

## What shall We Do without the Brits? Some Thoughts on Brexit

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Seeing the title of my paper, the reader might think that I have been falling into a deep melancholy, since 17.4 million<sup>1</sup> British citizens out of 64 million made their decision: they have had enough of the common Europe and instead will entrust their own leaders to manage their businesses. In the early hours of 23 June 2016, what I felt was more like anger. The community of Europeans have already had enough troubles to cope with (unstoppable migration flows, terrorism, security policy challenges to the South and East, ongoing economic crisis), and now we will spend two years finding out how to let a country go. There is no precedent of this kind,<sup>2</sup> no *know how*; all we have at hand is a densely intertwined legal system that must now be scrutinised, one detail at a time, in order to achieve a harmonious divorce and division of assets between the mutually disappointed parties. A nightmare.

My second thought was that plenty of academic-like writings will be published on something about which not only those who remain in Europe do not have a clear picture but even those who figured it out do not have one. Almost half a year has passed since June 23 but we are no wiser than we were before. What we know is that *Brexit means Brexit* – as prime minister May put it clearly quite quickly, underlining that what happened cannot be undone by some tricks and the *Remain* camp should give up hoping that a new referendum might be organised. We also know that the UK will notify its intention to withdraw<sup>3</sup> to Brussels in March 2017 and, by virtue of the founding treaties, the negotiating parties will have two years to reach an agreement. However, as far as the content, the *modus vivendi* with Europe is concerned, we are still groping in the dark.

The third thing that came to mind was how likely it is that many will attempt to exploit this situation and at last try to remake the Union in their own image, something which would have

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\* Enikő Győri (PhD) is Ambassador of Hungary to Spain, former Secretary of State for European Affairs in the Ministry of Foreign Affairs.

<sup>1</sup> *Remain*: 16.141.241 votes (48.1%), *Leave*: 17.410.742 votes (51.9%), Total electorate: 46 500 001, Turnout: 72,2%. <http://www.electoralcommission.org.uk/find-information-by-subject/elections-and-referendums/upcoming-elections-and-referendums/eu-referendum/electorate-and-count-information>.

<sup>2</sup> It must be mentioned that with 53% majority against 47% the citizens of Greenland decided on 23 February 1982 to leave the European Communities. The withdrawal of 1985 cannot however be compared to the current leaving of the UK, as it was not the decision of an entire country, but only that of a specific part of a country, namely Denmark.

<sup>3</sup> Art. 50 of the *Treaty on the European Union*.

been much more difficult with the Brits still in. And I am afraid that, if this is what happens, it will bring us no good at all.

Based on all that, this paper is not intended to be an academic work but more of a pamphlet. I will not argue in favour of any of the existing models (Norwegian, Swiss, Canadian or other) for the UK. The UK will do it for itself once it has its ducks in a row and made up its mind. Most probably, the two years of intensive negotiations surrounded by an ongoing war of communication will end with an agreement on a new type of *sui generis* relationship. I will instead try to focus on the unexpected nature of what happened and summarise the various aspects of the withdrawal and their impact on the specific Member States, including the risks they entail for Hungary.

## I Were We Surprised?

Yes, we were. Even if everyone knows that, where referendums are concerned, anything is possible. Even if we don't believe it can happen. And then, here we are.

It is however true that, looking at how the facts worked out, one should not have any reason to wonder. It's certain that 2016 will not be written in golden letters in the history book of the European Union, nor that of the world. Any time political leaders canvassed the population (whether voluntarily or because they had to) on a given subject, the citizens either did not give the answer the initiators of the referendum expected to receive or did not give it in the same way as they expected. In brief, all voted either against the leading elite or against an issue supported by Brussels. It started with the Dutch,<sup>4</sup> continued by the Brits<sup>5</sup> and, with some geographical diversion, by the Colombians,<sup>6</sup> followed by the Hungarians,<sup>7</sup> the Walloons<sup>8</sup> and, at the end, the Italians<sup>9</sup>. And not to mention the American presidential elections.

