

Paris, 29th March, 2019

European League for Economic Cooperation
Economic and Social Commission
Paris, 25th March, 2019

**"Brexit as it stands today and its short and mid-term consequences
on the future of the European Union"**

**Recommendations adopted by the Economic and Social Commission
and
the Central Council on ...2019**
Original: English

Summary

The Facts:

Brexit, if it happens, will entail losses for all sides – probably about 10% of GDP for Britain and 5% for EU, in the long run.

- Concerns are growing in Britain about the adverse economic, political and social consequences of Brexit.
- Government and Parliament are in a deadlock.
- Three options remain open:
 - a vote in favour of the "May withdrawal deal", opening a postponement of Brexit until May 22nd, followed by a long transition period;
 - a vote in Parliament before April 12th requesting a further postponement paving the way towards a "softer" Brexit;
 - a crash exit ("no deal") if no decision is taken before April 12th.

Our proposals:

- The appropriate way out appears to be a new referendum.
- How the question will be put to voters is of paramount importance; we consider the best option would be the simply ask whether the UK should remain or leave the UE.
- Other solution may be politically more manageable, but they all request the British government to forgo on one of its "red lines".
- The Irish question cannot be sidestepped. If Brexit happens, a solution allowing a customs union and significant elements of the single market must be found.

On March 25th, 2019, the Economic and Social Commission (ESC) of the European League for Economic Cooperation (ELEC) met in Paris to discuss the topic of **"Brexit as it stands today and its short and mid-term consequences on the future of the European Union"**, in the presence of: **Thomas SANDERS**, Advisor at the European Commission Representation in Paris; **Gaël VEYSSIERE**, Chief of Staff of the Minister for European Affairs, in charge of Brexit on behalf of France; **Quentin PEEL**, journalist, former editorialist at the *Financial Times*; **Marie-Claude ESPOSITO**, Professor at Sorbonne (Paris III), author of a doctoral thesis, numerous books and articles on the British economy and its integration into the EU; **Graham BISHOP**, consultant on European integration

I. OBSERVATIONS

1) There will only be losers

One must first acknowledge the fact that Brexit will be the antithesis of a ‘win-win’ situation; there will only be losers. Indeed, all economic analyses have shown that it will lead to a slump in trade and growth in both the United Kingdom and, to a lesser extent, the European Union with 27 members, especially in the case of a "hard Brexit". While exact figures vary (a drop in GDP ranging from 8% to 10% over 15 years for the United Kingdom¹, and from 1% to 5% for the EU)², they are all headed the same direction. Ireland would be most struck.

2) Questions over democratic legitimacy

One must also note that the rather narrow victory (52% ‘leave’, 48% ‘remain’; in absolute terms, 600,000 voters out of 34 000 000 who voted tipped the scales in the 2016 Brexit vote³) is to be analysed while bearing in mind that public opinion was subject to repeat manipulations – that have been since proven – and large-scale dis-information that sought to lead voters to believe that the National Health Service would get €400 million back every week by means of reallocating British contributions to the EU budget. In recent days, the huge anti-Brexit demonstrations and the 5 million ½ petitioners in favour of staying in the E.U. have tilted the political landscape in the other direction. This shows the growing concerns about political and social on top of economic consequences of Brexit.

3) Parliamentary deadlock

The British government tried for a long time to sideline Parliament but eventually failed. Contradictory positions were adopted by the British Parliament, in December 2018, then in March, 2019, whereby they turned down a hard-earned compromise obtained through long rounds of negotiations between the British and European delegations this was swiftly followed by a rejection of a ‘no deal’, leaving only one possible outcome: delaying the Brexit deadline. Aside from the fact it is ironic to see the country that wanted to leave the EU now forcefully demanding its departure be stayed, it does raise an issue in light of the upcoming European elections on May 26th -with or without electing British MEPs-. It also leaves little hope for future negotiation rounds, given that the compromises won by the British government are systematically turned down.

4) Three hard options

Therefore, the decisions taken by the European Summit in March 22nd only leave three options open in the short run:

- a vote in Parliament in favour of the “May withdrawal deal” with the E.U, which would allow a postponement of Brexit until may 22nd, followed by a transition period lasting till end 2020. Such an issue seems unlikely today, as it requires a reversal of two earlier votes rejecting that agreement by a wide majority; but a compromise may be possible insisting on the deal, being confirmed by a referendum;

¹ According to a study published by the IMF. In 2018, it seems clear, at any rate, that 2% of GDP have already been lost due to the Brexit nexus.

