OUTLINE

1. Origins
2. Framework
3. Global impact
4. Objectives UK / EU
5. Exit agreement
6. New trade agreement
7. Other forms of cooperation
8. Future EU
1. **THE ORIGINS OF BREXIT**

   A few reminders

   1949 Conference of Europe / Council of Europe / Churchill’s speech
   1952 No participation to ECSC
   1957 No participation to EEC
   1961 Creation of EFTA
   1962 Macmillan’s first adhesion candidacy
1. THE ORIGINS OF BREXIT

A few reminders

1969 Heath second adhesion candidacy
1971 Conclusion Adhesion Treaty with EFTA members
1975 Mr Callaghan’s First referendum Labor government
1984 Summit Fontainebleau Mrs Thatcher’s rebate
1991 Maastricht Treaty Mr Major’s opt out
2007 Lisbon Treaty Mr Blair’s new opt outs
2013 Mr Cameron’s second referendum Tories government
1. THE ORIGINS OF BREXIT

First conclusions

- Relationship EU/UK has always been fraught with problems
- All governments have contributed to negative perceptions
- Decision 2004 to accept total immigration from new Eastern members seems to have been crucial.
- Deterioration has been evident since 2011.
- Deal February 2016 on immigration in UK was surrealist for both sides.
2. GLOBAL IMPACT

Most complex question.

- No precedent
- EU structure sui generis (not like UNO, WTO, ECHR, NATO, etc…)
- Referendum in EU matters
  - See precedents (Maastricht/Nice/Lisbon)
  - The Ukraine/Netherlands matter
- External environment is changing most quickly – STRONGLY underestimated element
2. GLOBAL IMPACT

External environment strongly changing

- Trade environment
  - New competitors
  - Decline WTO
  - New generation trade agreements (but in danger…)

- Security environment
  - Trump
  - Russia
  - NATO
  - Middle East
2. GLOBAL IMPACT

External environment strongly changing

- Migrations
  - Result of mounting instability
  - Refugees
  - Climate ?

- Economy
  - Automation
  - Trade
  - Mounting inequalities
  - Education deficit
  - Falling demography
3. THE FRAMEWORK OF BREXIT

3.1. Article 50 TEU

- Origins (Convention)
- Meaning
- Balance of interests
- Need to obtain a decision to stop insecurity
3. THE FRAMEWORK OF BREXIT

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

2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.”
3. THE FRAMEWORK OF BREXIT

3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.

4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it.

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

EU Framework

- Double negotiation
- Different role of institutions
  - EP
  - Com
  - Council
- Priority of exit agreement
- Does not prevent talk about trade agreement
3. THE FRAMEWORK OF BREXIT

3.2. UK Framework

3.2.1. Executive prerogative
- Miller judgments
- Question of rights
- Need of Parliament bill

3.2.2. Legislative procedure
- Parallel great repeal bill (or great resurrection bill)
- Important debates on negotiation techniques
3.3. Can the UK exit from Brexit?

- Limits of Article 50: can the UK *unilaterally* withdraw 2017 notification?
- What about an EU immigration deal?
- What about strengthening Eurozone?
- What about new EU defense project?
- What about solidarity in immigration and refugees?
- What about new EU budget?

All this with totally divided partner.
4. THE NEGOTIATION OBJECTIVES

- Both parties have taken time to define their objectives.
- Though EU processes are heavier, they have delivered more, because huge divisions remain in UK.
4.1. UK OBJECTIVES

- The June 2016 chaos (failure of democratic system)
- The May government
- The role of the press
- T. May speech Tories conference
- The White Paper
- The parliamentary debates
- T. May Speech Lancaster House
- The Brexit notification (March 2017)
- Snap election (June 2017) complicates matters.
- Phase 1 Preliminary agreement (December 2017)
4.1. UK OBJECTIVES

The most amazing thing of all is that the UK, **20 months after referendum**, has not defined clearly its objective yet.

This is a colossal sign of incapacity, and also a growing economic threat.
4.1. UK OBJECTIVES

Where are the strategic priorities?