It is therefore evident that there is a general feeling of dissatisfaction. Questions like how to find the remedy, who will do it and what it will consist of are still open. No sign of answers. After the Brexit referendum, the leaders of the EU issued a down-to-earth declaration:<sup>10</sup>

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<sup>4</sup> The Dutch citizens rejected at the referendum held on 6 April 2016 the ratification of the EU Association Agreement with the Ukraine.

<sup>5</sup> British referendum of June 23 on EU membership.

<sup>6</sup> The Colombian citizens rejected, at a referendum held on October 2 2016, the peace agreement negotiated by President Santos with the terrorist guerrilla movement FARC.

<sup>7</sup> The Hungarian citizens answered, on October 2 and with an overwhelming majority in the negative, the question whether Brussels should be entitled to take decisions on the composition of the population. The referendum was however invalid as the proportion of the voters did not represent at least the half of the total electorate.

<sup>8</sup> In Wallonia no referendum was held but the regional parliament, at its first voting on 14 October 2016 refused to ratify the EU-Canada Free Trade Agreement.

<sup>9</sup> On December 4 2016, Italian voters rejected the constitutional reforms of Prime Minister Renzi.

<sup>10</sup> Joint Statement by Martin Schulz, President of the European Parliament, Donald Tusk, President of the European Council, Mark Rutte, Holder of the Presidency of the Council of the EU and Jean-Claude Juncker, President of the European Commission.

no reason to panic; we respect the decision; we will negotiate and we will solve the problem. Although it is clear from the political statements that there are diverging views on the withdrawal and the follow-up, open confrontations have not been expressed. This is because everyone tries to stick to the agreement of no negotiations until the intention to withdraw has been announced and while the Brits have not revealed their starting position. Nevertheless, this is the only issue on which there is a consensus: on any other aspect of Brexit there is little common ground.

Instead of finding a remedy (i.e., instead of self-criticism, a change of direction and speaking with one voice), the European mainstream is complaining about the rise of populism and is blaming it for everything that's wrong. What populism stands for exactly, no one has clearly defined yet. However, if we try to capture the meaning the Western elite attaches to that word we could say that populists are those who win against the will of the elite and the mass media.<sup>11</sup>

This quite critical and ironic definition also demonstrates how blaming populists for Brexit is based on an oversimplified explanation of the facts. The intrinsic reasons have been there since the very beginning. The British have always remained outsiders in Europe, and not only because they consider the continent, in everyday language, 'overseas.' As a powerful player on a global scale and as a former colonial power, the UK has never considered the old continent as its exclusive playing field. With its unwritten constitution and its peculiar concept of sovereignty, the UK has never really acclimatised to the Brussels' atmosphere, nor has it ever wanted to. It was not among the founding states; it acceded to the European Communities at a later stage, at a moment when the main objective of these was still to foster economic relationships. It has never been keen on deepening the integration; it kept out from the monetary union, cherry-picked when it came to cooperation in the fields of justice and internal affairs and was undisguisedly hostile if someone raised political union or European federation.

Having a look at the embeddedness of the different Member States in the European Union, we see the United Kingdom among the tail-enders, both at the structural level (the extent to which it is dependent on other Member States concerning its economic, commercial and financial indicators, its foreign, neighbourhood and security policy and its participation in the EU decision making process) and at the individual level (whether its citizens feel at home in other Member States, how much they trust the Union and its politics and how much they are interested in the EU decisions).<sup>12</sup> It might be that Prime Minister David Cameron only wanted to turn the chaos in his party into order, but with the referendum he threw caution to the wind. British Euroscepticism was always around and the referendum gave it a chance to manifest itself.

<sup>11</sup> Hermann Tertsch, 'El adiós al legado de 1968' ABC, 22 of November 2016, p. 15.

<sup>12</sup> For the structural and individual cohesion of the different Member States see Josef Janning: Making Sense of Europe's Cohesion Challenge. European Council on Foreign Relations, May, 2016, ecfre.eu. In both categories the UK occupies the last place.

## II A Loss?

Definitely. There is an axiom in the Brussels world: the EU has emerged strengthened from every crisis and the crisis was always overcome by deepening the level of integration. I am convinced that, this time, not even the most optimistic or the most ardent EU fans will be able to approach Brexit through this axiom. At least if we are willing to ponder and take the figures into account.

