive agreement' between the UK and the EU, which would encompass all important areas of cooperation, has been frequently used to describe a post-Brexit relationship. Initially it was the President and Minister of Foreign Affairs who publicly commented on Brexit-related issues and Lithuania's position.

Inside the Government, the Governmental Commission for the European Union coordinated preparations for the Brexit negotiations and the adoption of the Lithuanian position. A special interinstitutional working group was created by the Commission bringing together all relevant ministries and other institutions coordinated by the Ministry of Foreign Affairs. By early 2017 information was collected from all interested parties and in February-March, 2017 consultations with the

neighbouring and other EU member states took place. The Permanent Representation of Lithuania to the EU in Brussels also played an important role in this process. Soon after the UK notified the EU of the start of the Article 50 procedure, the discussion at the Governmental Commission of the European Union took place on Lithuania's national position and the organization of the process.

After March 2017, debates on possible effects of UK's exit from the EU intensified with members of Lithuanian Parliament becoming involved. For example, in late April, 2017, a discussion on Brexit was organized in the Parliament with the participation of the representatives of Lithuanian community in the UK presenting their concerns with results of a survey of Lithuanians in the UK. Uncertainty about the social rights of Lithuanians living in the UK and the status of Lithuanian citizens abroad were among the main issues discussed. The European Affairs Committee of the Parliament initiated the drafting of the resolution on Brexit on the basis of information provided by the Government.

On 13 June 2017, Lithuanian Parliament adopted a resolution on the UK's exit from the EU. The points stressed in the resolution referred to the state of the Brexit negotiations and the most important concerns for Lithuania. It stressed the need for unity among EU members and smooth management and constructive approach to the UK leaving the EU, which should provide the basis for future relations between the EU and the UK. Similar principles have been expressed by Lithuanian foreign policy figures. The Minister of Foreign Affairs Linkevičius stressed unity, the need to respect the 'four freedoms' of the Single market, as well as the need to be constructive, to preserve as much as possible of the UK's participation in the EU, and to maintain close cooperation in the field of security. The Lithuanian Government also supported the 'phased' approach of first negotiating the issues related to the UK's exit – citizens' rights, UK's financial contributions to the EU budget – and only then discussing new trade and other arrangements between the UK and the EU.

In terms of national preferences, the protection of the rights of Lithuanian citizens living in the UK, maintaining strategic partnership between Lithuania and the UK, UK's contribution to strengthening the economies and security of the Baltic States, consistent UK's support for their membership in the EU and NATO, the need for the UK to respect its financial commitments to the EU in order to avoid negative consequences of its exit for the EU budget and funding of programs important to Lithuania were mentioned in the Parliamentary resolution.

Among societal actors, representatives of Lithuanian community in the UK, Lithuanian business associations such as the Lithuanian Confederation of Industrialists have been most visible in debating Brexit and its effects. Publicly, more attention has been devoted to the rights of Lithuanians living in the UK, which make up the largest Lithuanian community abroad – around 125,000 in 2014. It is likely, however, that as negotiations progress and the matters of citizens' rights are settled by the EU and UK negotiators, the attention will shift to trade and other areas after Brexit.

The general assessment is that Brexit is a 'lose-lose' process where all sides involved will experience negative economic effects. Such an assessment was made by the economists from the Central Bank of Lithuania. Negative sentiments and the search for ways to control the damage were also reflected in a survey of Lithuanian business representatives presented by the Lithuanian Confederation of Industrialists in May 2017. The UK is the eighth most important export market for Lithuanian businesses, accounting for 7% of Lithuania's exports to the EU and 4.3% of country's total exports. At the same time, there have been suggestions made by the institutions involved in attracting foreign direct investments that Lithuania should take advantage and target fin-tech and similar UK companies inviting them to move to Lithuania and thereby maintain their access to the single market.

In summary, the perception of Brexit in Lithuania has been transformed from being regarded as a matter of UK's domestic politics into increasingly important economic, security, financial and societal concerns for Lithuania and the entire EU. Lithuanian officials support the negotiating position agreed by the EU, especially the unity of EU member states. There is a strong consensus that Lithuania wants 'as little change in the UK-EU relations after Brexit as possible'.

Denmark's developing position on Brexit

Mads Dagnis Jensen and Jesper Dahl Kelstrup

Denmark's general view of and approach to Brexit

On 23 January 2013 David Cameron stated, that in the event of a Conservative Party victory at the next election, he would renegotiate the terms of the UK's membership of the EU and submit the outcome to the British people in an in-out referendum. In response to Cameron's so-called Bloomberg speech it was important for the Danish government to signal where Denmark belonged. Its main message was to bury the idea that Denmark would follow the UK and hold a referendum on EU membership. On the day of Cameron's speech, Prime Minister Helle Thorning-Schmidt stated that Denmark was on 'another EU trajectory than the UK', implying that she would not follow Cameron's example. She also stressed that a flexible Europe, which Cameron had called for, already existed and that Denmark – with its own EU opt-outs – was a good example of that.

Still, how exactly Denmark would position itself in relation to the Brexit negotiations was not a given. An important priority for Denmark was that the UK should not obtain anything through the promised referendum that Denmark could not get. Such an outcome would be a problem for Denmark's relationship to the EU. At the same time, the UK's special arrangements with the EU in terms of being outside the Eurozone, its opt-out from parts of Justice and Home Affairs (JHA) as well as the UK's special role in the Common Foreign and Security Policy (CFSP), show similarities between Denmark and the UK in their relationship with the EU. Denmark had followed the UK, which used to be its main trading partner, into the European Community back in 1973 and both countries have over the years maintained a hesitant, but constructive attitude. However, the two have drifted apart over the last decade as the UK has taken a more uncompromising line towards the European integration process, whereas Denmark has stayed with its original solution-oriented approach.

Issues of particularly importance to Denmark

Most of the important issues that concern Brexit for Denmark relate to the Single Market. A Danish task force on Brexit has tried to carve out areas of special importance and sensitivity to Denmark, such as energy policy. Still, Denmark is not in favour of a sectoral approach to the negotiations. Each issue will need to find a priority within the negotiations in a balance between rights, duties and oversight with the UK. The country supports a horizontal approach that will make the EU27 better off.

Fisheries is also a special priority because Danish fishermen make a significant share of their catches in British waters. This has been discussed a lot in Denmark, because it is a very visible issue for fishermen in remote areas, who receive a lot of political attention. Fisheries policy and food industries are Danish priorities and will feature in the second phase of the negotiations. More broadly, for a small country, such as Denmark, exports are often packaged together with consultancy services and maintenance contracts along with goods. Because of the interconnectedness of products, Denmark believes that horizontal coordination is an advantage. For example, Danish windmills are supported by off-shore services and maintenance and sold in clusters of products.

Key actors and societal interests

The day after the Brexit referendum on 23 June 2016, Prime Minister Lars Løkke Rasmussen expressed that he respected the decision of the British people, but he rejected any idea of a Danish referendum on EU membership and of so-called 'Dexit'. The Prime Minister announced the establishment of a cross-ministerial task force on Brexit. A Brexit-secretariat has been created under the

auspices of the Ministry of Foreign Affairs. Moreover, the embassy in London and Permanent Representation in Brussels has been strengthened. The Danish parliament (Folketinget) has created a monitoring group comprising representatives from the European Affairs Committee and the Foreign Affairs Committee. With the sole exception of the Ministry of Ecclesiastical Affairs, the Ministry of Foreign Affairs brought together all of the ministries at the administrative level and discussed how to approach the Brexit negotiations. The challenge was to get people working on a basis which was uncertain and which has remained uncertain to this day.