- New trade agreement?
- Protecting some specific cooperations?
- Immigration?
- Budget payment for the future?
- European Court of Justice?
- Budget charges for the past?
- North Ireland border?
- Neighborhood policy?
4.2. EU OBJECTIVES

- Three main actors: Member States, Commission, Parliament
- Strengthening of Commission
- Strong transparency
- Withdrawal agreement
- Transition Phase
- Future relationship
4.2. EU OBJECTIVES

Where are the strategic priorities?

- New trade agreement?
- Protecting some specific cooperations?
- Immigration?
- Budget payment for the future?
- European Court of Justice?
- Budget charges for the past?
- North Ireland border?
- Neighborhood policy?
4. EU OBJECTIVES

Technical preparation seems better in EU than in UK.

Political objectives still more obscure in EU than in UK.

Stakes clearly higher for UK than EU.
5. BREXIT ECONOMICS

Retail sales index

Sales volume (seasonally adjusted); base = 100

Source: Office for National Statistics
Pound plunged against the dollar after vote result

How many dollars £1 buys

Source: Bloomberg
5. BREXIT ECONOMICS

Bank of England base rate Sep 2006 - present

- **Sep 2007**: Run on Northern Rock bank
- **Oct 2008**: £37bn government rescue plan for RBS, Lloyds TSB & HBOS
- **May 2010**: Coalition government begins
- **June 2016**: UK votes to leave EU
- **May 2015**: Conservatives win general election outright

Source: Bank of England
5. BREXIT ECONOMICS

Balance of UK trade in goods & services, Jan 2015 - Jan 2017

- Goods balance
- Services balance
- Total trade

$ billion, seasonally adjusted

Source: Office for National Statistics
5. BREXIT ECONOMICS

Surprisingly good in the short term, but problems in the long term. Most important problems, however, are structural and do NOT come from Brexit.

- Very weak average industry competitiveness
- Weak external competitiveness
- Weak investment
- Weak average education level
- High dependence on banking
- Strong inequalities
5. BREXIT ECONOMICS

Nevertheless, short term impact has been much less massive than foreseen, for various reasons.

- Bad previsions
- Strong action Bank of England
GVA growth in the UK and London

Index (2015=100)

2005 2010 2015 2020 2025 2030

UK under Scenario 1
UK under Scenario 5
London under Scenario 1
London under Scenario 5
### Differences from Scenario 1 (baseline) for the UK by 2030

<table>
<thead>
<tr>
<th></th>
<th>Scenario 2</th>
<th>Scenario 3</th>
<th>Scenario 4</th>
<th>Scenario 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export to rest of the world</td>
<td>-0.4</td>
<td>-0.6</td>
<td>-2.3</td>
<td>-2.3</td>
</tr>
<tr>
<td>Import from rest of the world</td>
<td>-1.5</td>
<td>-2.3</td>
<td>-4.4</td>
<td>-4.6</td>
</tr>
<tr>
<td>Population</td>
<td>-0.7</td>
<td>-1.4</td>
<td>-2.2</td>
<td>-2.2</td>
</tr>
<tr>
<td>GVA</td>
<td>-1.0</td>
<td>-1.6</td>
<td>-2.7</td>
<td>-3.0</td>
</tr>
<tr>
<td>Investment</td>
<td>-6.7</td>
<td>-9.9</td>
<td>-13.8</td>
<td>-15.4</td>
</tr>
<tr>
<td>Employment</td>
<td>-0.5</td>
<td>-0.9</td>
<td>-1.4</td>
<td>-1.5</td>
</tr>
<tr>
<td>Productivity</td>
<td>-0.5</td>
<td>-0.7</td>
<td>-1.3</td>
<td>-1.5</td>
</tr>
</tbody>
</table>
UK trade with EU and non-EU countries
£ billion, 2015, Goods and services

<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ billion</td>
<td>%</td>
<td>£ billion</td>
</tr>
<tr>
<td>EU</td>
<td>230</td>
<td>44.5%</td>
</tr>
<tr>
<td>Non-EU</td>
<td>287</td>
<td>55.5%</td>
</tr>
<tr>
<td>Total</td>
<td>517</td>
<td>100%</td>
</tr>
</tbody>
</table>

Balance of trade with EU and non-EU countries
Goods and services, % of GDP

Source: ONS, House of Commons Library
Table 1  GDP losses, according to CPB, compared with those in four other Brexit studies (in %) for the UK in 2030, under two scenarios

