Abstract:
We examine the consequences of Brexit from the perspective of three actors: EU, UK and Poland. Of course, as researchers from Poland (new EU member), we present yet another, external perspective. The study allows us to assess the geopolitical and geo-economic consequences of Brexit and to outline the main problems related to the creation of a future regime of EU-UK relations and, wider, the future of a European and Atlantic order.

The research is an interdisciplinary economic and law study. The starting point of the analysis is an indication of the possible perspectives of analysis of Brexit. We make an observation that the reasons for Brexit were not of an economic nature. We analyse the legal regime of Brexit as a case of withdrawal from an international organisation. We outline the costs and benefits of Brexit from the perspective of the UK, Poland and the EU. We use legal methods applicable to the research of international institutions, such as institutional and functional approaches and policy-oriented jurisprudence (New Haven School). Conclusions are formulated on the basis of the synthesis of the results and approximations. We find out that the balance of Brexit for the UK will be negative. It will also be negative for Poland which needs a strong EU to support its strategic interests. Brexit affects the European Union in a negative way. It changes the internal and external perception and attractiveness of European integration which is no longer perceived as a road of no return. It weakens the European identity. It impacts the transatlantic order too by weakening the Atlantic alliance.

Keywords: Brexit, geoecoomics, European integration, European identity, Poland
JEL codes: F14, F15, F53, K33

Introduction

In a referendum on the UK’s membership of the European Union held on 23 June 2016 there were 51.9% votes to leave the EU and 48.1% to remain in it (turnout was 72.2%)\(^3\). Although the referendum was not formally binding, the government decided on Brexit. The
The decision was based on authorisation by an Act of Parliament. The parliaments of Northern Ireland, Scotland, and Wales were not consulted on the matter. The outcome of the referendum was not evenly distributed across the UK. Wales and England voted to leave the EU, while voters in Scotland and Northern Ireland would prefer to stay in the EU. Every one local authority area in Scotland voted for ‘Remain’, while every English region (except London and Gibraltar) was for “Leave”.

Table 1. Proportion of the votes on referendum of the UK’s membership in EU

<table>
<thead>
<tr>
<th></th>
<th>Leave</th>
<th>Remain</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>53.4%</td>
<td>46.6%</td>
</tr>
<tr>
<td>Wales</td>
<td>52.5%</td>
<td>47.5%</td>
</tr>
<tr>
<td>Scotland</td>
<td>38.0%</td>
<td>62.0%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>44.2%</td>
<td>55.8%</td>
</tr>
<tr>
<td>National result</td>
<td>51.9%</td>
<td>48.1%</td>
</tr>
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The implementation of the will of British citizens expressed in June 2016 will have far-reaching and difficult to predict effects in many areas. The aim of our study is to present a map of the problems and a road map related to Brexit from the perspective of interests of the EU, Great Britain and Poland. Our target is not (and it cannot be) to analyse in detail all possible scenarios of future relations between these actors and – subsequently – all effects of Brexit. We concentrate on geopolitical and geo-economic consequences of Brexit in order to assess the costs and benefits of this withdrawal from the EU.

The research is an interdisciplinary economic and law study. The decision to carry out an interdisciplinary examination of Brexit is a result of our assessment that limiting the study to just economic and quantitative dimension would give incomplete conclusions and would be subject to many weaknesses. We use economic methods – quantitative and qualitative analysis of socio-economic indicators related to the UK’s membership in the EU, legal methods - applicable to the research of international institutions using institutional and

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4 The issue of the internal procedure was the subject of dispute, as the government considered that it does not need a parliamentary mandate, but the view was not shared by the Supreme Court. See: R (on the application of Miller and Dos Santos) v Secretary of State for Exiting the European Union and associated references case. Retrieved from: https://www.supremecourt.uk/news/article-50-brexit-appeal.html (10.02.2017).


6 Paradoxically, in the first national referendum held in UK on 4.06.1975, England provided the strongest support for remaining in the then EEC, with a much smaller margin for membership in Scotland and Northern Ireland (Henderson, Jeffery and Lineira, et al. 2016, p. 187).
functional approaches and policy-oriented jurisprudence (New Haven School). Conclusions are formulated on the basis of the synthesis of the results and approximations.

We present the possible perspectives of analysis of the effects of Brexit. We show, by quoting some social and economic data, that the decision to leave the EU did not have economic grounds. Then the legal framework of leaving the international organisation is analysed. We present a variety of issues concerned with the state’s decision to withdraw from the EU, the legal regime of Brexit and its possible influence on the UK’s disintegration. We focus on changes in the perception of European integration as a road of no return.

**Different perspectives of the analysis of the effects of Brexit**

Brexit can be analysed from several perspectives. One relates to the actors, the other one to the subject matters. Yet another one is the time perspective, which is intertwined with the previous ones.

In the first case, the analysis may have internal (domestic), European (EU), or international scope. We deal with internal and European perspectives. We limit the internal perspective to the “cases” of the United Kingdom and Poland. We do not deal with other countries’ domestic perspectives.

The UK “case” has several dimensions. First of all, there are interests of the main personalised actors (i.e. politicians, not the society) of Brexit. We claim that they did not expect the actual outcome of the referendum. Both the politicians/parties calling for a vote in favour of remaining in the EU and those urging to vote against awaited benefits of a referendum resulting in a decision to stay in the EU (see more about the politics of Brexit in: Jensen & Snaith 2016). Just the announcement of referendum has brought the United Kingdom improved membership conditions and secured some significant concessions from EU partners (EU Referendum 2016). The referendum was an opportunity to create new social groups, parties and new leaders. It was an attractive perspective for both *challengers*\(^7\) and “old” leaders expecting to confirm their position (and, in fact, strengthen it, since the new competitors are less experienced\(^8\)).