In September 2016, a Danish Brexit task force secretariat was established. As of September 2017 it has produced three reports of which one concerns the different economic scenarios of Brexit. The baseline scenario was that the UK will leave the EU. An important task for all ministries was to look at issues of economic importance given that the UK was out, i.e. a division of property. A first priority was to be quick in generating an overview of important issues. The process of triggering Article 50, however, was slower than anticipated. A second priority was to focus on issues where Denmark had special interests or shared them with a limited number of other member states. There was no need to spend a lot of work on issues, which the European Commission would take care of anyway. The question was in which policy areas Denmark had special defensive or proactive interests. The final priority was not to be caught by surprise – in other words, not to miss issues of importance for Denmark in the negotiations. All important issues were to be prepared for.

The immediate focus was the impact of Brexit on issues which were currently on the table in the EU decision-making process. In addition, the ministries collectively identified more than 30 issues, which were felt to be important for Denmark. This was supplemented by an evaluation of future possibilities. The task force was different to the usual coordination procedure which goes through the EU Committee at the administrative level, but it followed largely the same principles. Given that Brexit potentially involves 11,000 pieces of legislation the task force started to work in variable geometry by including different ministries on an ad hoc basis, with the ministry most concerned taking the lead. The Ministry of Industry, Business and Financial Affairs, for instance, took the lead on the many issues related to the Single Market.

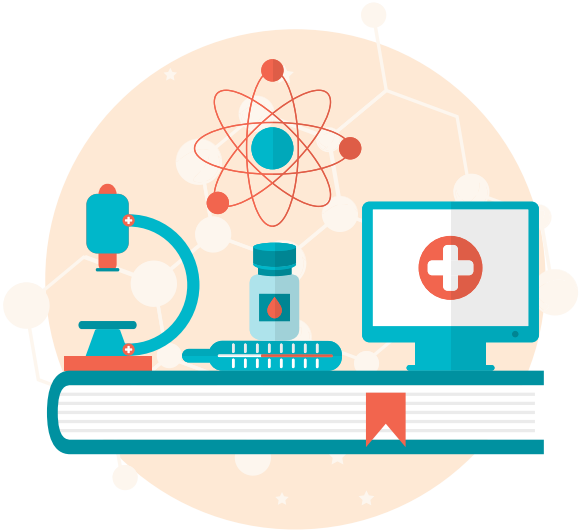
The task force tried to package its work on issues so that it reflected the setup of the negotiations with the EU-27 mandating the Commission. The coordination process in Denmark has been greatly frustrated by the apparent absence of any UK plan and its slowness in getting its act together. However, the Danish 'early bird catches the worm' approach to Brexit has not been in vain despite the foot-dragging British approach: it has allowed Denmark to connect to the Commission's Brexit task force and relevant units in other first-mover member states like Germany, the Netherlands and Sweden at an early stage.

In terms of interest representation, the task force asked all ministries to use their special committees to involve their stakeholders. The most visible active interest organisations have been the Confederation of Danish Industry (DI), the Danish Agriculture and Food Council (Landbrug & Fødevarer), the Confederation of Danish Enterprise (Dansk Erhverv), the fisheries organisations, Danish Shipping (Danske Rederier) and the Confederation of Danish Employers (DA). Labour Unions were also included through meetings with the Danish Metalworkers' Union (Dansk Metal) and the Danish Confederation of Trade Unions (LO). A broader set of organisations were kept on the ball through meetings in Contact Committees. The task force made sure to distribute information about how things are going and how they see them.

Danish organisations have quickly come around to understand that the status quo is not possible with Brexit. The Danish Ministry of Foreign Affairs has not been blamed for the slow progress of the Brexit negotiations. The coordination of the Danish position also reflects the wide support for the Single Market among Danish businesses and in the population. As such, there is wide understanding of the EU's negotiation position. The argument that the preservation of the Single Market threatens Danish exports in certain areas has been voiced, but the

mainstream position is the opposite: Denmark and the EU are trying to maintain the Single Market so that Danish businesses can continue to benefit from it. In other words, though the EU and Denmark stand to lose economically in many areas from Brexit, the costs of engaging in a path which could disintegrate the single market are perceived as higher. The Danish approach has been that the UK should be treated fairly but if the divorce deal is too favourable then other member states would require the same, which could lead to disintegration. Surprisingly, this view has been shared by the other 26 member states so that the EU has been able to maintain a unified front vis-à-vis the UK.

Its English-speaking culture and business-friendly environment was thought to be conducive attempts on the part of Denmark to promote itself as a location for EU agencies currently located in the UK. On 23



March 2017, the Confederation of Danish Industry (DI) and the Confederation of Danish Employers (DA) presented reports on the expected consequences of Brexit to the Danish Parliament and government. The day after the Confederation of Danish Industry sent a letter to the EU's chief negotiator on Brexit, Michael Barnier, supporting Denmark's bid to host the European Medicines Agency post-Brexit. It is a widespread expectation that many businesses will look to the EU-27 in the future rather than London.

The overall salience and impact of the UK's departure from the EU for Denmark

Estimating the impact of the UK leaving the EU from a Danish perspective is inherently difficult because it depends on what kind of deal it will get and how it is implemented. However, some cautious observations can be made. First, Denmark will lose an important ally when it comes to shaping the trajectory of European integration. Studies have shown that the UK votes most frequently together with the Netherlands, Sweden and Denmark in the Council of the European Union. Estimates indicate that small member states stand to lose power because with the UK gone they will have fewer options when it comes to being a part of a coalition which constitutes a majority or blocking minority.

Second, in connection to this, the UK is a key alliance partner for Denmark when it comes to defending the internal market and non-euro-zone members' interests in Council negotiations. Third, there could be gains in terms of occupying important positions in the EU institutions held by people from the UK. However, here again it is the big member states that stand to profit the most. As noted, Denmark has put in a bid and has a chance of attracting the European Medicines Agency.

Fourth, the most obvious implication of Brexit for Denmark will be economic with regard to trade and investments. Irrespective of what kind of trade deal the UK will get, if any, with the EU, the country's withdrawal is likely to decrease the level of trade including with Denmark. Estimates suggest that Denmark will have lost 0.5-2 percent of its GDP against the EU average of 0.1-0.4 percent in 2030. It is forecast that it is not tariffs but technical barriers to trade that will cause the greatest financial loss for Denmark.

Such estimates are highly uncertain, however, and strategies are already being developed for how to compensate by cultivating trade in other markets. Denmark stands to pay more to the EU budget as a net contributor and lose an important alliance partner in the coalition of member states advocating better spending, which implies no more increases and possible a decrease of the EU's budget. Moreover, in the short-term Denmark has an economic interest in the fact that the UK honours its direct and indirect commitment under the current budget. For the above mentioned reasons, the Brexit negotiations are likely to be salient in Denmark.