The current population of the Union, 500 million inhabitants, will shrink by 12.5% to 437.5 million at a time where at a global scale we are definitely lagging behind in the demographic competition. At the beginning of the 20th century, 20% of the world's population still lived in Europe. This proportion today is 5-7% and will fall by the end of the century to 4%. One of the last supporters of the federal Europe, Jean Claude Juncker, also underlined this in his speech in December 2016 'We are a key part of the global economy, accounting for 25% of global GDP. Ten years from now, it will be 15%. In 20 years from now, not one single Member State of the European Union will be a member of the G7'.<sup>13</sup> The UK alone constitutes 14.8% of the EU's economic area and accounts for almost 20% of EU exports.<sup>14</sup> It would therefore be unwise to make ourselves believe that we will come out of this story in a better shape than we were before. One thing is for sure: the Union will be different after Brexit; it must rethink itself to be able to survive in the political and economic race. For populations outside the continent, the European model and living standard is attractive but it still remains an open issue whether this can be maintained after the weakening to be suffered as an inevitable consequence of Brexit.

I am certain that, after the not only bumpy but at the same time shocking start (where we saw all those political leaders who had something to do with having a referendum on the island state's Union membership were about to resign), the UK will gather its forces and bargain for the best deal possible. It will be able to get control back, even if an important part of the mostly pro-EU staff is having moral issues with working on the withdrawal, while until now they have been working to implement the obligations deriving from the membership. The British administration is professional enough to identify British interests, even with it being split into three parts.<sup>15</sup>

At this moment it is still not possible to see whether this will lead to a hard separation (with many restrictions) or to a soft, slow divorce, or, alternatively, to a fast, dirty withdrawal (without real agreement) or to a fair, flexible agreement (with different rules for different sectors, eventually including even different regimes for certain parts of the country) or to a comprehensive one. Not even the most Eurosceptical believe that the ties with the old continent should

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<sup>13</sup> Speech by European Commission President Jean-Claude Juncker at the 25th Anniversary of the Maastricht Treaty: 'EU and Me' in Maastricht, 11 December 2016. In [www.ec.europa.eu](http://www.ec.europa.eu), [http://europa.eu/rapid/press-release\\_SPEECH-16-4343\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-16-4343_en.htm).

<sup>14</sup> Tim Oliver, 'What impact would a Brexit have on the EU?' Dahrendorf Analysis, LSE, March 2016, p. 3.

<sup>15</sup> The competences are shared by the Department for Exiting the European Union, the Foreign and Commonwealth Office and the Department of International Trade.

be cut. The British economic interest is to maintain contacts as smoothly as possible, not to lose foreign companies and to safeguard the City as financial centre. What the UK wants is to regain control over its borders, legislation and finances; it wants separation from the Union, not from Europe.

As Europe also would only lose from a drastic divorce, we can assume a gradual separation and a longer transitional period. This will be, of course, communicated by the British as being them getting back everything they wanted and making a much better deal than membership was, while the EU of 27 will certainly interpret it as a clear loss for Britain.

The real question is, however, what will happen to Europe.

### III What will Change in the EU?

It is worth making an inventory of what will change within the Union with the withdrawal of the UK, regardless of the specifics of the agreement.

*Balance of power.* Within the Union there are several cleavages: North-South, East-West and small Member States – big Member States. The weight of the Member States in the EU institutions and in the decision-making process had been specified according to these dividing lines. Now all this must be reconsidered. The remaining 27 states will of course seize the moment to improve their own position, which already foreshadows conflicts. The balance of power will certainly change with the UK leaving the EU.

*EU budget.* Although it is also an issue for the balance of power, a separate treatment is necessary. In 2015 the contribution of the UK to the budget of the EU was GBP 8.5 billion.<sup>16</sup> The seven-year Multiannual Financial Framework will end in 2020. All contributions and benefits had been fixed until that date by the Heads of State and Government of the EU 28 in 2013. From the moment of Brexit, the UK contribution will be missing from the budget although it was already earmarked.