The British who voted for Brexit said “We want our Britain back”, but unlike Margaret Thatcher who, by saying “I want my money back” wanted to keep the money she had, they

\(^7\) Such as Boris Johnson (Ministry for Foreign Affairs) whose promotions for years were blocked by a petrified political system.

\(^8\) David Cameron could count on it. His position in both the (conservative) party and nationwide would have strengthened in case of the failure of Brexit. He would become the Prime Minister who not only was successful in renegotiating the terms of the EU membership (like Margaret Thatcher), but who also respects citizens by asking the public for their opinion.
wanted the return of a Great Britain which for decades was gone, they wanted a return to the past. Brexit is supposed to be a journey into the past. The problem is that the unaware participants of this sentimental escapade after its completion will be even more frustrated than at the beginning, because they will pay with real money for a mirage. When Churchill declared: “I have nothing to offer but blood, toil, tears and sweat”, he was leading the nation to victory over Nazism. We are convinced that Brexit offers only blood, toil, tears and sweat. This shows the irrationality of the decision on Brexit, which we analyse in more detail later in the paper.

The second dimension for the UK is the issue of the legal framework of Brexit and creation of a new British legal order (i.e. preserving/changing the acquis).

The third internal dimension includes challenges related to creating a network of new economic and political relations of the UK in Europe, transatlantic Alliance and the world. The UK will be a new country in international economic relations that has to create a new legal framework (e.g. of bilateral agreements) which will replace the current EU policies. The scale of challenges is difficult to imagine, because the British expectations are far greater than the possibilities, and the “Norwegian model” is a nebulous one (Honley 22.06.2017). Difficulties arise in political relations too, as the UK will not officially become a new state – it will, for example, continue its status in UN Security Council as a permanent member – but for many years British policy has been defined and implemented in the EU Common Foreign and Security Policy formula.

Another internal perspective we analyse is the case of Poland. Brexit is a real threat to the vital economic, social and political interests of Poland. In many cases it is more dangerous for Poland than for members of the “old” Europe. Poland is much more sensitive to any turbulences in the EU than the “old” Europe and has significant interests in UK membership.

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10 For example, the Australian government rejects the possibility of negotiating a bilateral trade treaty before the Brexit. See: Babin (25.10.2016).

11 When Norwegians in a referendum in 1994 (for the second time) rejected an EU accession agreement, while Finland and Sweden made a positive decision, Norway considered it desirable to create a legal framework for the relationship with the EU, which would maintain the special nature of Nordic cooperation. Norway is a member of the EEA, with full access to the single market, including free movement of EU migrants. It is obliged to observe all the EU’s single-market regulations, make a financial contribution to EU budget and accept majority of acquis. As a part of Nordic cooperation Norway participates in the EU decisions shaping. In essence, it is a member of the EU de facto not being de jure. The rationale of Norway’s decision to keep strong relations with the EU were expressed by a Norwegian minister, “if you want to run Europe, you must be in Europe. If you want to be run by Europe, feel free to join Norway.” (The Economist 2016).

12 Apart from the Norwegian model of relations with EU, other approaches include Swiss, Turkish, Canadian and Asian (state cities of Singapore and Hong Kong) ones. See more: (BBC News 27.06.2016; Alternatives to membership 2016).
The European perspective also has several dimensions. Obviously, future relations with the UK have to be regulated. The impact of Brexit on the European integration process is another dimension. The spectrum of possibilities here is wide: from deepening of integration to disintegration of the EU (of course, the extreme scenario will not occur). Then there are implications for the EU’s place in the world: the economic and military power of the EU will be reduced. Last but not least, the internal structure of powers in the EU will change: Germany and France will have more opportunities to dominate other EU members.

We define the perspective of the subject matters of Brexit as the question of whether withdrawal from the EU should be decided in a referendum at all and the catalogue of issues that need to be regulated due to Brexit.

The concern may be raised whether the referendum is the right form of direct democracy. This well-known, yet marginalised, institution (regularly practiced only in Switzerland) was recalled from the past by Charles de Gaulle, for whom it was a tool of confirmation – in a popularity contest – of his political mandate. The referendum questions were simple and the decisions were sui generis self-executing. In 1962, the referendum “for or against” direct elections of the President of the V Republic was to legitimize the power after granting Algeria the independence – de Gaulle won. In 1969, by rejecting the reform of the Senate, the citizens denied further legitimisation of power, which in 1968 used the army to suppress students’ protests (Bouissou 1978; Cadart 1976). Similarly, the vote against the Constitution for Europe (in 2005) was the refusal of President Chirac’s political mandate. The referendum on Brexit (quite similar to the vote on the European Treaties) is different in its merits. The issue of EU membership, although decided in the accession referendums, does not allow an unequivocal assessment and the choice based on it. Decision makers are not in a position to assess consequences that are not subject to verification not only in the short but also in the medium term.

Creation of a catalogue of issues that need to be regulated due to Brexit is a task for a large team and requires a lot of time. The analysis of them – is an even more complicated

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13 For example, the EU operations of Atalanta type (the action against piracy off Somalia) are practically impossible without UK.

14 His victory in the 2002 election (82% of the votes in the second round) – in a consensus opinion – was the result of the vote against Jean-Marie Le Pen. By rejecting the Constitution (of which France was the chief author of concepts and specific solutions) his supporters in the presidential election wanted to express the evaluation of Chirac and his presidency.