A Swedish view on Brexit– an ally lost

Mats Braun

The Swedish political and economic elite follow the Brexit negotiations with great concern. The Swedish government during fall 2016, among others, commissioned three studies (from the Swedish Institute for European Policy Studies, Business Sweden and the National Board of Trade Sweden) regarding the consequences of the potential withdrawal of the United Kingdom from the EU and the single market. The Swedish debate regarding Brexit has largely focused on four main concerns. First, in recent years Sweden has been the country in the EU voting most like the UK in the Council (approximately 90% of the cases). This reflects a broader understanding in the Swedish political elite of the UK as a natural partner country in the EU, while the country has traditionally had similar preferences regarding trade liberalization and enlargement as well as a shared scepticism regarding deeper integration and the common currency.

Second, the Euro has reappeared in political debate because of the Brexit negotiations. Parts of the political elite as well as analysts commenting on the consequences of Brexit are concerned that without the UK as a strong voice for the non-Euro countries, Sweden and the other non-Euro countries will see their influence in the single market gradually diminish. Third, there are strong concerns regarding the economic consequences of Brexit, especially if that also means a British withdrawal from the single market. However, some opportunities have also been seen in the debate, such as that some companies might chose to relocate some of their production or headquarters to Sweden. Fourth, the situation and conditions for the approximately 100,000 Swedish citizens living or studying in the UK has also been targeted in the debate.

Perceptions of the British debate

Mr Cameron's decision to call a referendum on the British membership was largely described in Swedish media as a political strategy to strengthen Mr. Cameron's position within his party as well to increase the party's general popularity. In public debate, some analysts warned about the consequences of a British EU referendum; independent of the outcome of such a vote. However, the general mood was to consider it a somewhat risky negotiation strategy, rather than to consider what the consequences of Brexit would be.

The Swedish political elite viewed the British demand for exceptions from the free movement of people as surprising and unacceptable. Sweden, the UK and Ireland were the only EU member states that opened their borders immediately after enlargement in 2004 for unlimited labour migration from the new member states. However, in Sweden this decision has never been as challenged as in the UK and the Swedish view on the single market has largely been a consistent defence of the single market idea throughout the post-enlargement period. Thus, from the Swedish perspective the new British approach was viewed as conflicting with the countries' shared tradition of defending the single market and the four freedoms of movement which are the market's integral parts.

The Reinfeldt-led government had also been cooperating closely with Mr Cameron's government regarding the EU responses to the Euro-zone crisis. They did not always come to the same conclusion, as in the case of the Fiscal Compact, but they were close enough for Reinfeldt's critics to argue that his government was isolating Sweden in a eurosceptic camp together with the UK and the Czech Republic. However, the tradition of close collaboration between the countries has not led to a greater Swedish understanding for, or support of, the British approach to re-negotiating its membership. Perhaps even the opposite could be argued due to the fact that British demands were seen as undermining the integrity of the single market, something

which in the past had been the main common objective of the two countries in European integration.

There were, however, a few divergent voices in the debate. A frequent proponent of Mr Cameron's government was the British-based Swede, Mats Persson, the director of the Open Europe think tank, and advisor to David Cameron. Some eurosceptic voices welcomed the British approach to re-negotiating its membership and the referendum as an opportunity to discuss and highlight some of the shortcomings of the integration process. As the referendum came closer one opinion poll indicating that the pro-European Swedish public might change their positive view on EU membership to a large degree if the UK were to leave, received media attention. However, after the British referendum the opinion has not changed dramatically in this direction – according to opinion polls in March 2017 – 63% Swedes view the Swedish EU membership positively.

Yet, despite the critical Swedish perspective regarding the British demands a common feature of the debate has targeted the necessity of finding a solution acceptable to all parts. To illustrate, when European Union Affairs minister, Ann Linde, expressed her concern that the negotiations might end without an agreement, she was widely criticized for being overly alarmist.

Key issues

The Swedish position does not differentiate from the general EU approach to the Brexit negotiations. Concerns are expressed about losing the smooth access to its sixth-largest export market. There have also been discussions about the consequences for British-Swedish companies such as AstraZeneca. Some politicians and commentators have expressed the view that such companies might move headquarters and production to Sweden, which then could be economic beneficial. However, the more common view is that the negative impacts of a British withdrawal from the single market on the economy will be far more substantial. The British financial commitments to the EU's budget are an issue of concern, since Sweden does not want to end up contributing more to the budget than under the current financial framework, and does not want to have to make additional payments. However, the general approach of the government as well of opposition is aimed at the protection of the integrity of the single market. There has been a continuity on this issue from the centre-right Reinfeldt government to Löfven's socialist-green coalition.

The current Swedish government has expressed its reluctance towards accepting further concessions regarding free movement of people, as compared to what Mr Cameron achieved in previous negotiations. However, Sweden is likely to be willing to allow the negotiations to take more time, if necessary.

Among others, Magdalena Anderson, the Swedish Minister of Finance, has expressed such views. Most Swedish political actors would prefer an option allowing the UK to remain within the single market. However, given the unwillingness to compromise on the free movement of people, some voices have expressed a free trade agreement, inspired by the Canadian one, could be a more feasible outcome.

Key actors

There is not really a debate in Sweden about Brexit with distinct opinions on the issue, since there is a broad consensus regarding the integrity of the market. At least this is the case if we exclude the eurosceptic far right and far left (in parliament represented by the Swedish Democrats and the Left Party respectively). However, there is also an agreement that the approach to negotiations should be constructive and aim at a solution that would reduce the costs of Brexit. Some economists have called for a softer Swedish approach to the negotiations, warning of the consequences of a negotiation failure. Yet, such criticism has largely been met with the argument that if compromises are made regarding the four freedoms, then the entire idea of the single market is likely to fall apart. Gradually, however, opinions are being heard in the Swedish debate that there might in the end not be any Brexit at all. From a Swedish perspective, the most important actors for the outcome are the leading British politicians. The coverage focuses heavily on statements by Prime Minister Theresa May, or other ministers such as Boris Johnson and David Davis. The developments within the Labour Party are also analyzed and discussed in the news coverage. Considerable, less attention is paid to the EU approach and the Swedish contribution to this. The general assumption is that the ball is in the British court.

The salience of Brexit

Since the Commission presented its White Paper on the future of Europe in March 2017 the Swedish public debate on Brexit has become more interlinked with the one on the future of Europe. Even, prior to the referendum some experts warned that Sweden should prepare its position in case of a Brexit vote, and a common view is that Sweden is in a challenging position in the future of Europe debate due to the absence of its strong ally, the UK. Brexit could also contribute to increased domestic tensions within the Swedish political parties because it could for reasons mentioned above bring the Euro back on the Swedish political agenda. These political consequences of Brexit are likely to materialize independent of the result of the Brexit negotiations.

The economic consequences, however, will depend on the actual outcome of the negotiations. In case the UK remains within the single market the difference between EU membership and non-membership would not necessarily be substantial. The strong concerns about the economic consequences of Brexit have been somewhat reduced by the statement of Theresa May supporting a transition period, which was positively commented on by some business leaders in the Swedish media.