*Seat of the EU bodies.* The bodies and agencies located in the UK (European Medicines Agency, European Banking Authority) should find a new seat for themselves, therefore a race will start between the remaining Member States to be the headquarters of these bodies.

*Spirit, attitude towards the European project.* Each Member State has its own approach to the main issues regarding European integration. Many simplify this question to an issue of having more or less Europe, whether the Member State concerned is willing to deepen political integration, if it has difficulties with handing over part of its competences and whether it treats Brussels as an enemy or identifies itself with the Union. This dividing line lies between the supporters of the federal Europe and those who believe in the (nation) states of Europe. The group of those who are proud of their national identity and are not willing to give it up will significantly shrink with Brexit. As Karel Schwarzenberg, the former Czech foreign minister,

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<sup>16</sup> Oliver: 'What impact would a Brexit have on the EU?' Dahrendorf Analysis, LSE, March 2016.

put it: ‘The EU will miss the English style of thinking... Europe, which will be determined by French centralism and implemented with German precision, fills me with horror’<sup>17</sup>

*EU policies.* Spirit and attitude also determines the direction in which the EU moves in certain areas: whether economic relations will be dominated by free trade or protectionism, the extent to which European defence will be developed on the basis of NATO, if the internal market will be used to enhance competitiveness or it will instead be the social dimension that will be strengthened, etc. With the UK leaving the EU, those supporting free trade and an internal market serving competitiveness will be definitely fewer and the NATO camp will also be smaller. At the same time, Brexit could offer a new opportunity to strengthen European defence policy, as the UK was always reluctant to back this process.<sup>18</sup>

We are at least still two and half years away from the real Brexit to happen, but we can already notice that EU policies will certainly change. New winds have arrived in the form of a legislative proposal regarding one of the basic freedoms, the (until now untouchable) free movement of workers. In February 2016, the UK was bargaining a deal about the specific conditions under which it would be authorised to restrict the free movement of workers as a Member State.<sup>19</sup> Since then, several Member States have made attempts to raise obstacles to this freedom and the European Commission itself has issued a proposal that goes against the unrestrictability of the four freedoms (see the new legislative proposals on posted workers, which is clearly in contradiction to the principle of freedom to provide services). The majority of the Western European countries welcome these initiatives; moreover, they expect the legislation to be changed.<sup>20</sup>

This proves that, for both objective and subjective reasons, the EU cannot remain the same after Brexit as it was before. The question is which direction it will be taking.

## IV Reactions from Brussels and by the Member States

Brexit – as we could see – will weaken the Union; however, the EU institutions and the Member States cannot admit it in their external communications. The EU leaders evaluating the British referendum immediately published a sober statement<sup>21</sup> that suggested unity and which was later interpreted by everyone according to their own taste. These reactions also reveal how the different Member States experience the withdrawal of the UK.

<sup>17</sup> [http://diepresse.com/home/politik/aussenpolitik/5079726/Schwarzenberg\\_Leider-verfaellt-Kurz-dem-Populismus](http://diepresse.com/home/politik/aussenpolitik/5079726/Schwarzenberg_Leider-verfaellt-Kurz-dem-Populismus)

<sup>18</sup> See the statement of the Austrian Vice Chancellor, L. Mitterlehner on Brexit: ‘It is still a positive sign in the light of the US presidential elections that London that has always been the lengthened arm of Washington in the EU will lose its influence’ ([www.diepresse.at](http://www.diepresse.at)).

<sup>19</sup> A New Settlement for the United Kingdom within the European Union. Extract of the conclusions of the European Council of 18-19 February 2016 (2016/C 691/01) Official Journal of the European Union, 2016.2.23.

<sup>20</sup> On 12 December 2016 eight ministers of seven Member States (*BE, DE, FR, LU, NL, AT, SE*) published a common article under the title ‘Posted workers: the free movement of persons should not mean the freedom to abuse’, [http://www.lemonde.fr/idees/article/2016/12/12/la-liberte-de-circuler-ne-doit-pas-etre-celle-d-exploiter\\_5047228\\_3232.html#tv1MSOMCmMCKudrm.99](http://www.lemonde.fr/idees/article/2016/12/12/la-liberte-de-circuler-ne-doit-pas-etre-celle-d-exploiter_5047228_3232.html#tv1MSOMCmMCKudrm.99).