<table>
<thead>
<tr>
<th></th>
<th>OECD</th>
<th>PWC</th>
<th>LSE</th>
<th>HTM</th>
<th>CPB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>WTO/FTA</td>
<td>FTA</td>
<td>WTO</td>
<td>FTA</td>
<td>WTO</td>
</tr>
<tr>
<td><strong>Central estimate</strong></td>
<td>5.1</td>
<td>1.2</td>
<td>3.5</td>
<td>1.0</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Range</strong></td>
<td>2.7–7.7</td>
<td>1.0–9.5</td>
<td>4.6–7.8</td>
<td>5.4–9.5</td>
<td>2.0–5.9</td>
</tr>
</tbody>
</table>

### How optimistic or pessimistic are you about the prospects for your (primary) organisation over the next 12 months?

<table>
<thead>
<tr>
<th></th>
<th>Very optimistic</th>
<th>Optimistic</th>
<th>Neither optimistic nor pessimistic</th>
<th>Pessimistic</th>
<th>Very pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2016</td>
<td>14%</td>
<td>48%</td>
<td>24%</td>
<td>12%</td>
<td>1%</td>
</tr>
<tr>
<td>July 2016</td>
<td>8%</td>
<td>38%</td>
<td>33%</td>
<td>17%</td>
<td>4%</td>
</tr>
<tr>
<td>September 2016</td>
<td>15%</td>
<td>41%</td>
<td>25%</td>
<td>16%</td>
<td>2%</td>
</tr>
<tr>
<td>October 2016</td>
<td>10%</td>
<td>35%</td>
<td>33%</td>
<td>18%</td>
<td>3%</td>
</tr>
<tr>
<td>November 2016</td>
<td>11%</td>
<td>42%</td>
<td>32%</td>
<td>12%</td>
<td>2%</td>
</tr>
<tr>
<td>January 2017</td>
<td>14%</td>
<td>46%</td>
<td>29%</td>
<td>9%</td>
<td>1%</td>
</tr>
</tbody>
</table>

### How optimistic or pessimistic are you about the wider UK economy over the next 12 months?

<table>
<thead>
<tr>
<th></th>
<th>Very optimistic</th>
<th>Optimistic</th>
<th>Neither optimistic nor pessimistic</th>
<th>Pessimistic</th>
<th>Very pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2016</td>
<td>1%</td>
<td>36%</td>
<td>39%</td>
<td>21%</td>
<td>2%</td>
</tr>
<tr>
<td>July 2016</td>
<td>5%</td>
<td>30%</td>
<td>22%</td>
<td>32%</td>
<td>10%</td>
</tr>
<tr>
<td>September 2016</td>
<td>10%</td>
<td>38%</td>
<td>18%</td>
<td>28%</td>
<td>5%</td>
</tr>
<tr>
<td>October 2016</td>
<td>6%</td>
<td>25%</td>
<td>20%</td>
<td>37%</td>
<td>12%</td>
</tr>
<tr>
<td>November 2016</td>
<td>6%</td>
<td>33%</td>
<td>26%</td>
<td>28%</td>
<td>7%</td>
</tr>
<tr>
<td>January 2017</td>
<td>5%</td>
<td>29%</td>
<td>28%</td>
<td>23%</td>
<td>5%</td>
</tr>
</tbody>
</table>
### Outlook for your business - 12-month forecast compared to previous 12 months

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Profitability</th>
<th>Business investment</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much higher</td>
<td>9%</td>
<td>7%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Somewhat higher</td>
<td>44%</td>
<td>34%</td>
<td>25%</td>
<td>27%</td>
</tr>
<tr>
<td>No change</td>
<td>24%</td>
<td>31%</td>
<td>51%</td>
<td>54%</td>
</tr>
<tr>
<td>Somewhat lower</td>
<td>19%</td>
<td>23%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Much lower</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>


### How have the investment and hiring plans for your business organisation changed since the referendum?

<table>
<thead>
<tr>
<th></th>
<th>Investment</th>
<th>Hiring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly increased</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Slightly increased</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Stayed the same</td>
<td>69%</td>
<td>68%</td>
</tr>
<tr>
<td>Slightly decreased</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Significantly decreased</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>
6. NEW TRADE RELATIONSHIP

Fd 16/02/2018
Figure 1. Consequences of a Brexit are relatively large for the Netherlands, particularly under the WTO scenario.
6. NEW TRADE RELATIONSHIP

Figure 2. Production losses (in %) in 2030 in the Netherlands, versus connection to the UK (in %), under the WTO scenario without innovation due to trade

The top-4 sectors with the largest production losses are linked with the UK (strong connection).