15 Thus, the basic verifiable argument for democracy – the rationality of a decision that is a resultant of individual decisions – does not work. See the theories of “public choice” and “rational expectations” versus e.g. “money illusion”. Another problem in the referendum on Brexit were the conscious lies. After the referendum Nigel Farage cynically admitted it (Media Mole 26.06.2016).
task. What follows is a random selection of some issues which may give a rough idea of the spectrum of problems.

For example, the consequence of the arguments in favour of Brexit raised before the referendum is the focus on the public dispute over the UK’s liability for financial obligations arising out of its EU membership. But neither these commitments are the greatest nor the most difficult. Following the closure of current UK-EU settlements there will still be long-term commitments related to the UK’s exit from the European social security system. For example, Polish citizens working in the UK pay social security contributions in the UK. These contributions - the right to benefits - must be subject to settlement. Also, on what terms will the UK citizens - residents in different EU countries - will use healthcare systems after Brexit? Who will finance the pension entitlements and other commitments to UK citizens - EU officials, members of the European Parliament (MEPs), especially if the overrepresentation of UK’s citizens in the EU institutions\textsuperscript{16} is taken into account? Will Brexit exclude the UK from the European Health Insurance Card system? What will happen to science and research programmes currently financed from the EU budget and not yet finished? Does Brexit also mean the UK exit from Euratom sectoral cooperation and executive agencies such as the European Defence Agency (EDA), European Space Agency (ESA, including Global Monitoring for Environment and Security project), Europol, EUSC (European Union Satelitary Center)? Questions like that can be multiplied.

All these perspectives have their legal dimension. The law that is a vehicle of integration, Brexit and UK-EU relations. This aspect justifies the legal analysis of withdrawal from international organisation that we carry out below.

**The legal regimes of withdrawal from an international organisation**

When a state (or any other entity) joins an international organization, it assesses the costs and benefits of membership, or of staying outside the organization, and it evaluates the international relations (liberal institutionalism or realism\textsuperscript{17}). It takes into account various and heterogeneous factors: economic, financial, social, and political (including security determinants, the role and rank in international relations). It is difficult to reconstruct the candidate’s to membership decision-making process, partly because the process at first is not

\textsuperscript{16} It is estimated that some 1730 British nationals currently make up almost 8% of the 22 000 retired EU officials.

\textsuperscript{17} The dispute between the proponents of both concepts is largely illusory. The realists are convinced that a person-people-world are not the best. The idealists believe the contrary. However, both are convinced that thanks to institutionalized international cooperation a person-people-world may be better.
transparent (it is easier in case of the EU, because the process is more transparent). Even if the balance of benefits and costs of membership is presented, it more often appears to be part of a political strategy than an accurate cost-benefit calculation, and is burdened with the uncertainty risk (as it is a long-term forecast). Undoubtedly, however, whoever is joining an organization is striving for stable benefits. The functioning of an organization is possible in this respect only because the assessment of membership is subjective, based on an unidentified set of factors with different weights assigned, and the fact that membership in an international organization is a positive–sum game (Hegel 1969, pp. 188, 191-193, §182 and §187). The strategy of joining an international organization should be long-term.

Such a perspective is even more important with regard to the decision to leave the organisation. In this case, other members of organization and actors of international relations evaluate change of mind of the leaving member from the point of view, among others, credibility in performance of obligations. Taking this factor into account, states avoid the decisions to withdraw from organizations. The reason is that any such a decision is final, and – according to Benjamin Disraeli – *Finality is not the language of politics* (Cohen & M.J. 1973, p. 140)\(^{18}\). But if circumstances change (*rebus sic stantibus*), they make such decisions.

The decisions to leave either express individual dissatisfaction with the membership of the organization\(^{19}\) or general, negative evaluation of the organization's activities\(^{20}\).

The statutes of organizations often do not regulate the legal framework of the withdrawal. In such a case, the right to leave is confirmed by Art. 56 of Vienna Convention on the Law of Treaties. Statutes of some other organisations facilitate the process of withdrawal, for example in a situation of dissatisfaction with changing the statute\(^{21}\). Finally, a withdrawal clause can be included in the organization's statute. This kind of clause most often provides for the mode of termination of an agreement and set a date for the effectiveness of such a statement\(^{22}\). It allows avoidance of many controversies\(^{23}\).

The regulations concerning leaving the European Communities were changing. The Treaty of Paris establishing the ECSC did not regulate the issue of the leaving the

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\(^{18}\) Speech in House of Commons on 28.02.1859.

\(^{19}\) As in case of Albania exiting ILO in 1965.

\(^{20}\) As in cases of exiting UNESCO by USA in 1984 and by UK in 1985, and USA leaving ILO in 1977.

\(^{21}\) For example art. XVIII letter D of the statute of International Atomic Energy Agency.

\(^{22}\) As in ILO, FAO, IBRD.

\(^{23}\) The UN is a special case. The UN Charter deliberately omits the withdrawal issue (in order to avoid the repetition of the situation in the League of Nations) without denying that right. However, in one case of withdrawal (Indonesia 1965), after it changed the decision, it was considered that there was no exit but the cooperation “was ceased”. Similarly, statutes of the organization of the UN system are also silent on the issue. This solution neither prevents leaving nor controversies related with the whole process.
Organization. It was concluded for a period of fifty years (Art. 97) and after that it expired. The EEC and Euratom treaties mentioned neither the issue of leaving the Organisations nor the period of their existence (they were concluded for unlimited time, Art. 51 TEU).

It has been, rightfully, assumed that membership in the Communities and the Union creates such deep connections in all the areas of integration (point of no return) that it is difficult to imagine – due to costs – a unilateral decision of a member state to leave the Organisation.