<sup>21</sup> <http://www.consilium.europa.eu/en/press/press-releases/2016/06/24-joint-statement-uk-referendum/>

A common point of these assessments is that every Member State regrets the decision of the UK to leave the Union but respects it and wants no punishment for that. They intend to maintain close contacts with the UK in the future, however the primary objective is to keep the Union of 27 together. All expect the UK to define the framework within which it intends to engage with the EU first; any negotiation can only come afterwards. No one can conduct preliminary discussions. There is full consensus on refusing any outcome where the Brits would keep exclusively those elements of the common internal market, which are favourable for them (no cherry-picking).

This is the official position, the surface. Nevertheless, at the same time, everyone dropped the mask to some degree. It is difficult not to hear the irony, the tone of revenge, the intention to tease and provoke, behind the words of the representatives of the EU's institutions. Designating Michel Barnier as chief negotiator on behalf of the European Commission can hardly be seen as anything else. One cannot therefore be surprised that the Member States want to keep the control over the process and the European Council by laying down guidelines will supervise the negotiations; they will not be fully entrusted to the Commission.

It goes without saying that the centre of gravity of the Union will shift to the South. The Southern Member States might think that the great moment has come for them at last (they even held a hasty Mediterranean summit) to achieve a change in economic governance by favouring an encouragement of growth and investments instead of strict budgetary mechanisms and the rule of the free market without frontiers. Communitisation of debts is an old objective that they believe to have got closer to by now. The Mediterranean countries are, of course, not fully united: while the conflict between the Italians and Greeks with the Germans are not recent, the Spanish, who are unconditionally pro-European do tend to avoid conflicts with Merkel, who is so keen on the enforcement of rules (at least as far as rules concerning economic policy issues are concerned).

At this moment it cannot be seen yet whether Germany would give up its strong attachment to the proper enforcement of rules, but what can easily become reality – and this project would be shared beyond the Southern states by France, who would moreover take the lead in it – is the deepening cooperation within the Eurozone, accompanied by a common economic policy and special Eurozone institutions, namely creating a real fiscal pillar in addition to the common currency. Institutionalising the Eurozone, which is a French objective shared by most political groups, could easily lead to a Europe of concentric circles. If we want to be realistic, in such a Europe there would not be too much room in the inner circles for the Central and Eastern Europeans.

It is impossible not to notice that in Western Europe there are some who believe that the time has come to get rid of the Eastern countries who should belong to the Union only through an outer circle. Despite the success shown by the fact-based data (the gap between the former Eastern bloc and the old EU in the intensity of economic and commercial relations and the embeddedness indicators have improved significantly), most of the Western European countries could not assimilate the *big bang* enlargement. The former communist countries are still often identified as sources of problems; they are used as scapegoats in order to have someone to be blamed in case of a trouble around Westerners' own houses. It is an easy narrative to argue that

these countries are not real democracies; they only joined the Union for money and take jobs away. Since the start of the migration crisis, they have also been identified as xenophobic.

This line can easily meet another camp, those who see in the withdrawal of the outsider Brits an opportunity to make a real federation out of Europe: the Brits are free to leave and they should do so as fast as possible, and we can finally realise the political union of the continent (we can read Belgian and Spanish statements of this kind and many in the European Parliament are of this view, too).

The only problem is that the supporters of this theory are increasingly fewer in the Member States, and at every democratic survey it turns out that citizens are not really open to such changes. However, that will not necessarily upset the decision makers.

A big question is what Germany wants to get out of this situation. The UK was often its ally when it came to pushing something through against France. Strengthening the Southern countries does not really serve Merkel. Although closer economic coordination is welcome by Germany, clearing others' debts is not something they want. Moreover, it would not make good sense to squeeze out the Eastern countries: the volume of Germany's trade with the four Visegrád countries is much larger than the one it has with France: Large German enterprises made important investments in Central Europe. At the same time, Germany is disappointed that these countries do not share the *Willkommenskultur* and expects them to receive migrants on a compulsory basis. While Germany is benefiting from the Balkan border blocks, like Austria it is restricting the access of those coming from Eastern Europe to its labour market. Germany dislikes that the cohesion policy costs it a lot while the Member States of this region are clear beneficiaries of this policy. For historical reasons, it is however improbable that Germany would play a part in pushing Poland to the edge of Europe. It is thus quite a contradictory picture and network of interests.