- Processed foods: 11.8
- Electronic equipment: 16.1
- Motor vehicles and parts: 26.8
- Chemical, rubber and plastics: 34.5

Water transport
- Other machinery and equipment
- Energy
- Communication
- Agriculture
- Construction
- Oil and other mining
- Other financial services
- Low tech manufacture
- Other commercial services
- Average The Netherlands: 0.6, 4.3

Note: connection = (sectoral import into, export from and export to the UK)/ 2 * (GDP in that sector)
6. THE EXIT AGREEMENT

Must cover:

- Participation to budget outlays + settlement of accounts
- Pensions of UK EU public servants
- Sharing of assets
- Fate of UK nationals in EU and EU nationals in UK
- Irish border
6. THE EXIT AGREEMENT

The December 2017 preliminary agreement:

- Covers all items
- Is precise for some of them (budget)
- … but no precise evaluation
- Is general for others (migrants)
- Is obscure for still others (North Irish border)
6.1. BUDGET DEAL

+- € 60 Bo

- the multi-annual financial framework (MFF) 2014-2020 : € 30 Bn
- budgetary commitments already made (reste à liquider) : € 25 Bn
- pensions of EU employees : € 8 Bn

- Assets : 22,5 Bn OR 154 Bn
★ On exit Britain would pay £14.5 billion\(^{16}\) (approximately €16.9 billion) to the EU, equivalent to its net contribution for 2019 and 2020 had it remained an EU member. This would be part of the UK’s ‘Brexit implementation plan’ costs. It would receive no rebate in 2019, no farming subsidies via the EU, and lose infrastructure spending not channelled via the EIB.

★ Britain would negotiate additional EU contributions to cover its future participation in programmes (such as research), market access, or new fees for the use of some EU agencies. (UK payments for pension costs and other long term liabilities could be disguised in post-2020 contributions.)

★ Britain would remain a member of the European Investment Bank.

★ Costs from contingent liabilities – such as loans to member-states – would be shared as they arise in future.

★ An arbitration panel or the International Court of Justice would adjudicate on whether Britain was liable for any investment spending beyond 2019. The UK could pledge to follow the ruling. The EU-27 would accept Britain had honoured its commitments as an EU member.
<table>
<thead>
<tr>
<th>Liabilities</th>
<th>EU end 2018 € billions</th>
<th>UK share (12%) € billions</th>
<th>UK share (15%) € billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension liabilities</td>
<td>63.8</td>
<td>7.7</td>
<td>9.6</td>
</tr>
<tr>
<td>Reste à liquider (RAL) end 2018</td>
<td>241.0</td>
<td>29.2</td>
<td>36.2</td>
</tr>
<tr>
<td>ESI Funds Cohesion: Outstanding allocation 2019-20</td>
<td>113.0</td>
<td>13.7</td>
<td>17.0</td>
</tr>
<tr>
<td>ESI Funds Rural/Fish: Outstanding allocations 2019-20</td>
<td>30.4</td>
<td>3.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Copernicus</td>
<td>2.9</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Connecting Europe Facility</td>
<td>10.1</td>
<td>1.2</td>
<td>1.5</td>
</tr>
<tr>
<td>EFSI Capital</td>
<td>16.0</td>
<td>1.9</td>
<td>2.4</td>
</tr>
<tr>
<td>European Development Fund and Trust Funds</td>
<td>-</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>€477.2</strong></td>
<td><strong>€59.6</strong></td>
<td><strong>€73.3</strong></td>
</tr>
</tbody>
</table>