In response to the emerging allegations of anti-European politicians that the EU cannot be left, and the quiet fears of “wild” exits, the Treaty on European Union introduced a provision of Art. 50 sec. 1 providing for the right of each Member State to withdraw from the EU in accordance with its constitutional requirements. It also regulates the mode of departure (sec. 2–4), which is quasi-inverse of the accession process. According to this regulations, the procedure commences the notification of the intention of withdrawal by a Member State to the European Council. The European Council then provides guidelines for the EU negotiations with that State, “setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union”. The agreement regulating all issues relating to withdrawal is concluded on behalf of the Union by the EU Council, after obtaining the consent of the European Parliament. The actual date of leaving the EU is from the date of entry into force of the withdrawal agreement or, if that was not possible, 2 years after the notification, or later if the European Council, in agreement with the Member State, unanimously decides to extend this period. The withdrawing Member State does not participate in the EU decision-making process. If the Member State changes its mind and asks to rejoin, its application request is subject to the general procedure of Art. 49 TEU (art. 50 par. 5).

On March 29, 2017 The UK Prime Minister has started the legal procedure of United Kingdom’s withdrawal by notifying the European Council in accordance with Art. 50. Conclusion of the withdrawal agreement may take a maximum of 2 years. The negotiations started in June 2017. They may cover legal framework of future relations, so the deadline will be extremely difficult to meet. The EU and the UK are aware that they are facing the task of creating a framework of partnership that goes far beyond the trade agreement. CETA and TTIP are benchmark agreements negotiated and concluded nowadays by the EU. Difficulties are mounted by the difference in attitudes: the EU side opts for non-combining terms of withdrawal and future trade relations, while the British want simultaneous negotiations on
these two matters24. The dispute over whether the negotiations on withdrawal and future relations will be simultaneous or successive to a large extent resembles the muscular contraction before the meeting. The two issues are closely related because:

- firstly, the Brexit scenario without the agreed regulation of UK-EU relations is a very bad scenario for everyone (hereafter);
- secondly, a single undertaking rule (until everything is agreed nothing is agreed) is the basic principle of negotiation which is widely known and accepted;
- thirdly, simultaneous negotiations are difficult for the UK because it will lack the skilled staff necessary to negotiate Brexit, internal legislation to be implemented a “day after” and UK-EU agreement. UK’s human resources are much smaller than the EU’s (we mean highly qualified lawyers with safety certifications).

Michel Barnier25, a former French minister and European Commissioner who is the EU’s chief Brexit negotiator announced the conclusion of the negotiations at maximum 18 months, reserving the remainder for the remaining procedures (Crisp & Tampest 2016; Barnier 06.12.2016).

Analysis of instances of exits from organisations indicates the overriding value of the political factor of the decision. It also proves that decisions on exits were elements of searching for confrontation, not compromise. However, there is no doubt that further membership in the organization may be considered by the state as an undesirable limitation of the choice of strategy or tactics. It should be remembered that the raison d’État is guided by the statement: “We have no eternal allies, and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests are our duty to follow”26. As we show in the next part of our study, the UK’s decision to leave the EU did not have economic merits and was based mainly on political factors.

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25 From the UK’s perspective, the choice of a chief EU negotiator could not be less favorable. Barnier combines excellent education with knowledge of the EU (between 1999-2004 and 2010-2014 he served as European Commissioner, in 2009 was elected as a Member of the European Parliament) with political position and connections (Minister of Foreign Affairs 2004–2005, Minister of State for European Affairs 1995–1997, Minister of the Environment and Way of Life 1993-1995). He was a member of the “Group Amato”, which prepared the Constitution for Europe.

26 This is a travesty of statement about the foreign policy of Lord Palmerston (lived between 1784-1865, served twice as British Prime Minister in1859-1865). Speech to the House of Commons on 1.03.1848. (Hansard’s Parliamentary Debates).
Irrationality of the British decision to leave the EU

The referendum campaign of proponents of the UK remaining in the EU was based on warnings of economic risks of leaving the EU, rather than the benefits of membership. At the same time, the political and economic situation affected by the financial and refugee crises, as well as the efforts to prevent Greece from leaving the Eurozone created a favourable basis for the populist Eurosceptic campaign (Menon & Fowler 2016; Bort 2016).

Some social indicators (figure 1) show that, contrary to beliefs popular in Britain, the standard of living in UK has dramatically improved since its accession both in absolute terms, and relative to other EU member states. Some indicators also show the advantage of UK results over American ones. Obviously, the membership in the EU has been just one of the factors that enabled positive changes, but no doubt it has been among the most important ones. We concentrate on some “soft” indicators, as they are directly linked with economic changes and they reflect individuals’ participation in those changes.

Figure 1. Socio-economic indicators of standard of living in UK compared to selected EU countries and USA

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27 The sample of countries vary depending on data available, but in general is limited to Germany, France and Italy, i.e. the largest EU Member States.
UK’s membership in the EU – an arranged marriage

The process of the UK leaving the EU is often referred as a „divorce“. If it is so, then its membership in the EU may be termed as a “marriage”. We believe it was an arranged marriage.

The formal priority of the official initiative for European integration is entitled to the United Kingdom, even though it was not initially interested in joining the European Coal and Steel Community (ECSC). The British Government assumed that non-joining the ECSC would provide an electoral victory (which proved to be untrue). On the other hand, France was not interested in integrating with the UK.