How does all this impact the Visegrád countries? They see a great opportunity in Brexit and a chance to address the faults and weaknesses.<sup>22</sup> The EU must change; it should listen to the call of time, to the message the Brits passed to them with their withdrawal. They will not hurry the Brits and will do their best to have good relations with them even in the future. In their statements they are committed to safeguarding the interests of their several hundred thousand citizens working in the United Kingdom, meanwhile they hope secretly that many of their qualified workers will return if living in the UK becomes more difficult for them.

Based on the above, it is quite clear that not everyone has the same perception on the aftermath. At the September Summit in Bratislava (where, after a long time, the Heads of State and Government held their meeting in a European capital instead of Brussels), it still seemed that the political leaders of the Member States who gathered together to define the new direction are committed to a revision and to admitting the failures. The joint statement reflected a sober, realistic diagnosis and the intention to remain together.<sup>23</sup> They decided to continue the

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<sup>22</sup> Communiqué of the V4 Prime Ministers, Krynica, 13 September 2016.

<sup>23</sup> The Bratislava Declaration and Roadmap: [http://www.consilium.europa.eu/en/press/press-releases/2016/09/pdf/160916-Bratislava-declaration-and-roadmap\\_en16\\_pdf/](http://www.consilium.europa.eu/en/press/press-releases/2016/09/pdf/160916-Bratislava-declaration-and-roadmap_en16_pdf/).



discussions on the future of Europe at the beginning of 2017 in Valetta and to round off the process on 25 March 2017 at the celebrations for the 60th anniversary of the Rome Treaties by setting out the directions for their common future together.

The only problem is that the events of the months that have passed since the Bratislava summit do not point to a higher degree of convergence and mutual understanding or decoding the messages of the citizens. The most divisive issue is still that of the mandatory quotas for refugees. Although the September statements by Merkel and Juncker still suggested that they would give up that very controversial decision of September 2015, which even proved to be unworkable in practice, today these voices have faded and there is only faint hope that the concept of flexible solidarity, endorsed by the Slovak Presidency, will be adopted. Strengthening European defence is a matter of consensus in principle, but for the time being there has been very little real progress. It is therefore not apparent what the leaders of Europe think on the future of the EU. Thus, it is difficult to believe that a powerful project that is acceptable for everyone and attractive to the European citizens could be adopted before next Spring.

What is more, 2017 will complicate the internal political situation in many Member States. The EU is not known for reforming or renewing itself in a year with German and French elections. Extreme, Eurosceptic political parties are on the rise everywhere, and competing with them will eat up the energies and attention of the mainstream parties. Speeches are getting tougher, as are Member States' rules on migration issues becoming, but there has been no breakthrough in the Union arena.

Criticism of the EU, or a more moderate evaluation of the facts by the less conformist Visegrád countries, is immediately seen in Western Europe as hostility towards the EU or a revival of nationalism. We still do not know how durable this coming together of the Visegrád countries will be and whether the salami-slice strategy, which Western Europe has always aimed to apply, will eventually defeat the unity of the four countries. We should not forget however that the V4 countries, by consolidating their economic situation and by their political stability, have become stronger within the Union; it is not only their voices that has become louder. Public opinion is still supporting Europe, but one must be cautious in case Eurosceptics reap the rewards of EU criticism. Another danger is if the Central European countries, especially those who – with good reason or without – have been criticised heavily by Brussels in the recent years believe that the rise of extreme parties in Western Europe will serve their interest and that, through these parties, a better Union will emerge from the chaos. It suffices to have a look at earlier statements made by these parties to see that none of the extreme left or extreme right parties could be considered as friends of Central Europe; they do not have a vision of a Union in which this region could have a proper place. It is therefore better to ignore the Siren voices. Instead, the V4 countries should have a narrative that is powerful enough to discourage the key parties of Western Europe from getting rid of them or pushing them to the peripheries, and, instead, enable them to see their own interests in the close cooperation with these countries. For open, export-oriented countries with the majority of their economic relations with Europe, surviving at the peripheries of the Union or even outside of it does not open avenues.