To conclude, Brexit is a salient issue in Swedish politics. The country has politically and culturally been oriented towards the UK for a long time, which is reflected in the country's traditional cooperation with the UK within the EU, but also in the amount of news coverage devoted to the UK in the Swedish media, compared to Germany, for example. It is still too early to say if Brexit will be a turning point in this regard: As a hypothesis, however, we might argue that Sweden will increasingly turn – politically, as well as economically - to its largest export market, Germany, as a consequence of Brexit.

‘Brexit means Brexit’: The British perspective

Simon Usherwood and Hussein Kassim

The background to Brexit

As the instigator and main protagonist of Brexit, the UK is in a fundamentally different position from the other countries and institutions we consider in this publication. As the UK was the country that took the decision to leave the European Union, it might have been expected that it would have a clear vision of its desired point of destination or a plan for recasting relations with the powerful bloc of nations on its doorstep. More than a year since the UK referendum it is by no means obvious that either is in evidence.

From one point of view, Brexit can be seen as the logical end-point of what has been an awkward partnership or even a four-decade aberration in UK foreign policy. But, although this way of looking at the UK’s decision has some attractions, it overlooks the key role that the country has played in shaping the EU. It also imputes a clarity of vision to the UK that has been conspicuous by its absence. Certainly, David Cameron’s decision to put the issue to a popular vote was more an attempt to manage internal divisions within the Conservative party and to defend itself electorally against UKIP than to reform the EU or to plot a new course for the UK in the wider world.

The referendum

How the UK should position itself in relation to ‘Europe’ has, of course, been a perennial concern, though rarely the most important party political issue. But, since the 1992 Maastricht Treaty, the EU has become totemic. Euroscepticism became axiomatic for a number of politicians, even if opinion polls revealed the public to be largely indifferent to the EU. As much as negative media reporting and an absence of strong pro-EU voices produced a one-sided debate, there was little evidence of a surge of opinion among citizens to leave the EU.

The referendum was contested by two broad coalitions of activists. In a largely fact-free campaign, that was rarely troubled by expertise, neither side presented a detailed vision of what the UK’s relationship with the EU should look like in the future. Leavers campaigned energetically on issues of sovereignty and immigration, promising a prosperous future for the UK. Rhetoric about the ‘sunlit uplands’ that awaited the country’s liberation, the money that would be saved, the control that would be taken back, as well as the commercial opportunities that would be unlocked, was accompanied by an argument about the ease with which the UK’s departure from the EU would be achieved. The Remain campaign, by contrast, pointed to the economic costs of leaving.

The fracturing of both coalitions immediately after Leave’s victory exposed the absence of any clear sense of what should come next. The Leave campaign, in particular, had been especially heterogeneous, including soft and hard Brexiteers, little Englanders and internationalists, free marketeers and Lexiteers.

The campaign and its result also revealed weaknesses in political leadership and brought to the surface many hidden tensions. Although the consensus view within the two main parties – certainly among Conservatives and almost as widely in Labour – was that the UK must and would leave the EU, there was little agreement on how quickly and on what basis, what kind of relationship the UK would want with the EU, and what the UK’s ultimate destination might be.

Despite her proclamation that ‘Brexit means Brexit’, when presenting her candidacy for the Conservative Party leadership, Theresa May did not follow up with a detailed blueprint when she became PM. In this vacuum, leading Leavers that May brought into her government – Foreign Secretary, Boris Johnson, Secretary of State for leaving the EU, David Davis, and Secretary of State for International Trade, Liam Fox – continued to repeat claims they

had made during the referendum campaign: that negotiations with the EU would be swiftly concluded; that the UK's bargaining power would be greater, because the EU depended more on the UK than the UK on the EU; and that other countries, particularly the US and members of the Commonwealth, would queue up to sign new trade agreements.

The opposition Labour Party similarly failed to present a coherent view of how the UK should proceed. Divisions over the referendum interacted with a clash of views over the leadership of Jeremy Corbyn. The fact that the Leave vote won in England and Wales, but Remain came out in top in Scotland or Northern Ireland, added further complexity. The referendum and its aftermath played out very different in the party systems of the four nations at a time when the UK's devolved settlement was already under strain. The referendum result rekindled the debate about Scottish independence and came about at a moment of deadlock in power-sharing relations in Stormont. May's early insistence that London would speak for the whole country and her reluctance to consult the devolved authorities, only exacerbated these tensions, especially with Scotland.

Towards the triggering of article 50

Under pressure to set out her plans from Brexiteers in her own party, UKIP, and the eurosceptic press – most importantly, the Daily Express, The Daily Mail, the Daily Telegraph, and the Sun – who were concerned to avoid backsliding, as well as from EU leaders, May reiterated her promise that the UK would leave the EU and that she would make no effort to keep Britain in the UK by the backdoor. Her first specific pledge in August 2016 – that free movement would be brought to an end – left many major questions unaddressed. Some, such as the status of EU citizens after Brexit, have been the source of intense and embittered discussion both in the UK and at the negotiating table. Over the summer months, comments by senior figures in the government, including the Chancellor Philip Hammond, Johnson, Davis, and Fox, revealed major differences at the heart of government on key issues, such as whether the UK should remain in the single market, stay in the customs union, and whether there should be a transitional period.

The 2016 Conservative Party conference, which was notable for a number of aggressively anti-European speeches, did reveal some further thinking. May announced that her government would trigger Brexit talks by the end of March 2017 and introduce a 'Great Repeal Bill' to incorporate EU laws on to the UK statute book, which Parliament would then review at a later date. But, despite its decision to start the clock on a fixed-term, two-year period of negotiation, as required by the Lisbon Treaty, and the insistence of the EU that a withdrawal agreement would need to be completed before discussions on a future trading relationship could be opened, the government still did not set present any further detail.

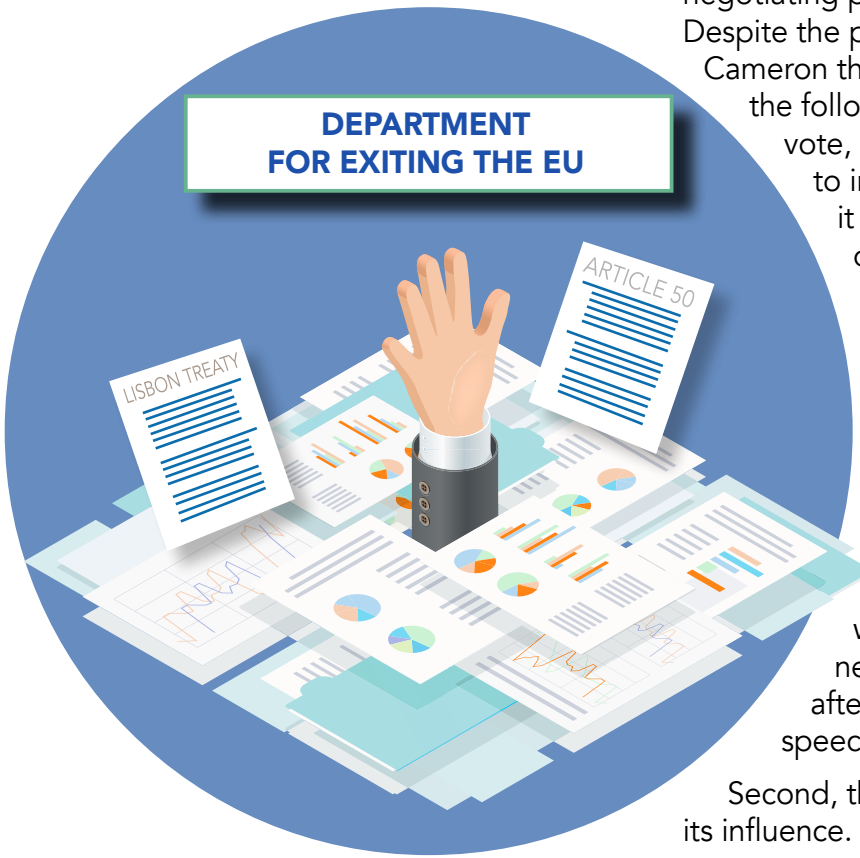
The PM's landmark Lancaster House speech on 17 January 2017, which set out her government's 12 priorities for Brexit, put control of migration at its centre. May made clear that, since bringing an end to the free movement of people was a priority, the UK would leave the single market. It would also leave the customs union, though would aim to become an 'associate member' in order to make trade as 'frictionless as possible'. The UK would also seek to define 'a new, comprehensive, bold and ambitious free trade agreement' with the EU. Ending the jurisdiction of the Court of Justice was a further red line, since the UK would 'not have truly left the European Union if we are not in control of our own laws'. Also, although the UK was not prepared to 'contribute huge sums to the EU budget', it would continue to pay towards specific programmes where participation would benefit the UK. Finally, the PM issued a strong warning to her EU partners. 'While I am sure a positive agreement can be reached', she noted, 'I am equally clear that no deal for Britain is better than a bad deal for Britain'.