The idea and the acts of integration were consistently inspired and supported by the United States, which has patronized it in the political sphere, while the OEEC and the Marshall Plan have made the integration possible. However, important elements of the structure of institutional integration, such as the ESCS, European Economic Community (EEC) and Euratom were erected without the participation of the United Kingdom, or even in order to separate them from the UK, and in opposition to the United States.

The direct impulse of the formulation of the two communities by France and its aspirations to establish them was a negative assessment of US policy towards the Franco-British-Israeli coalition during the Suez Crisis of 1956 and a lack of loyalty (abandonment of the ally) demonstrated by the United Kingdom (Vaisse 2005, p. 52; Vaisse 2013; Bozo 2012). In response, France hastily began to develop an institutional European integration, creating the EEC and Euratom with a door closed to Britain. The President of France considered that

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28 The author of the project was Prime Minister Winston Churchill. In a speech delivered on 19 September 1946 at the University of Zürich, he postulated the United States of Europe. But he made it clear that the UK would not be a part of this initiative. However, the UK participated in the next works on the project (Landau 1976, p. 24).
the interests of (western) Europe and the US are not and will not always be compatible, and that Britain, in the face of the necessity of choosing between commitments to continental Europe and the US, will choose loyalty to the US. France began to integrate Europe to reduce dependence on the US. As part of the implementation of the integration project, Europe was to get an independent economic potential that would form the basis of its regional and global position. European integration was obviously not an anti-American project, which was a result of (regardless of emotions) the capabilities. In view of the imperial aspirations and powers of the USSR, Europe was condemned to an American umbrella in the sphere of security. Without the US, Europe was able to defend neither its principles nor its freedom. There was no doubt that the USSR was hold back from aggression against the Western Europe only by the certainty of US reaction to such an act. From this point of view, the United Kingdom was also important as a bridge between Europe and the United States. Geographic, but also geopolitical and geo-economic (the UK and the US) proximity has been increasing the credibility of American guarantees in the eyes of the Europeans.

Integrating Europe in the formula of the three Communities has been politically dominated by France. The reason was the absence of an actor in “Europe 6” with a political-economic-military potential comparable to France. Maintaining this imbalance within the Communities and keeping a distance to the US and the UK was not possible in the long run, but the weakness of the remaining members of the European Communities (including Germany) and the British belief in the possibility of formulating alternatives to the continental model of integration allowed prolonging this situation.

The situation has changed in 1970s. Since EFTA appeared a failure, the UK, after walking to Canossa, obtained the French approval for the ECs membership and was admitted to the Communities in 1973. The UK later paid political price for this consent, accepting the unequal status. Germans supported the UK and paid the price, too, because they had vital security, economic and political interests in supporting the British. Germany’s security was more dependent on the US than France’s security. The economic interests were due to the fact that the beneficiary of the common agricultural policy (CAP) was France, which also benefited from the requirement of unanimity in decision-making process. Thanks to the UK’s admission, Germany gained not only the ability to balance France’s position in the decision-making process, but also gained a member of the Community who was convinced that in order to divide and get something, first it need to create it, a member not used to live

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29 Therefore, it sought to delay the completion of the transitional periods designated by the Treaty of Rome, which assumed a majority voting.
on a credit – to a degree comparable to France. In addition, 20 years after the war, Germany no longer wanted to accept the transfer of issues related to the past to the current relations and decisions. Both Germany and other members of the Communities have perceived the admission of the UK as a chance to change this situation. From Germany’s point of view, bilateral relations (“France-Germany”) within the European Communities have been transformed into a triangle (“France-Germany-Great Britain”). Germany acknowledged that triangulation of relations was worth the extra contribution to the budget and postponing the change of decision-making procedures. The socio-economic weakness of France was a vital factor that made France to give way and abandon the policy of closed doors.

Franco-British relations in the Communities never reached the level of trust and cooperation from the period between the end of the First World War and the Suez Crisis. The situation was worsened by the fact that the UK was acting in the Communities as a guest who voluntarily joins the party when the main dish is already on the table and decides to change the menu, rearrange the table and change the seating of the guests. The British occupied the main economic and world politics table as a member of the Communities too often demonstrating separateness from Europe and dissatisfaction with the membership.

The situation for both parties was uncomfortable. The continental members of the Communities were aware that exit of the UK from the EC would harm integration much more than its non-accession and the British were aware of the lack of choice. The British Government has decided to renegotiate the terms of membership.

Since 1974 the UK has contested both the expenditures on CAP and the difference between the British contribution to the CAP budget and the CAP receipts. As a result of decisions taken at the European Council summit in Fontainebleau in 1984, the UK’s financial contribution to the EU budget has been reduced. Other members agreed to bear the financial consequences of the UK’s rebate on VAT payments (Grumbling about *le cheque britannique* in France rivals UK antagonism to the CAP – Begg 2016, p. 44). This rebate was the subject of constant disputes. Opponents raised the issue of reduction of the EU spending on the CAP and the improvement of the UK’s economic situation. Supporters pointed to a persistent difference between expenditures and receipts from the EU budget.

### British marriage and divorce with the EU from the EU perspective

30 The expenditures on the CAP were reaching up to 70% of the EU budget till the reform in 2000, since then they have decreased to 40% and are set to continue falling to 33% in 2020. In 2016 they amounted 38% (55 billion euros). See: EU annual budget life-cycle: figures. Retrieved from: http://ec.europa.eu/budget/annual/index_en.cfm?year=2016 (15.03.2017).

31 The difference is estimated at around 10 billion euros annually between 2007 and 2013.
The accession of the United Kingdom to the Communities (together with part of the EFTA states) changed the Communities. They, while preserving integrity, have become a multipolar and multicultural institutions. Each of the major states (France, Germany, the UK) had to learn to produce consensus with the remaining and small states. The successful integration proved that it was a win-win game.