## V Special Cases: Ireland and Spain

The geographic location of the various Member States will influence the volume of the loss they will suffer with the withdrawal of the Brits; those in the neighbourhood will be affected more than countries not located in the proximity of the UK. There are however two Member States in specific situations who should be mentioned briefly in more detail.

One is Ireland, for which the UK is the number one economic partner. Because of their extremely close connections and concentrations, Brexit will touch upon the vital interests of Ireland. According to John Bruton, former Irish Prime Minister, Brexit might hit Ireland's economy even harder than Britain's – even though Ireland had no say in that decision.<sup>24</sup> The weakening of sterling following the referendum already put Irish exporters in a difficult situation, as Britain takes two-fifths of Irish-owned firms' exports. Because of the limited domestic market, the majority of Irish firms send their workers to the USA for further training or, alternatively, try to attract the talented ones from over there.

Northern Ireland had been affected for decades by the struggles of the Irish nationalists for the unification of the island, while the unionists wanted it to remain within the UK. A ceasefire was achieved through the Good Friday Agreement of 1998, due to which checks at the North-South border were eliminated. Brexit thus threatens the recently re-established free circulation, it risks newly created political and cultural contacts being cut, endangering the stability of the Northern part of the green island. They could take the permeability of the Norwegian-Swedish border as an example, but we should not forget that non-EU Member State Norway is a member of the EEA and the UK would not necessarily be interested in EEA membership. One of the most problematic points of the divorce talks will certainly be how to uphold the free movement between Ireland and the other EU Member States while making sure that EU citizens cannot enter the UK without controls.

At the same time Dublin, with its low corporate taxes, qualified workforce, geographical proximity and similar business culture, is trying to present itself as an attractive alternative for investors or for those who are considering leaving London behind due to Brexit. Even so, not even the benefits of the eventual transfer of company headquarters would compensate Ireland for a hard Brexit. Ireland is the most interested in letting the UK leave the Union but slowly, with the most favourable conditions and by maintaining the closest possible cooperation.

The other Member State which is strongly concerned is Spain, whose southern peninsula, the entrance to the Mediterranean Sea, has been under British control for over three hundred years. Gibraltar is part of the UK with a high degree of autonomy. Due to the EU membership of the UK, EU treaties are applicable in Gibraltar, therefore the results of the British referendum concern it the same way as any other region of the UK. The population of Gibraltar, the Government, the political parties, chambers of commerce and the trade unions all supported the Remain campaign. This is predictable, since Gibraltar's economic model is strongly

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<sup>24</sup> <http://www.economist.com/news/europe/21709354-making-it-one-few-european-countries-wants-be-kind-britain-ireland-may-suffer>

dependent on European markets. Around 10 million tourists visit the peninsula each year by crossing the still easily permeable border, as do 20-30,000 workers on a daily basis, while 40% of the workforce already consists of migrant workers (including some 100 Hungarians).<sup>25</sup>

Spain intends to exploit Brexit to revise the Treaty of Utrecht of 1713, when it made the bad decision to cede control of Gibraltar to Britain. The overly low tax regime and the flourishing financial services and gambling sectors on the Rock are an affront to it and it is upset that fishing vessels and customs guards from the peninsula often infringe its territorial waters. Spain therefore proposed joint (Spanish-British) sovereignty to save Gibraltar's EU status. Under this proposal Spain would bear responsibility for the external relations of the peninsula while Gibraltar would enjoy strong sovereignty, including financial autonomy and double citizenship (and, as such, EU citizenship in the light of the carrot and stick approach). The Spanish ambassador to the UN did officially submit the proposal for joint sovereignty over Gibraltar to the fourth committee of the UN in charge of decolonisation issues (according to Spain, Gibraltar is the last colony in Europe).<sup>26</sup>

One should recall that in 2002 the citizens of Gibraltar, who have a strong British identity, already rejected the idea of joint sovereignty in a referendum. The UK consistently rejects the idea of joint sovereignty and sees the future of Gibraltar as a matter for the Brexit negotiations. Spain, on the other hand, wants to solve the issue on a bilateral basis and hopes that the carrot and stick approach will work.

