

## UCL Constitution Unit Briefing Paper

# Brexit: The Consequences for the EU's Political System

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This is the second in a series of Constitution Unit [briefing papers](#) on the constitutional consequences of Brexit. The series examines the impact that UK withdrawal from the European Union would have upon structures of power and administration in the UK and the EU. Our [first briefing paper](#) assessed the impact of Brexit on Whitehall and Westminster. The papers are intended to inform debate ahead of the UK referendum on EU membership on 23 June. They do not take sides in that debate.

The paper is based on a Constitution Unit seminar on the impact of Brexit on the EU's political system. Remarks made by our panellists – Kenneth Armstrong, Professor of European Law (Cambridge), Simon Hix, Professor of Political Science (LSE) and Sir Stephen Wall, former UK Permanent Representative to the European Union – have contributed significantly to the paper.

This paper begins by outlining the UK's contribution to the EU. It then discusses the consequences – both short and long-term – that Brexit would have for the EU's institutions and policy agenda.

The evidence indicates that:

- In deciding its stance towards the negotiation of Brexit terms, the EU would be torn between the politics of avoiding a 'contagion effect' and the economic imperative of a quick and favourable deal for Britain.
- In the short-term, while withdrawal is negotiated, the UK might choose to disengage from EU decision-making, with potentially important policy effects.
- In the long-term, Brexit would change the EU's balance of power. It is particularly likely to strengthen protectionist forces and social democrats. Germany's position could also be strengthened.
- Brexit is likely to undermine the EU's ability to become a leading global actor.

## How does the UK contribute to the EU today?

If the UK votes to leave the EU, the Union will face a new kind of challenge: the departure of one of its largest and most important member states.

- The UK is the [fifth largest economy](#) in the world and the second largest in the EU. Its net contribution to the EU budget was just under [£8.5bn in 2015](#).
- The UK is the EU's third most populous member state, comprising [12.76%](#) of the EU's overall population. This makes the UK an influential player in the Council of the European Union and in the European Parliament (EP).
- The UK has global clout and [spends more](#) on defence than any other EU country.



Opt-outs, from the euro and Justice and Home Affairs, including Schengen, demonstrate the UK's special status within the EU. [David Cameron's deal](#) and the upcoming referendum are further evidence of this. However, the UK has played a key role in creating [and deepening the single market](#). Stephen Wall also notes that the UK has contributed significantly to making the EU more economically liberal, promoting EU enlargement, and strengthening Europe's global role.

## How would the EU approach the Brexit process?

[Article 50](#) of the *Treaty of Lisbon* outlines the legal process by which a state can withdraw from the EU. Following a vote to leave, the [UK government would have to decide when](#) to invoke Article 50. Once it has done so, a two-year period would begin, in which the UK and the EU would negotiate a withdrawal agreement. It is unclear what this agreement would look like, and there are a [wide range of options](#) on the table.

All speakers agreed that the EU would not let the Brexit negotiations destabilise the EU's day-to-day operations. Wall argues that the EU would want to show that it is viable and functioning. France and Germany might even make an immediate push for deeper (Eurozone) integration.

### What would the EU be willing to offer the UK?

The Article 50 process would give the EU an [advantage over the UK](#), not least because the two-year negotiation period can only be extended by a *unanimous* European Council decision. Simon Hix outlines two ostensibly divergent sets of EU interests and negotiation trajectories:

- 1) The EU's **economic interests**: Based on current trading levels, post-Brexit the UK would be the EU's largest export market ([16% of EU goods exports are to the UK](#)). Economically, the EU should therefore seek a quick, generous and comprehensive free trade agreement with the UK.
- 2) The EU's **political interests**: Yet, there is a risk of 'contagion', because Eurosceptics across the continent might treat a generous deal as an invitation to press their own countries' special status and/or exit. Politically, the EU should therefore avoid the precedent of easy withdrawal.

Given the strength of centrifugal and Eurosceptic forces in some EU member states – including Austria, Denmark and Poland – Hix thinks that the EU, especially Germany and France, may prioritise political over economic considerations. The LSE's [Tim Oliver notes](#) that the EU might find it challenging to present a united front towards the UK, due to the varying interests of member states.

## How would a vote for Brexit affect the EU's political system?

A vote for Brexit and the commencement of withdrawal negotiations would rapidly lead to change regarding both the status of UK representatives and nationals in Brussels and the EU's policy agenda.

### What would happen to the British contingent in Brussels?

UK representatives and nationals are currently present in all of the EU's core institutions:

- The UK's Commissioner, [Jonathan Hill](#), is responsible for financial stability, financial services and Capital Markets Union.
- 1,126 British nationals are employed in the European Commission ([3.8% of the total](#)).