### Contingent Liabilities

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>EU end 2018 € billions</th>
<th>UK share (12%) € billions</th>
<th>UK share (15%) € billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees/Provisions</td>
<td>23.1</td>
<td>2.8</td>
<td>3.5</td>
</tr>
<tr>
<td>EU loans</td>
<td>56.1</td>
<td>6.8</td>
<td>8.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>€559.7</strong></td>
<td><strong>€69.1</strong></td>
<td><strong>€85.2</strong></td>
</tr>
</tbody>
</table>

### Offset Payments: UK Receipts

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>EU end 2018 € billions</th>
<th>UK share (12%) € billions</th>
<th>UK share (15%) € billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>22.5</td>
<td>2.7</td>
<td>3.4</td>
</tr>
<tr>
<td>UK rebate for 2018 (approx)</td>
<td>-</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Receipts for UK projects (approx)</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
</tr>
</tbody>
</table>
6.2. PENSIONS

Must cover:

- Pension costs for EU public servants during UK membership of EU.
- NOT pension costs exclusively for UK nationals in EU institutions.
6.2. PENSIONS
6.3. FATE MIGRANTS

- Acquired residence rights?
- Until which date?
- Social security protection?
6.4. NORTH IRELAND BORDER

- Need to protect good Friday agreement
- Search for “bespoke” solution preventing border controls
- Otherwise customs unions + single market, as far as required.

Fd 16/02/2018
7. THE TRANSITION PHASE

Origins

- Tight drafting Article 50
- Complexity negotiation
- Endless delays of UK government.
8. NEW TRADE RELATIONSHIP

8.1. Different models

- Customs union (Turkey)
- EFTA (EEA)
- Multi bilateral agreements (Swiss model)
- FTA (CETA model)
- WTO
8. NEW TRADE RELATIONSHIP

Must be divided in fact into 3 categories

On the shelf models
- Customs union (Turkey)
- EFTA (EEA)

To be negotiated models
- Multi bilateral agreements (Swiss model)
- FTA (CETA model)

WTO (to be negotiated)
### NEW TRADE RELATIONSHIP

Must be divided in fact into 3 categories:

- **On the shelf models**
  - Customs union (Turkey)
  - EFTA (EEA)

- **To be negotiated models**
  - Multi bilateral agreements (Swiss model)
  - FTA (CETA model)
  - WTO (to be negotiated)

### Table of EU policies or processes

<table>
<thead>
<tr>
<th>10 EU policies or processes</th>
<th>No Brexit</th>
<th>Soft Brexit</th>
<th>Hybrid</th>
<th>Hard Brexit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full EU membership</td>
<td>Yes</td>
<td>Yes</td>
<td>Partial</td>
<td>Yes, but</td>
</tr>
<tr>
<td>EFTA EEA</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Limited</td>
</tr>
<tr>
<td>EFTA Switzerland</td>
<td>Partial</td>
<td>Yes</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>Continental partnership</td>
<td>Yes</td>
<td></td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>CU with Turkey</td>
<td>No</td>
<td></td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>FTA with Canada</td>
<td>No</td>
<td></td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>WTO rules</td>
<td>No</td>
<td></td>
<td></td>
<td>No</td>
</tr>
</tbody>
</table>

| Single Market (SM) access? | Yes       | Yes         | Partial | No |
| Free labour mobility?     | Yes       | Yes         | Yes     | No |
| Part of SM rules?         | Yes       | Yes         | Partial | No |
| Say in SM rulemaking?     | Yes       | No          | No      | No |
| Bound by ECJ SM decisions?| Yes       | Yes         | Partial | No |
| Duty-free access in goods?| Yes       | Yes         | Yes     | Yes |
| Market access for services?| Yes      | Yes         | Partial | Yes |
| Part of EU commercial policy? | Yes   | No          | No      | Yes |
| Part of EU agricultural policy? | Yes | No          | No      | No |
| Contribution to the EU budget? | Yes | Yes         | Yes     | No |
8. NEW TRADE RELATIONSHIP

**Exhibit 1** Average EU MFN tariffs^{5}

<table>
<thead>
<tr>
<th>Category</th>
<th>Approximate tariff rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy products</td>
<td>36%</td>
</tr>
<tr>
<td>Sugars and confectionery</td>
<td>Nearly 30%</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>Over 20%</td>
</tr>
<tr>
<td>Clothing</td>
<td>Over 10%</td>
</tr>
<tr>
<td>Cars</td>
<td>10%</td>
</tr>
<tr>
<td>Textiles</td>
<td>Over 5%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>Nearly 5%</td>
</tr>
<tr>
<td>Coffee and tea</td>
<td>Over 5%</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>Over 3%</td>
</tr>
</tbody>
</table>
8. NEW TRADE RELATIONSHIP

Since the referendum, has your business considered any of the following changes to the location of its operations?