We should also add that Spain and the UK are important investors in each others' countries. A survey drawn up between July and September at the request of the British Chamber of Commerce says that three out of ten UK firms plan to cut back investments in Spain by an average of 10% or more (60% said they will maintain current investment levels, while only 8% reported that they are planning to increase them)<sup>27</sup>. Disinvestment would definitely not serve the Spanish economy, which has just found its own path. Approximately 150,000 Spanish citizens live in the UK, while 300,000 Brits habitually live in Spain, holding significant real estate assets. An additional 15 million British tourists visit the country each year. As such, Spain is interested in a soft, less painful and more organised Brexit and not to press the UK on every last detail. That is also true for the UK: it should take into account the interests of its citizens residing in Spain and currently benefiting from their EU citizenship (convertibility of pensions, European health care).

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<sup>25</sup> As far as the border is concerned, it is important to underline that it is currently a Schengen border and custom border with passport and custom checks. London wants to avoid it becoming more complicated to cross the border. Moreover, Gibraltar has its own immigration rules, by virtue of which special Gibraltar rules could be adopted in the future for EU citizens.

<sup>26</sup> 'IV Comisión de la Asamblea General de la ONU adopta por consenso Decisión sobre Gibraltar', Comunicado del Ministerio de Asuntos Exteriores y de Cooperación de España, 8 de noviembre de 2016 [www.exteriores.gob.es](http://www.exteriores.gob.es).

<sup>27</sup> Survey by AFI, El País, 18 November 2016, p. 40.

## VI Conclusions

The withdrawal of the UK will, without any doubt, weaken the EU at the moment when an important reorganisation has started in the post-cold war world order. Serious challenges threaten the world that is ruled by liberal democracies, guaranteed by international institutions and legal order and the stability and balance of power established after the fall of the Berlin Wall. In the East, Russia has questioned international law and is engaging in power politics, while in Asia and Africa ISIS is taking control over new territories. The conflict in the Middle East can explode any time. China is leveraging its economic policies and other countries on the rise are becoming important actors in the global economy and politics (India, Brazil). Europe is losing ground; its reserves are less than anyone else's. It is therefore impossible not to see Brexit as a loss.

We don't know yet what direction the US is taking after Trump's election, but one thing is for sure: it will expect the EU to stand more on its own feet when it comes to defence. Brexit, even in a military sense, is a serious wrench for the old continent. However, it would be counter-intuitive for the president elect to believe that making NATO's work impossible or reducing the intensity of cooperation with Europe would serve his interests: the US needs allies, especially if it is really considering bailing out of the TTP, as Trump declared. Immediately after that announcement China applied for taking the lead in the creation of a US-free Asian-Pacific Free Trade Area.

One issue is what the new US President will do, but another equally important question is what will happen to Europe. Further disagreement inside will significantly weaken the EU at international level. The Europe project should be kissed awake with new initiatives, making the EU 27 more powerful. Organising itself into concentric circles or splitting it into sub-areas would just handicap the EU in the international competition. The European social model should not be treated as an axiom. It should be seen to what extent it is maintainable and whether it can be adjusted to the challenges of the 21st century. In the meantime, some taboos will fall, there is no other solution. We should come back to a proper balance of rights and obligations, to taking more individual and common responsibility. For that we should have strong Member States, who mutually accept one another and are ready to take decisions, following sound evaluations, on which issues they intend to have closer cooperation and which questions will be retained as national competences for reasons of efficiency. It does not make sense, therefore, to speak about less or more Europe in general. National identities should be retained and European identity should not be seen as a menace for them: the two should not be set against each other. The strengthening of competitiveness should be favoured and the EU policies (energy policy, digitalisation, R&D+I) should be adjusted to this objective. If it is not to happen, Europe will irreversibly lag behind in the international race, it will lose its character and only history books will tell us about its past glory and the universality of the European spirit.