- 73 British MEPs sit in the Parliament (out of 751 in total). Three EP committees have British chairs: Development; Internal Market and Consumer Protection; and Civil Liberties, Justice and Home Affairs.
- The UK is due to hold the EU's [rotating presidency](#) from July to December 2017.

In terms of British officials in EU institutions (see box), [commentators agree](#) that mid-level officials on permanent contracts would probably be able to continue in their roles. However, according to [Pierre Bacri](#), president of the European Civil Service Federation, director-generals and UK officials in top management positions would likely have to leave (which may explain why some British officials are [looking into Belgian citizenship](#)). That might well apply to Commissioner Hill as well. Article 50 says nothing on the matter.

#### British presence in the EU

A 2013 [Foreign Affairs Committee report](#) expressed concern about British presence in EU institutions, noting that the number of UK nationals working at the Commission has declined by 24% in seven years. Relative to its share of the population (12.76%), the UK is underrepresented. Only [3.8% of Commission staff are UK nationals](#). In comparison, 10.2% and 12.5% are French and Italian nationals respectively. Kenneth Armstrong explains that a large cohort of British nationals went to work for the EU in the 1970s when Britain joined, but subsequent generations have not followed their lead. Two EU agencies are, however, located in the UK: the European Medicines Agency and the European Banking Authority. Brexit would be disruptive for these agencies – at the very least they would need to be relocated. The [Danish and Swedish pharmaceutical industry bodies](#) are both keen for their countries to house the European Medicines Agency.

Furthermore, although there is no legal reason why the UK cannot hold the EU presidency in 2017, our speakers considered this politically untenable. A [House of Lords report](#) notes that Article 50 disqualifies the UK 'from chairing any Council meetings on the withdrawal negotiations – meetings that would no doubt form a significant part of the Council's activities'. A re-allocation of the presidency could cause some practical difficulties for the EU, given that a [plan set for 2007–20](#) ensures each member state holding the presidency once, for six months.

Hix predicts that a reshuffling of EP committee chairs would occur during the withdrawal negotiations. It would be deemed unacceptable for British MEPs to chair committees as relevant to the withdrawal negotiations as those on the Internal Market (trade and access) and Civil Liberties, Justice and Home Affairs (free movement). By contrast, Kenneth Armstrong argues that, aside from the loss of British judges, Brexit will not significantly affect the Court of Justice.

#### ***What would be the impact on the EU's agenda in the short-term?***

Until its official withdrawal, the UK would remain a *fully-fledged* member state. Wall predicts, however, that UK involvement in EU decision-making would quickly become marginal. Other member states would find any UK attempt to push a specific policy agenda unacceptable and would be unwilling to accommodate UK interests. Hix argues that UK-led initiatives within the EU might be threatened by Brexit. TTIP may be a case in point: [David Cameron](#) is extremely supportive of an EU-US trade agreement, whereas French President [François Hollande](#) is highly critical. Brexit could strengthen France's position and influence over TTIP.

Following a vote for Brexit, whether Commissioner Hill stepped down or not, his policy agenda would likely be halted, casting serious doubt over the future of the [Capital Markets Union](#). [Some analysts argue](#) that capital markets integration would disproportionately benefit the UK, while Hix suggests that Germany and France may wish to wait for Brexit so as to conclude a deal more favourable for continental financial centres.



## The long-term impact of Brexit on the EU

Brexit would change how EU institutions operate not just during the withdrawal period, but also afterwards. It would affect the balance of power among member states and therefore the policies that the EU would pursue. It would also change the resources upon which the EU could draw.

### ***Would the EU's strategic direction and outlook change?***

Our speakers agreed that pushing for trade liberalisation is one of Britain's main contributions to the EU. In the long term, Brexit could increase EU *protectionism*, as, according to Wall, the strength of potentially protectionist member states would grow.

Indeed, an [Open Europe analysis](#) of Council voting patterns notes that, under the [Council's current Qualified Majority Voting system](#), both the Southern protectionist bloc (including France, Italy, Spain, Greece, Portugal and Cyprus) and the Northern liberal bloc (including the UK, Germany, Sweden, Denmark, the Netherlands, Finland and the Baltics) hold a [blocking minority](#). Without the UK, the collective weight of the liberal bloc would decline, whereas the protectionist bloc would strengthen. Assuming no changes in states' positions, this raises the possibility that an EU without the UK could become less open.

Brexit would also alter the European Parliament's party landscape and ideological composition (see box below). Nearly 60 percent of the UK's 73 MEPs currently sit with centre-right and Eurosceptic groups. According to Hix, their loss would strengthen the left: 'for the first time in years, the left would be able to form majorities without the European People's Party'. Brexit could, therefore, lead to a more social democratic Union. Depending on the UK's withdrawal agreement, such a shift would affect the policies that Britain would 'import' in the future.