The UK’s withdrawal from the EU radically changes the balance of powers inside. The only power in the EU without the UK will be Germany. Such a situation always tempts some entities to abuse power and arrogance, while others – to free ride, and it frustrates. This simple relationship should be applied on the change of institutional arrangements in the EU; namely, the proportions of the euro area countries to the rest. The Eurozone includes, in addition to the 19 EU Member States, miniature states\(^32\) and those that have introduced the euro unilaterally\(^33\). Outside the Eurozone are the countries that have committed themselves to the euro\(^34\) and those that are not obliged to do so - Denmark (and the UK).

Economic and political imbalances in favour of Eurozone countries are striking and will continue to increase. Translating this disparity into a qualified majority in the Council - and this is a way of accepting around 80% of the acquis – we have more than 55% of EU member states belonging to the Eurozone which represent over 65% of the EU population, while the rest states account for less than 35% of the EU population. So they do not have a blocking minority.

**British marriage and divorce with the EU from the Polish perspective**

From Poland’s point of view the change of powers within the EU after Brexit is especially undesirable.

Without diminishing the importance of Germany’s assistance in the systemic transformation of Poland, it owes the admission to the EU to the direct support of the USA\(^35\) and the UK. Poland is particularly interested in moderate pace of deepening integration or diversifying the speed of integration (as Poland’s real ability to rapidly integrate into deepened integration is limited), and the UK’s restraint in this regard has served Polish interests. Despite the fast pace and successes in “Poland’s long road to the west”, there are

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\(^{32}\) Andorra, Monaco, San Marino, Vatican.

\(^{33}\) Montenegro and Kosovo.

\(^{34}\) Bulgaria, Croatia, Chechia, Hungary, Poland, Romania, Sweden.

\(^{35}\) Like unified Germany.
significant differences between us and the “Carolingian core” European countries. Presence of the UK among the EU members has been limiting the institution’s homogeneity. 

Brexit will make the EU to change the treaties with regard to the number of bodies and the number of votes attributed to individual members, but regardless of the final regulation, the weight of Poland’s voice will be relatively weakened (it was easier to find a yes/no coalition in a triangle situation than in a duopoly).

Regardless of the fact that Poland - as it is forecasted - will not, after 2020, be a net beneficiary of the EU budget, the shift of spending on e.g. agriculture and cohesion to research and new technologies, may put Poland at a disadvantage.

Equally important and undesirable for Poland may be changes in the EU foreign and security policy due to Brexit. The temperance of “old Europe” in supporting the US policy may be strengthened, especially now in response to President Trump’s neo-isolationism, in the absence of a strong US ally within the EU, which is the UK. Poland, with its security more dependent on the US than on its western neighbours and with its pro-American policy, may be in a situation of deepening its isolation in the EU.

**The costs and benefits of Brexit – the time perspective**

One of the perspectives of the analysis of effects of Brexit is time. As already mentioned, it is intertwined with other perspectives. Therefore what follows is the analysis of costs and benefits of Brexit mainly in a chronological order.

When talking about the time perspective, one should be aware that it is possible to have a retrospective look, which would be an assessment of the balance of membership of the UK in the European integration. Such study, however, would be a domain of historians. A referendum and a formal notification of withdrawal closed the caesura started in 1973. Regardless of future UK’s involvement in institutional European integration, a balance of membership will not significantly affect future decisions, as it did not affect the past.

It is also possible to have an anticipating look - making forecasts (short, medium and long term). We take the UK’s withdrawal from the EU as our standpoint (short- and medium-term perspective) and we examine this scenario. In the long run, any scenario of UK-EU ties is possible, along with the re-admission (which is not the subject of this study).

In the short and medium term, we examine the cost-benefit relationship of the UK’s exit from the EU. In this scenario, as a preliminary general premise, we reject both the “hard Brexit” (termination of membership without an agreement) - which scenario the UK use to specifically “blackmail” the EU, and the absence of a new EU-UK treaty since the day of exit
which is used by the EU to specifically “blackmail” the UK. We place “blackmail” in quotation marks, because the consequences of any of these threats are not one-sided. The economic costs of the two options for each party are imaginable, but unacceptable. Of course, due to the differences in size of economies, they would be more troublesome for the UK than the EU, but the crisis derived from them would not be limited to the economies of both parties. We assume that the negotiations will end up in two agreements (on the withdrawal and on the new EU-UK relations).

In the short-term, the subject of the current dispute is the UK’s financial obligations towards the EU. It is wrong that Art. 50 of the TEU does not regulate this issue, but the existing international standard in a situation of a state leaving the international organization is clear - the UK is obliged to settle its obligations for the entire budget period (see more: Menkes & Wasilkowski 2010, pp. 171-181). What remains to be calculated is the exact amount of obligations, which is rather technical than a political issue. However, the parties considered that the matter itself is suitable for the spectacular public dispute.

The costs that both parties have to bear are the costs of negotiations on the withdrawal and (potential) negotiations on the future UK-EU framework treaty. This cost for the UK can only calculate the UK itself. A point of reference could be the cost of accession negotiations incurred by the new members. However, they were not providing detailed data in this regard. Sweden generally pointed to high costs, and for example in Poland, the direct costs heading should include the establishment of a special central office - the Office of the Committee for European Integration, whose staff were tempted to take up employment with significantly higher salaries than e.g. in the Ministry of Foreign Affairs. In addition, the UK will bear the costs of replacing the EU laws with its own regulations. These costs will be higher than the cost of negotiations, and the cost of error risk is very high. Moreover, the candidate country receives substantial organizational and legal assistance from the EU, and the exiting country will be on its own (on the return journey it is going to travel alone to unknown, pre-accession destination).