Since Article 50

Although the Lancaster House speech fleshed out a UK position in advance of the Article 50 negotiations, it revealed a high degree of 'muddled thinking' within government to which Sir Ivan Rogers, the UK's ambassador to the EU, referred in his letter of resignation on 3 January 2017. The White Paper of March 2017 did attempt to pull together these elements, but did not do much more than identify areas for negotiation.

As slogans in a referendum campaign, many

of the aims have a strong populist appeal. Each is understandable as a goal and many have gained currency through frequent usage by government figures. But as negotiating objectives, embodied in the position papers submitted in successive negotiating rounds by the UK to its partners, they present problems. Either they would be difficult to operationalize on logistical grounds, such as the desire to avoiding creating a hard border with Ireland; they would be hard to sell domestically since the ground has not been prepared politically, which has been the case with contributions to the EU budget; the quid pro quos for the UK's continued participation in EU programmes and activities, such as research or intelligence sharing, have not been sufficiently spelt out; or the UK has put forward proposals that would effectively maintain the advantages and benefits of EU membership without involving any of the accompanying obligations, as with its proposed scheme to continue frictionless trade – in other words, to have its cake and eat it.



Beyond these specific difficulties, wider frustrations have grown among the UK's negotiating partners. The first is uncertainty. Despite the promise made by PM David Cameron that, Article 50 would be triggered the following day in the event of a leave vote, it took nine months for the UK to initiate the process. Even once it had done so, and after months of formal meetings and informal soundings, the UK appeared unprepared. That perception has not changed. More than a year after the referendum, the May government's unsuccessful attempt to secure an enhanced mandate by calling a general election, and with the clock ticking, the UK's position on what exactly it wants from the negotiations remains obscure, even after the PM's eagerly anticipated speech in Florence.

Second, the UK has consistently overstated its influence. Although it is widely recognised that in the event of no deal both the UK and the EU would be adversely affected, the pattern of trade patterns makes it obvious that the damage to the UK would be greater. Constant repetition of the mantra that 'they depend on us more than we on them' does little to suggest that domestic opinion has been prepared for compromise.

Third, the UK has appeared to ignore the approach to the negotiations set out by the EU. The UK has had to be constantly reminded by the EU's Chief Brexit Negotiator Michel Barnier and political leaders across the EU of the guiding principles agreed by the European Council in June 2016: that the EU would negotiate as a single entity, that the terms of withdrawal would have to be agreed before discussion of a future trading relationship could begin, that the UK would not be permitted to 'cherry pick', and that the rights enjoyed by the UK would have to be balanced by obligations. Threats to go over Michel Barnier's head show that the UK has also not understood that the European Council and the European Commission are 'singing from the same hymnsheet' and that the EU's Chief Negotiator speaks for the EU27. It has continued to question whether talks should be sequenced, taken a pick and mix approach to areas where it would like cooperation to continue, and delayed in guaranteeing the rights of EU citizens in the UK.

Finally, inconsistencies in approach, contradictory statements by ministers, and undiplomatic language, including references to the war and liberation, have caused

bewilderment and offence in European capitals. Goodwill to the UK has been eroded not only by its treatment of the issue of EU citizens, but the requirements it has imposed on them since the referendum. Moreover, the UK's credibility has been undermined by revelations of past Home Office failures and suppressed reports, notably in relation to the number of international students outstaying their visas in the UK. Taken together with the thinness of its negotiating briefs, the UK has suffered significant reputational damage.

Key actors

At a political level, it is the Conservative Party that controls Brexit, but the opinion among ministers and MPs is fragmented. Until the general elections, May was the dominant figure, but the result has severely diminished her authority and uncertainty about her position continues. Following the inconclusive election outcome, moreover, the government relies on the Democratic Unionists for its parliamentary majority. Labour's incoherence on Brexit policy has prevented it from providing an effective opposition thus far.

Although key legislation is in its early stages as yet and it has given its support to the government so far, Parliament may prove to be a significant obstacle. In the House of Commons, it is possible that majorities opposing hard Brexit may coalesce on specific issues. The House of Lords has already voiced scepticism on aspects of the government's approach, but it remains to be seen how far its members are prepared to take their opposition and in particular whether they would be prepared to risk the constitutional crisis that voting down the government might precipitate.

At the administrative level, May's decision to replace the traditional machinery for handling UK EU policy with new structures has been costly. The Department for Exiting the EU (DExEU), created after June 2016, has taken the formal lead in negotiations, coordinating other government ministries, and overseeing relations with the UK Permanent Representation. As well as finding itself caught up in the inevitable turf-wars with the Foreign Office and the Department of International Trade, DExEU has been criticized for its refusal to accept external input, as well as its lack of expertise and the slow recruitment of staff. It has also lost key staff.

The creation of DExEU also disrupted the efficiency of the traditional machinery. Historically, the two key figures had been the UK's ambassador to the EU, who kept London informed about developments and the positions of governments in Brussels, and the head of the European and Global Issues Secretariat in the Cabinet Office, who was the main domestic contact point for EU institutions. The interposition of a third body has been problematic, though Olly Robins recent move from DExEU to the Cabinet Office, suggests that lessons have been learned. The strengthening of the Cabinet Office should simplify lines of communication and restore the centrality of the Prime Minister to the system.

Also of note has been the role of UK courts in the process to date. The scale, novelty and salience of Brexit has offered many opportunities for individuals or groups to go to law to seek remedies outside the usual political system. Most consequent to date has been the Supreme Court ruling in Miller & dos Santos that Parliamentary approval was required to confirm the decision of the referendum before Article 50 notification could be given to the EU. The language in that ruling, alongside the concerns about the wider British constitutional settlement, suggests that more cases will be launched before the process of Brexit is complete, potentially with significant effect.