### **Brexit and the European Parliament**

- The European Parliament has 751 MEPs. It is unclear whether the UK's 73 seats would be lost or reallocated.
- Brexit would weaken the European Conservatives and Reformists: of their 75 MEPs, 21 are UK MEPs (mainly Conservatives), and Syed Kamall is the chairman. Brexit would also weaken the Eurosceptic Europe of Freedom and Direct Democracy group, which Nigel Farage co-chairs. Of its 46 MEPs, 22 are from UKIP.
- The Social Democrats would lose 20 of their 190 MEPs, but the left overall would be strengthened.

A recent [VoteWatch Europe report](#), analysing countries and MEPs' voting behaviour in the Council and Parliament, suggests that Brexit could have the following policy implications:

- an increased regulatory burden on EU businesses
- weaker copyright protection in the EU
- a smaller EU budget as a whole, with increased member-state contributions
- a stronger push for tax harmonisation and higher taxation of financial transactions
- less support for nuclear and unconventional energy sources (e.g. shale gas).

### ***Further effects on the EU's balance of power***

Brexit could alter the balance of power within the EU in other ways too. It could strengthen Germany's position, shift alliances, and potentially either strengthen or weaken smaller states. [Oliver claims](#) that the disappearance of the UK, which often serves as a critical counterweight, could 'further embolden Germany's position', and Wall agrees that some smaller member states would worry about German domination. [VoteWatch data](#) shows that the UK's main (voting) allies



are Sweden, Denmark and the Netherlands, with Germany least likely to vote the same way as the UK.

Hix contends that Brexit would strengthen the Eurozone, which may well replace the single market as the EU's core and driving force. [Oliver agrees](#), stating that Brexit would allow the Eurozone and the EU to 'more neatly align'. In the [recent renegotiation](#), David Cameron emphasised the need to keep the Eurozone clearly distinct from the EU. Following a British withdrawal, such pressure may well dissipate.

### ***What about the EU's foreign policy agenda?***

Our panel argued that Brexit would significantly weaken the EU's global role. Britain is the EU's foremost military power and also brings to the EU its significant diplomatic network, intelligence capabilities and soft power. Diplomacy, soft power and international cooperation are cornerstones of the [EU's foreign policy](#), which would be less influential on the world stage without the UK. For instance, Wall questions whether the EU could have imposed sanctions on Russia without the UK. [Oliver notes that](#) in the event of Brexit, France would be the only major military power in the EU. Brexit could therefore undermine any future development of serious EU military capabilities – though progress has already been [slow in this respect](#).

### ***Would Brexit lead to the EU's collapse?***

Hix outlines a 'worst case scenario': Brexit has a domino effect whereby Eurosceptic forces in countries such as Denmark, Austria and Sweden follow the UK and hold their own referenda, eventually leading to the EU's disintegration. [According to Oliver](#), should Britain thrive post-Brexit, while the EU stagnates economically, such centrifugal forces would be strengthened.

However, as emphasised by all three panellists, the EU has a track record of 'muddling through' crises. The EU would undoubtedly do everything in its power to remain united, and Brexit might even be followed by a push for more integration. Much of this would depend on the impact of Brexit on individual member states such as those mentioned above. This question will be explored at our [seminar on 2 June](#) – 'Brexit: Its Consequences for Other Member States'.

## **Summary**

In the event of Brexit, the EU would lose one of its largest and most important members. This would have a significant impact on the EU's political system in the short and the long-term. Immediately after a vote to leave, Germany and France would probably push for deeper Eurozone integration, as a display of unity. Current EU initiatives with strong British support, such as TTIP and the Capital Markets Union, would be at risk. In the long-term, Germany could become more powerful – but so too could the protectionist bloc. Brexit could lead to a more left-leaning European Parliament and associated interventionist policies. It would also challenge the EU's efforts to be a serious global actor. The big question – whether Brexit would pose an existential risk to the EU – may, not least, depend on the answers the Union finds to its current crises - stabilising the euro, finding a common line in refugee policy, stemming the surge in Euroscepticism - and on its economic recovery.

This UCL Constitution Unit briefing paper is part of a project on the Constitutional Consequences of Brexit for the UK and EU, which is funded by the Economic and Social Research Council's 'UK in a Changing Europe' initiative. The project consists of a series of four seminars, each accompanied by a briefing paper and video. Much of the material in this paper is adapted from the second seminar, on 5 May. Professor Kenneth Armstrong, Professor Simon Hix and Sir Stephen Wall were our panellists, and, without their contributions, this paper would not have been possible. The series is convened by Dr Christine Reh, Dr Alan Renwick and Professor Meg Russell.

Details about the remaining events and briefing papers in the series can be found [here](#).