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36 Professor Iain Begg from LSE mentions the sum €100 billion (£88 billion), which is close to the gross amount, after deducting the UK rebate, that Britain was expected to pay into the EU budget over the span of the 2014-20 financial framework (Foster 22.06.2017).

37 Of course, basing on analyses of budgets from the negotiation period, it is possible to reproduce them with some approximation. However, some positions for many countries will not be reproduced because, for example, lobbying spending is hidden in other titles and budget positions.

38 The “European Union (Withdrawal Bill)” (commonly known as The Great Repeal Bill) was introduced by the UK’s Government on July 13, 2017. According to it, thousands of European laws, dictats and directives shall be turned into UK law before Brexit is completed. However, there are concerns that the Bill, if implemented in this form, will give the Government powers to change existing laws without Parliament’s full approval (Hughes 13.07.2017).
However, the real UK’s costs will start from the day when it stops being a member of the EU. The forecast in this regard, due to the lack of legal framework for future relations, would have to be either multivariant (researched by a large team and costly), or it would have to adopt so many simplifying assumptions that it would lack the scientific value. However, it is possible to indicate certain elements of such balance. For example, the costs of certification of goods entering markets of the EU and the UK may be particularly high after Brexit. These matters should be dealt with in the withdrawal agreement and in the agreement on the new EU-UK relations. We assume that, as a continuation of the commitments, the existing certificates remain legally valid because it is difficult to imagine a situation where all certificates expiry on exit day. Of course, the fact that something is hard to imagine does not mean that it is impossible. Yes – “hard” Brexit is possible. In such a situation, the day after exit the British goods without certificates would not be allowed to cross the EU borders. However, in the future, a need to certify new goods would emerge and it would create new costs. Their balance will be a higher burden for the UK than for the EU because the EU’s share in the UK’s trade is higher than the reverse. In addition, issues raised in the TTIP negotiations, such as the health security (GMO), are a prediction of some challenges the EU and UK will face in negotiating a new regulatory framework for relations.

In assessing the economic consequences of Brexit, in addition to the costs incurred, unrealized benefits should also be taken into account. From the EU perspective, for calculations of *lucrum cesans* the benefits of enlargement can be interpolated; these costs of unrealised benefits the EU will bear in 100%. Calculating *lucrum cesans* for the UK is more difficult. However, it is not questionable that limiting them by Brexit supporters to non-membership costs, calculated by net contributions to the EU budget, is incorrect. Not even referring to the issue of long-term UK commitments continuing from the membership period (e.g. pension liabilities), it is essential to compare the UK net contributions to the EU budget with a net contribution of e.g. Norway. Only then the potential real difference may be indicated. This may be a point of reference, as in the UK debate, the relations within the EEA, especially the case of Norway, is often pointed out as the model relations.

And so, according to the British data, the UK net contributions to the EU budget are as follows:

**Table 2. UK’s gross payments, rebate and public sector receipts and net public sector contributions to the EU Budget for calendar years 2010 to 2016, £ million**

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39 This would amount to a negative value for admission of UK to the EU-27.
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016\textsuperscript{est}</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross contribution *</td>
<td>15,197</td>
<td>15,357</td>
<td>15,746</td>
<td>18,135</td>
<td>18,778</td>
<td>19,56</td>
<td>16,996</td>
</tr>
<tr>
<td>Less: UK rebate</td>
<td>-3,047</td>
<td>-3,143</td>
<td>-3,11</td>
<td>-3,674</td>
<td>-4,416</td>
<td>-4,914</td>
<td>-3,878</td>
</tr>
<tr>
<td>Net public sector contribution **</td>
<td>7,382</td>
<td>8,082</td>
<td>8,467</td>
<td>10,465</td>
<td>9,779</td>
<td>10,763</td>
<td>8,616</td>
</tr>
</tbody>
</table>

\* Gross payment figures include Traditional Own Resources payments at 75% up to September 2016 and 80% thereafter. The remainder is retained by the UK.

\*\* Receipts figures for 2016 are based on the Office for Budget Responsibility Forecast. All other figures are outturn. Due to rounding, totals may not exactly correspond to the sum of individual items.


In 2016 the UK’s “gross contribution” is estimated at £17 billion. After a rebate of £3.9 billion, the contribution is £13.1 billion. Of this, around £4.5 billion are public sector receipts (mainly from the European Agricultural Guarantee Fund, European Agricultural Fund for Rural Development and the Social and Regional Development Funds) which are either directly paid to or support the private sector (e.g. farmers and poorer regions in the UK) through government departments or agencies. After subtracting this money, the net contribution would be £8.6 billion. This is still not what the UK will save by leaving the EU. The EU makes some payments directly to the private sector (not included in table 1), for example to carry out research activities. These receipts are estimated to be worth £1 billion in 2014 (HM Treasury 2017). The UK is also committed to spend 0.7% of its GNI on official development assistance. Part of the UK’s total spending is included in the EU aid – in 2014 it was £816 million (Dixon 2017). That means that by leaving the EU, provided that the UK does not want a single market access and maintains its support for the agriculture, science, less developed regions in the country and abroad, it would save around £6.8 billion. That is around £100 per person.