Beyond the political realm, business has begun since the referendum to mobilise and to warn of the sectoral, as well as general policy, consequences of the government's approach to Brexit.

Conclusion

At one level, everything in the UK is now about Brexit. There is no area of public policy that will not escape significant changes post-membership. The balance of competences between the four home nations will be re-calibrated. Moreover, the Great Repeal Bill opens the door to a substantial increase in executive power vis-à-vis Parliament. No political party or politician can avoid the issue. At the same time, there is a degree of apathy among the public. Buyer's remorse about the result may have been overstated, but opinion polls have showed majorities for softer and harder versions of Brexit, depending on how questions are worded.

Brexit as seen from Norway: the perspective of a member of the European Free Trade Association

Ulf Sverdrup

Norway and Brexit

In Norway, the Brexit referendum is seen as a major event. Although the consequences of the decision are as yet unclear, it is generally seen as having significant and lasting implications on Europe, on the EU, on UK and on the relationship between the UK and Norway. For a small country like Norway, it is natural to prefer a strong and integrated Europe rather than a weak and fragmented Europe. Given the uncertainty and huge transition costs associated with Brexit, it was therefore no surprise that this decision was regretted by most Norwegians.

The UK and Norway have dense economic, political, cultural and social ties. Cooperation with the UK in the EU and the EEA has been constructive and good. As the UK is about to leave, most Norwegians would therefore like to the UK to remain a close and committed partner to the EU and the EEA. Norwegians have no interest in "punishing" the British, and they approach the UK in a constructive fashion. A separate inter-ministerial Brexit task force has been established.

Many in Norway are also surprised by the lack of preparation, and the lack of a clear strategy of the UK in approaching the negotiations.

After more than 25 years as non-members to the EU, Norway has learnt that life on the 'outside' can be quite good, but being outside is also very demanding, it requires a lot of commitment and effort, not least in ensuring a broad-based domestic compromise and developing a trust-based relationship with the EU. Norway has learned that it is difficult, and undesirable, for the economy and security of the country to not be integrated with the EU.

Norway and 'Europe'

Norway has historically also been closely linked to the UK in its Europe policy. Like the UK, Norway did not join the EU as a founding father 60 years ago. Norway instead joined the alternative organization created by the UK established: the European Free Trade Association (EFTA). The UK's decision to change its relationship with the EU had immediate implications for Norway in the 1960s and in the early 1970s. But Norwegian membership was rejected when a majority voted "no" in the first referendum in 1972.

Norway then established a set of limited bilateral free trade agreements with the European Community, but as soon as the Community launched ideas about creating a Single Market in the mid-1980s, Norway and the other EFTA countries feared exclusion and they wanted more integration. The EU and EFTA agreed to create the European Economic Area (EEA), which essentially made Norway a member of the internal market. Most EEA countries ultimately found the arrangement unsatisfactory and joined the EU instead in 1995, but Norway became stuck in the EEA, as a majority voted 'no' in 1994. Ever since, Norway has pursued a stable policy of gradually deeper integration with the EU, with a rapid multiplication and expansion of agreements, not only in the field of economy, but also in justice and home affairs, and increasingly also in defence and security cooperation. As such, Norway is today both 'outside and inside' at the same time, involved in around three-quarters of EU activity.

Norway's experience of the EEA

It is noteworthy that the Brexit referendum did not trigger a serious discussion in Norway about the need for Norway to change its relationship to the EU. It is evidently no longer seen to be in the national interest to follow the UK in its Europe policy. Some of the well-known protagonists for exiting the EEA has of course used Brexit as an event for

advocating that Norway should pull out of the EEA, or seek to renegotiate it, but such voices are still quite rare. In the parliamentary election in September 2017 most parties also re-confirmed their commitments to remaining in the EEA.

This being said, the EEA does not function well in all areas. There has been a growing concern in Norway related to migration. This is no surprise as Norway has received a high number of workers from East and Central Europe, almost at a level found in the UK if adjusted for population size. Still, this migration is not as contested as in the UK.

The EEA model is still seen as robust, with its obvious weaknesses, most importantly, it gives limited influence in decision making. It can be described as 'integration without representation'. A comprehensive review of the agreements in 2012 concluded that the agreements protected Norway's economic and political interests. However, it is important to keep in mind that the EEA must be understood as a compromise and a 'second best' solution. In Norway some would prefer more integration, and some would prefer less, but the EEA was the acceptable halfway solution. It is a political compromise between parties on the left and right, as well as between industry and trade unions. As often is with good compromises, they are complex, messy and unsatisfactory, but they work. The EEA has created a stable and predictable framework for Norway's relationship with the EU.

It is therefore fair to say that Brexit has not, at least so far, triggered a debate about Norway's relationship to the EU. However the Brexit referendum and the following negotiations has triggered a discussion about three other important issues.

First, there has been a discussion about the future nature and direction of the EU, and how Norway as an integrated non-member can and should relate to the new dynamics unfolding in the EU27. Brexit has been a catalyst for the EU27. Many of the current European discussions relate to reform of border control, migration policy, free movement of people, all of which are salient issues in the domestic debate in Norway. In addition, the discussions on how the EU can strengthen its cooperation in the field of security and defence is of key importance to Norway. After Brexit and the election of President Trump in the US, some suggests that Norway should supplement its tradition for a strong Atlantic orientation with a stronger cooperation with key European countries and the EU. The 2017 White Paper on foreign policy therefore stressed the need for strengthening cooperation with key European countries, like Germany and the Netherlands, as well as continuing cooperation with the UK. Norway's recent purchase of German submarines can also be seen as supporting this policy. Many in Norway also suspect that the future gravity of power is expected to move to Germany and France, and there is therefore a discussion on how Norway, and other Northern countries, can further strengthen their ties with Germany and France.

The second topic that has generated some interest in Norway relates to the possible future relationship between the EU and the UK. Norway is not a formal part in negotiating the terms of UK leaving the EU. But, since the UK is also likely to leave the Single Market and most likely also the EEA, Norway has of course legitimate interests. The overall interest of Norway is to ensure that Brexit is orderly and smooth, that key interests are taken care of, and that any transition arrangements are synchronized between the EU and the EEA.

Formally speaking, being an EEA member requires either membership the EU or in EFTA. If the UK leaves the EU, it will also have to leave the EEA, as long as it is not applying for membership in EFTA. Article 127 of the EEA agreements sets out the procedure for leaving the EEA. According to this Article, a diplomatic conference should be held to determine the conditions. However, in reality this procedure is regarded as merely a technical adjustment. Many of the key issues regarding the exit of the EEA will therefore follow from the agreement between the EU and UK on leaving the EU's internal market. The Norwegian government has therefore enjoyed good cooperation with the Barnier negotiation team, and they are regularly consulted and informed about the negotiations so as to ensure that the interests of the EEA countries are protected.

Future possibilities

At the time of writing it is unclear what model the UK would prefer. If the UK decides to join EFTA and the EEA this will have far-reaching implications for Norway, Iceland and Liechtenstein. There is a risk that UK membership would undermine the well-functioning EEA system, as well increasing the heterogeneity of EFTA. There also concerns that this platform for integration be used as a platform by the UK to promote disintegration. If so, this would not be in the Norway's long-term political interest.