- 13% Move some or all operations from the UK to the EU
- 6% Move some or all operations to outside the UK and the EU
- 2% Move some or all operations (back) to the UK
- 81% None of these
- 1% Don’t know

Source: IoD Policy Voice Survey, October 2016

From the point of view of your organisation, how important or unimportant is it for the government to secure transitional provisions for the period between Brexit negotiations and when new arrangements for UK-EU trade come into effect?

- 55% Very or somewhat important
- 24% Neither important nor unimportant
- 17% Very or somewhat unimportant
8. **NEW TRADE RELATIONSHIP**

What do you consider to be the government’s most important trade negotiations to prioritise?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A new trade arrangement with the EU</td>
<td>62%</td>
</tr>
<tr>
<td>Renegotiating/maintaining agreements with third-country markets that we currently have preferential access to through EU trade deals</td>
<td>14%</td>
</tr>
<tr>
<td>New trade deals with markets that we currently have no preferential access to</td>
<td>13%</td>
</tr>
<tr>
<td>Clarifying our status in the World Trade Organisation</td>
<td>8%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>UK negotiates a free trade agreement with the EU (no/minimal tariffs</td>
<td>29%</td>
</tr>
<tr>
<td>on goods, but more limited access for services across the Single</td>
<td></td>
</tr>
<tr>
<td>Market – comprehensive but likely to take several years)</td>
<td></td>
</tr>
<tr>
<td>UK leaves the EU, but like Norway remains a member of the Single</td>
<td>28%</td>
</tr>
<tr>
<td>Market (less disruption for trading businesses, but UK likely has</td>
<td></td>
</tr>
<tr>
<td>to accept free movement, continuing budget contributions and EU</td>
<td></td>
</tr>
<tr>
<td>regulation, without being able to vote on it)</td>
<td></td>
</tr>
<tr>
<td>UK relies on World Trade Organisation (WTO) rules and tariffs to</td>
<td>14%</td>
</tr>
<tr>
<td>trade with the EU (no agreement negotiated at all with the EU on</td>
<td></td>
</tr>
<tr>
<td>trade or migration)</td>
<td></td>
</tr>
<tr>
<td>UK stays in a customs union with the EU like Turkey (no creation</td>
<td>12%</td>
</tr>
<tr>
<td>of a customs border with the EU, but no privileged access in</td>
<td></td>
</tr>
<tr>
<td>services or migration)</td>
<td></td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>10%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>7%</td>
</tr>
</tbody>
</table>
8. **NEW TRADE RELATIONSHIP**

8.2. Customs union

need to think about the obvious. UK is neither Turkey, nor Korea.

- Big market
- Neighbor market (more trade)
- Sophisticated products
- Origin rules more complex

Trade obstacles are DIFFERENT, even for goods.
8. **NEW TRADE RELATIONSHIP**

8.2. Options

- Remain in EU customs union
- Turkey
- Andorra
- Original model
8. **NEW TRADE RELATIONSHIP**