² Une étude de la Fondation Bertelsmann publiée en mars 2019 évalue le coût d’une sortie du Royaume-Uni de l’Europe sans accord à environ 10 milliards d’euros par an pour l’Allemagne et 8 milliards pour la France ; la facture annuelle s’élèverait à 40 milliards d’euros pour l’ensemble de l’U.E. réduite à 27 pays, et à 57, 3 milliards d’euros pour le seul Royaume-Uni. Il n’y a malheureusement pas d’estimations fiables du coût d’une sortie ordonnée du Royaume-Uni.

³ Participation in the vote was 75% of the electorate.

- a request voted by the UK Parliament before April 12th for a significant extension of the two-years delay set by the E.U. Treaty (art. 50) on Brexit negotiations. This would pave the way towards negotiations for a “softer” Brexit, but would require the organisation of elections of MEPs in Britain before the set date of May 23rd/26th and a clear purpose, as requested by the European Council;
- a vote in Parliament to reject both aforementioned solutions – or the absence of any vote, which would be considered by the EU authorities as opting in favour of a “no deal”, or “hard Brexit”. This would please the most committed Brexiters but cause considerable economic and political turmoil.

II. PROPOSALS

Wishing to contribute to the ‘Brexit’ debate and negotiations, as well as the drafting of provisions to end this crisis with the least damage possible, **our Commission makes the following proposals:**

1) The appropriate way out is a new referendum

While still subject to staunch opposition, another referendum appears to be the way out of the current crisis, given the apparent absence of exit-strategies. If a second referendum were to again prove in favour of Brexit, the current dilemma would remain unchanged, albeit more entrenched following the second vote. However, one can hope that a clearer understanding of the economic and international fallout, and a correction of facts that were systematically misrepresented in the lead-up to the first referendum, would lead to a different outcome. Public opinion would then certainly not be ‘violated’ as some have said; if better informed, the people can legitimately undo what they have done with their first vote. Furthermore, the result might be different if the voters who chose not to vote during the first referendum, whose impact was not fully understood, now choose to vote. Such changes are not unheard of - i.e. Ireland in 2001-2002, and again in 2008-2009-. Indeed, the latest opinion polls suggest that a substantial majority (up to 60%) would vote in favour of remaining in the E.U. rather than having the withdrawal agreement as negotiated⁴.

2) The deal, or remain?

Of course, it all depends on how the question is asked in the still hypothetical second referendum. We feel it is preferable and fairer that the question asked be, quite simply, whether the British people wish to approve the " May withdrawal deal "or remain in the European Union. This leaves a large number of long term options open-ended. However, there is a real risk of a backlash vote against the current government rather than a vote on the agreement or the remain issue in their own right,

3) Do away with "red lines"

Should a second referendum not be held, the only practical way out of the current situation is for the British government to forgo on one of its "red lines". The United Kingdom could not, in

⁴ There is also an increasing majority, in opinion polls, who feel it was wrong to vote "leave" in the first place.

fact, leave the European Union and its E.U. institutions while staying within the single market, of which it has been one of the main contributors over the past few decades; this would imply accepting freedom of movement of capital and citizens as well as the European Court of Justice. A more restrictive and may be more manageable solution would be to keep the customs union; such a solution would help to solve the issue of the Irish border. In any case, there is a misguided understanding of current economic facts in the pro-Brexit clan: for countries like India, Canada or Australia, the attractiveness of an agreement with E.U.28 is far superior to one with the United Kingdom on its own, however strong the emotional bonds to their former 'motherland' may be. Technically, a customs union can be maintained either by staying in the E.U. or, while leaving it, by negotiating a new bilateral agreement with the E.U. authorities.

4) The Irish question

The Irish question is central in finding a manageable way out. The idea that "technical solutions" could avoid re-establishing controls at the border in the case of a Brexit is wrong and has unduly obscured treatment of the question. It is clear that the best solution for Ireland (both North and South) is either staying in the E.U. or applying a solution that will allow the customs union with significant elements of the single market to prevail. However, it should also be mentioned that the draft agreement as negotiated between Mrs May and the European Commission - including the famous "backstop" clause - offers a complex but only temporary solution to this problem.