If, however, the UK agrees a new and different model with the EU, for instance with access to the market, but with some limitations on migration and more formal sovereignty, as well as a less prominent role for the EFTA court and the European Court of Justice, this will also play straight into the Norwegian domestic debate. The Norwegian compromise is, as mentioned, based on the premise that there is been no credible alternative to the EEA apart from full EU membership. If a new and ready-made UK solution is negotiated all of a sudden, it is not impossible that there will be an unravelling of the delicate Norwegian domestic political compromise. The EU is of course aware of this possibility, and will be cautious in not giving anything to the UK that they cannot also give to other EU or EEA countries.

Finally, Brexit has triggered a discussion about the potential future relationship between the UK and Norway. The UK and Norway are close economic partners and the two countries also have an extensive security cooperation, so it is natural that there is discussion on how to organize possible future relations between the two countries. The UK has already expressed interest in rapidly developing agreements with Norway, and Norwegian ministers and delegations have visited the UK to explore options. However Norway is at the same time somewhat cautious to commit themselves and will have to wait and see the possible outcomes of the UK's negotiations with the EU.

Brexit: Negotiations and Perspectives

Jean-Claude Piris

Reaping what you sow

Looking back over the past four years, it is possible to see how the poor quality of the political debate about 'Europe' in the UK has left the country with a serious problem. Neither in David Cameron's 2013 Bloomberg speech nor his 2015 announcement that there would be a referendum, the electoral campaigns of 2015 or 2017, nor Theresa May's declaration that 'Brexit means Brexit', her announcement of her intention to trigger the Article 50 process, nor her decision to start the clock on 29 March 2017, was UK public opinion properly informed about the UK's options or the consequences of the UK's departure from the EU. This failing has left public opinion unprepared for the effects of Brexit, and has hampered the ability of the UK government to negotiate quickly and credibly.

The most important practical effect is that the UK has lost precious time. Although the two-year period for completing the Article 50 negotiations does not come to an end until 29 March 2019, once the time that an agreement takes to ratify is taken into account the UK has in effect about twelve months remaining. Given that elections to the European Parliament are scheduled for spring 2019, it will not be possible for political reasons to extend the negotiating period for more than a few weeks. Until now, the first phase of negotiations on the UK's withdrawal has produced insufficient results. Following the European Council's negative decision on 20 October, discussions on future relations will wait until December for a further evaluation of progress.

Three issues are especially important at this juncture: a possible transition period; the divorce settlement (article 50); and the framework for future relations between the UK and the EU.

The transition period

Although many in the UK like to pretend otherwise, there is a fundamental asymmetry in the bargaining power between the UK and the EU. It works in the EU's favour, and not only because of the relative size of its economy and the pattern of trade. The UK has decided to leave the Union, but is asking the EU to grant it concessions.

Article 50 accentuates this imbalance in two ways. First, it provides for the negotiation of an agreement on the terms of divorce only. It does not require an agreement on future relations, but only that the divorce settlement takes 'account of the framework for future relationship with the Union'.

Second, it provides for a maximum delay of two years. Legally speaking, the decision when to trigger Article 50, and therefore the amount of time London needed for preparing its negotiating position, was entirely for the UK to decide. Although Number 10 could have taken as much time as it considered necessary, Prime Minister Theresa May decided, no doubt under pressure from the more extreme Brexiteers, to move quickly. Thus, Brexit will happen on 30 March 2019. On that date, the UK will become a third country vis-à-vis the EU, with custom borders and the rest.

Whatever happens at the end of March 2019 – whether there is or is not an Article 50 agreement – the UK's future relationship with the EU, including in particular on trade, will not have been decided. The UK will require a transition period of some years after that date if it is to avoid the cliff edge.

The cliff edge will be there if there is no Article 50 agreement or no agreement on a transition period in the Article 50 agreement. This is because, at the time of the UK's withdrawal, it is certain that there will be no treaty in force on future relations between the UK and the EU, including on trade. Of course, the UK will continue to have access to the EU market, but

under very different conditions from those it currently enjoys as an EU member state. The UK will be subject to normal WTO rules. Those rules apply to third countries that do not have a trade agreement with the EU, since the WTO considers free trade zones and customs unions the only admissible exceptions to its normal rules. Thus, the EU will apply customs tariffs to imports from the UK. The average is not high -- around 3 % -- but it is much higher on some industrial products and on agricultural products.

In addition, the UK will lose the benefits of the trade agreements between the EU and about 70 countries, which will also apply their tariffs to UK products. The UK will have to formulate its own customs tariffs and negotiate its own trade policy with the WTO members, which number 135 (not including the 27). Moreover, since it will come from outside EU internal market, any product exported from the UK to EU will have to follow the appropriate administrative procedures and will have to prove that it is in conformity with EU norms and standards. Of course, the main obstacles to trade today are no longer tariffs, but non-tariff barriers, such as the rules protecting consumers and the environment. A cliff edge would be an economic catastrophe for the British economy.

Could these issues have been foreseen?

Since Article 50 requires only that the terms of divorce, and not the future relations between the departing state and the EU, are settled, it was always obvious that the moment of withdrawal would also be a sharp cut-off point. The EU can only sign trade treaties with third countries, and UK will be a third country only after Brexit. In addition, the EU concludes trade agreements under Articles 216-217 TFEU, not Article 50 – a different legal base and a different procedure. Such agreements, especially mixed agreements, which must be agreed both by the EU and the 27 member states, typically take several years to negotiate.

All of this was known well before the referendum, but appears not to have been taken into account by London. Nor has it featured prominently in political discussion. The UK is currently requesting a transition period, but so far it has not provided much detail. Thus firms will only be informed very late in the day when and how they will need to adjust. The fact that only a transition period will avoid the cliff edge appears not to be recognized widely in the UK or appreciated by the British public.

Since the clock is ticking, the transition period needs to be as simple as possible. There is no time to negotiate anything complicated. For example, negotiating a UK opt-out from the common fisheries policy, which would lead to a request for compensation from the EU, would take too long to achieve in the time available. Moreover, since implementation involves multiple authorities, judicial and administrative, in the EU, the EU27, and the UK, it would be easier if they could simply continue to apply the rules that they are already applying.

Towards a 'full Monty' solution?

Under these circumstances, the simplest solution would be a 'full Monty' period of transition. According to this scenario, the UK will no longer be an EU member on Brexit day and will not participate in EU decision making. However, under the terms of the Article 50 agreement, it will have exactly the same obligations -- except those authorizing the exploration of future trade agreements with third countries – as it has as an EU member state today, including its opt-outs. It will retain all the benefits: EU law, including the internal market with the free movement of persons (though not Schengen), trade with the EU and with third states linked with the EU by association or trade agreements, subject to the agreement of the third countries involved, EU Agencies, contributing to the EU budget (with the rebate), compliance with the judgements of the Court of Justice of the European Union, membership of EURATOM and EU Agencies, and participation in EU programmes.

Such a scenario would be politically difficult on both sides, and neither the UK, nor the EU27 would support it currently. Restricting any such arrangement to a fixed period of time, agreed by all, might help. If this proves unacceptable, however, it might be possible for the UK to remain a member of

the customs union only, with or without the common trade policy. However, this would not solve all problems and the EU might see it as 'cherry picking', which it would not accept.