**Table 2: Customs Unions as Reported by WTO’s Regional Trade Agreements Information System**

<table>
<thead>
<tr>
<th>Name</th>
<th>Signatories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andean Community (CAN)</td>
<td>Bolivia; Colombia; Ecuador; Peru; Bolivia</td>
</tr>
<tr>
<td>Caribbean Community and Common Market (CARICOM)</td>
<td>Antigua and Barbuda; Bahamas; Barbados; Belize; Dominica; Grenada; Guyana; Haiti; Jamaica; Montserrat; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Suriname; Trinidad and Tobago</td>
</tr>
<tr>
<td>Central American Common Market (CACM)</td>
<td>Costa Rica; El Salvador; Guatemala; Honduras; Nicaragua</td>
</tr>
<tr>
<td>Common Market for Eastern and Southern Africa (COMESA)</td>
<td>Burundi; Comoros; Democratic Republic of the Congo; Djibouti; Egypt; Eritrea; Ethiopia; Kenya; Libya; Madagascar; Malawi; Mauritius; Rwanda; Seychelles; Sudan; Swaziland; Uganda; Zambia; Zimbabwe</td>
</tr>
<tr>
<td>East African Community (EAC)</td>
<td>Burundi; Kenya; Rwanda; Tanzania; Uganda</td>
</tr>
<tr>
<td>Economic and Monetary Community of Central Africa (CEMAC)</td>
<td>Cameroon; Central African Republic; Chad; Congo; Equatorial Guinea; Gabon</td>
</tr>
<tr>
<td>Economic Community of West African States (ECOWAS)</td>
<td>Benin; Burkina Faso; Cabo Verde; Côte d’Ivoire; Ghana; Guinea; Guinea-Bissau; Liberia; Republic of; Mali; Niger; Nigeria; Senegal; Sierra Leone; The Gambia; Togo</td>
</tr>
<tr>
<td>European Union-Andorra</td>
<td>Andorra</td>
</tr>
<tr>
<td>European Union-San Marino</td>
<td>San Marino</td>
</tr>
<tr>
<td>European Union-Turkey</td>
<td>Turkey</td>
</tr>
<tr>
<td>European Union (EU)</td>
<td>Austria; Belgium; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Germany; Greece; Hungary; Ireland; Italy; Latvia; Lithuania; Luxembourg; Malta; Netherlands; Poland; Portugal; Romania; Slovak Republic; Slovenia; Spain; Sweden; United Kingdom</td>
</tr>
<tr>
<td>Eurasian Economic Union (EAEU)</td>
<td>Armenia; Belarus; Kazakhstan; Kyrgyz Republic; Russian Federation</td>
</tr>
<tr>
<td>Gulf Cooperation Council (GCC)</td>
<td>Bahrain; Kuwait; Oman; Qatar; Saudi Arabia; United Arab Emirates;</td>
</tr>
<tr>
<td>Southern African Customs Union (SACU)</td>
<td>Botswana; Lesotho; Namibia; South Africa; Swaziland</td>
</tr>
<tr>
<td>Southern Common Market (MERCOSUR)</td>
<td>Argentina; Brazil; Paraguay; Uruguay; Venezuela</td>
</tr>
<tr>
<td>West African Economic and Monetary Union (WAEMU)</td>
<td>Benin; Burkina Faso; Côte d’Ivoire; Mali; Niger; Senegal; Togo; Guinea Bissau</td>
</tr>
</tbody>
</table>
8. NEW TRADE RELATIONSHIP

8.3. Single market access

- EEA
- Ukraine
- CETA
8. NEW TRADE RELATIONSHIP

8.4. Role of ECJ
8. NEW TRADE RELATIONSHIP
A few conclusions

Difficult because of context

- New Treaty!
- New international trade context (WTO blocked, explosion of regional agreements)
- EU Neighborhood policy is a mess.
- UK is quite new factor in neighborhood policy.
9. OTHER FORMS OF COOPERATION

- Defense
- Police & Justice cooperation
- Research
- Studies
- EIB
10. LESSONS FOR THE EU FUTURE

- Referendum procedures are dangerous
  Macron: “In France too, it could be lost”.
- This referendum was obviously very badly prepared.
- Article 50 is dangerous, too.
- Brexit negotiation will constitute very serious precedent.
- EU can survive departure from one Member State.
- Departure concerns many, many things.
10. LESSONS FOR THE EU FUTURE

- Euro
- Defense
- Internal security
- Research
- Climate
- Digital market
- Energy
CONCLUSIONS

Since June 2016, UK and EU have followed divergent paths.

Position UK has been quite negative until now (and strongly contradictory).

Position EU has been quite clear, too (and not very compromising).

Brexit is part of a larger EU crisis of conscience (euro, populism, immigration + refugees, Hungary + Poland).

EU can survive without UK, but not without knowing what its project means.