It is likely ultimately that the UK will seek and obtain a transition period. However, it would be legally binding only if and when an agreement on the divorce settlement is finalized -- a moment that can only be expected to arrive somewhat late in the day. Despite that, a transition period will be helpful for firms and necessary for the UK. In an ideal world, to reassure firms, as well as investors, an 'in principle' agreement on a 'Full Monty' interim period of two to three years would be announced as soon as possible – perhaps, in December this year or at the latest January next year, subject to an Article 50 agreement entering force on time.

The divorce settlement

The three major political issues to be agreed as part of the Article 50 agreement imposed by the EU for the first phase of negotiations are as follows:

- the preservation of rights of citizens on both sides;
- border controls at the border between Northern Ireland and the Republic of Ireland;
- the amount of UK's debt to be paid on Brexit.

Other issues would be negotiated as well. The EU decided that the second phase on future relations would be opened once there had been 'substantive progress' on these three issues.

Where are we now?

Citizens: there has been significant progress on the substance in this area, except on the reunification of families and some social rights. Judicial control also remains a major political problem. The EU insists that the Court of Justice of the European Union interprets the relevant law for EU citizens, but the UK has rejected this solution as a matter of principle. One possible way through would be for an arrangement that makes the UK's tribunals responsible, but obliges them to take into account the relevant case law of the Court of Justice of the European Union.

Controls at the Irish border: neither party wants a normal border or to endanger the Good Friday Agreement, but the aim of 'no border' is not realistic. Since 'no border' is not possible, a failure to achieve it cannot be allowed to veto the broader agreement. A more modest objective -- less visible and light controls -- might be achievable, but there will be a border and, as, at an EU external border, controls are necessary to avoid fraud. The political consequences of a border between Northern Ireland and the Republic of Ireland cannot be ruled out.

Financial settlement: it would be a shock if the UK and EU were not ultimately able to reach agreement, but equally it would be surprising if a figure was to be arrived at before the end of the negotiations. The EU has identified the sources from which the UK's debt arises in the commitments undertaken by the EU28 and the pensions of EU officials and it will be tough in the pursuit of an appropriate settlement, but the precise figure and the scheduling of repayments are matters for negotiation.

Future relations

Prime Minister Theresa May has declared that she wants neither the European Economic Area (EEA) nor the EU-Canada deal (CETA), but a tailor-made agreement somewhere in between. This is an illusion. There are no intermediate points between these two agreements, so far as the single market is concerned. First, the single market covers four freedoms (goods, services, capital and persons). Second, picking and choosing among these freedoms or their scope is not acceptable to the EU. The UK may aspire to full single market access for some goods and especially in regard to some services (financial), but no third country hitherto has ever been given such an access similar.

This is because it is unacceptable to the EU. The adoption and the evolution of EU legislation and regulation, their interpretation, surveillance and control of their implementation are constitutive of the single market. The EU will not allow full single market access to the UK just as it has not granted access to any other third country. This is not due to any ill-will on the EU side. Simply, the EU vitally needs to protect the credibility and

legal security of its single market.

One of the problems is that the single market – what it means, and what it consists in – is not well or widely understood. The EU internal market is not only an area where all customs tariffs have been abolished; it aims to remove all regulatory obstacles to trade. It is a quite a revolutionary concept in international public law, because it combines the following features:

- the same rules on norms and standards are applied on goods or products by all participating states to firms (EU law on internal market), with the same rules on fair competition and interdiction of state aids;
- these rules are adopted by one decision-making authority, the EU legislative institutions;
- these rules require have the same interpretation from one authority, to be given exclusively by the Court of Justice of the European Union;
- these rules and interpretation have legal supremacy over national law and are applied as such by national administrations and national courts;
- their implementation is controlled by the European Commission, but also by individuals and firms through national courts;
- states not correctly applying the rules may be required by the Court of Justice of the European Union to pay lump sums and penalties, while individuals may be compensated for damages.

This is the sine qua non set of conditions for the single market to be legally credible for all firms and investors in EU member States and for third countries. They are also why no third state has ever obtained free full access to EU single market -- with one exception: the three EEA/EFTA states. They have been granted access because they have undertaken commitments to implement relevant EU law and to be bound by judgments of the EFTA Court. Importantly, the two Courts cannot differ on their interpretation of single market law. Should an ambiguity arise, either the Court of Justice of the European Union decides or the EU acts to redress the situation (Article 105 and 111 and Protocol 48 EEA).

Even though the EEA would probably be the best option for the UK economy, it is highly unlikely that the UK will become a member of EEA for two reasons. First, the procedure would be difficult. After Brexit, the UK would have to negotiate both an EFTA and an EEA accession treaty, the second of which would involve the 31 members of the EEA.

Second, the UK could not accept becoming a member of the EEA for political reasons, because it would have to accept conditions that are too many and too tough. It would have to reproduce and comply with EU law on the single market without participating in its decision making, accept the homogeneity of the internal market, the four freedoms including the free movement of persons, the EEA Authority's surveillance role, and judicial control by the EFTA Court, and contribute to the EU budget.

For these reasons, an EEA option is not politically realistic, even for an interim period of two to three years. In short, there is no option in between the EEA and a free trade agreement (FTA). The only possibility is a classic FTA agreement, and the best FTA that the EU has ever signed is the EU-Canada agreement (CETA).

Final evaluation

This entire discussion in this chapter is predicated on the assumption that this whole process is an exercise in damage limitation, since Brexit will not be to the advantage of either the EU or the UK. At this point, two scenarios can be envisaged.

The first is pessimistic. This is where the amount that the UK owes the EU cannot be agreed or no solution can be found on the role of the Court of Justice of the European Union, which would lead to no Article 50 Agreement, no agreement on a framework for future relations between the EU and the UK, and no period of transition. This would be a bad outcome for EU, but catastrophic for the UK – the cliff edge.

The second is a moderately optimistic view. If an Article 50 agreement is ratified before Brexit, it would refer to a framework for the future relationship. The framework would be

elaborated in another agreement, signed preferably before or at the end of the transition period, which could provisionally quickly enter into force. The agreement is likely to take the form of an FTA, similar to CETA. However, the UK would have to continue to adapt its law to EU norms and standards, as well as to comply with controls. It is highly unlikely that the FTA will include substantive provisions on financial services. The UK would no longer be bound by EU laws and institutions. It would be outside the EU customs union and free to sign trade agreements with other countries. The FTA could allow a market free from customs tariffs for most (or all?) UK goods and products. The UK would not be bound by free movement of persons. On financial services, UK will not get more substantive provisions than Canada. As for EU norms and standards on social rules, protection of consumers or of the environment, the UK will not be obliged to follow them. However, its firms will have to follow them, in conformity with WTO's principles, to be able to export their products to the EU. The UK will thus probably continue to adapt its national law to pertinent EU law but its exports will have, in any case, to comply with EU controls at EU borders (conformity with norms as well as with rules of origin).

Finally, due to the special relations between the UK and the EU, any FTA will certainly be accompanied by a number of important additional agreements, which would cover cooperation on external and internal security (with only the institutional limits which are unavoidable), participation in EU programmes, in Euratom and some EU Agencies, UK acceptance of the jurisdiction of the Court of Justice of European Union where necessary, and contributing to the EU budget, as other third countries do.

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