On the other hand, in 2016, Norway’s payments related to its access to the EU single marker and some EU programmes are estimated at about £623 million or £119 a head\textsuperscript{40}. Norway, similarly to the UK and other EU members, receives some of its contribution back. There are no exact numbers, but some assumptions can be made that Norway receives an amount per capita similar to what the UK receives from the EU programmes that Norway also benefits from. It is about £23 per person. Subtracting that amount from Norway’s gross contribution, we get an

\textsuperscript{40} Norway contributes £294 million to the EU projects in areas like research; £308 million on grants to poorer EU nations; and £21 million on the upkeep of the institutions of the European Economic Area. Norway also contributes to Frontex (the border agency), provides humanitarian support for refugees, and seconds experts to the European Commission. There are no public estimates of these costs (Ashworth-Hayes 2016).
estimated net contribution of £96 per head (Ashworth-Hayes 2016). That means that in 2016 each UK citizen would save around £4 more than a Norwegian if the British decided to leave the single market. The £4 saving differs significantly at the expense of the UK from the sums announced in the “Leave” campaign and that were due to schools, hospitals and National Health Service.

Other cost which have to be calculated in future is the difference between the UK benefits as a member of the EU and its future non-member status. For example, Norway is influencing the European law in the form of decision shaping (in creating the acquis and in all negotiations with external parties). This option, even if it is not unavailable for the UK, will certainly be much more difficult to use by the UK in comparison with Norway (because Norway is part of informal Nordic Community).

In addition, attention should be paid to the UK not achieving the benefits which are difficult to measure. The UK is among the leaders in acquiring scientific projects within the EU. The benefits of such projects include the transfer of tacit knowledge from the UK’s partners, knowledge of crucial importance for an economy. Another source of these benefits is educational exchange. The UK bears the cost of admitting students from the EU, but in exchange it gets the priority in the pre-selection process of recruiting the best among them - it is the beneficiary of the brain drain. These students also share tacit knowledge. They form the pro-British lobby after returning to their home countries. These benefits are not easily measured in money terms, so they will not be included in the cost-benefit analysis of Brexit even though their financial value for both the state and the businesses is not questioned.

In other areas the losses of both parties are also serious. In the sphere of power, the EU will lose the benefits derived from the membership of the UK, such as e.g. one permanent member of the UN Security Council (France will stay there). The scale of the loss of the UK’s power in international relations will be even greater (it will no longer be a superpower).

Apart from the whole spectrum of issues involved with the UK’s exit from the EU there is also an issue of the possible disintegration of the UK if (or when) Scotland becomes an independent state. The consequences would be crucial for not only the UK, but also for the EU, Poland and the Atlantic order.

On March 28, 2017 the Scottish Parliament mandated the Scottish Government to open formal talks with the UK Government to enable a second independence referendum to be held, at around the time Britain leaves the EU, in spring 2019\(^\text{41}\). Scottish First Minister,

\(^{41}\) Also in the Northern Ireland attempts are made to leave the UK. Sinn Fein is calling for a referendum on whether to join the Irish republic.
Nicola Sturgeon said on this occasion: “We know that Brexit threatens a hugely damaging and uncertain future for Scotland, and it would not be right if the people of Scotland – having been told in 2014 that the only way to protect our place in Europe was to vote against independence – were denied a choice” (Parliament backs 2017).

There is no doubt that Scotland can – if it so wishes – become a member of the EU. Obviously it fulfils all accession (or Copenhagen) criteria\(^\text{42}\).

The accession negotiations can be quick and easy, which does not mean hassle-free. The official, but informal (in the sense that there is no treaty-legal basis) EU position announcing the need for a “normal” (i.e. Article 49 TEU) accession procedure when Scotland becomes independent state must be analyzed in a multi-faceted way, since its content consists of many elements and has many different recipients. One of the direct technical problems is the relationship of potential Scotland’s statehood with the British statehood in association with Scotland’s EU membership.

The previous cases of “exits” from the EU\(^\text{43}\) do not allow for making predictions about Scotland’s case. The only matter common for all these cases is that states willing to leave the EU want to do it in such a way that they still want to “stay in there”, because the basis for their decisions are *ad hoc* political calculations rather than substantive arguments (e.g. considering economic interest). This is undoubtedly due to the fact that the alternative to participation is *out of EU area, out of business/market*. What differentiates the current exit from the previous cases is that (new)UK will be recognized as the continuator of (old)UK, while Scotland will be a new state – a recognized international body. However, it is the UK departing from the EU, and the new state by nature can neither be a continuator nor a successor of membership.

The message about Scotland’s independence is a separate issue. The EU and the US do not support any separatism seeing them as a threat to stability. They are even more reserved in this case due to the threat to the stability of one of the pillars of the Atlantic alliance and the *security community*. Undoubtedly, the promise of an automatic membership in the EU would support the backers of Scotland’s independence, as the vote “for” in the independence

\(^{42}\) Scotland would be a “European” state with constitution guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities (Article 2 TEU). Its market economy will be able to function within the EU market. Scotland will be able to adopt the *acquis* (in fact it will not abolish the *acquis*). See: Accession criteria. Retrieved from https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/accession-criteria_en (15.03.2017).

\(^{43}\) The EU does not have a ful-fledged experience of leaving the Organization. There are some similar cases, namely Greenland, Guadeloupe (or more precisely Saint-Martin and Saint-Barthelemy) and with respect to all the differences – Norway.
The referendum would be a vote for maintaining the status quo (stay in the EU) and not for the travel to the unknown (to independence).

But the circle of recipients of this message is not limited to the UK and Scotland. The first, but not direct, address is Catalonia, which the EU, in cooperation with Spain, wants to warn against the independence that will lead to the need for applying for the EU membership, which Spain can block (as the unanimity is required). Other separatism movements, such as in Basque country, Valencia, Corsica, Flanders, the Northern Ireland and like are also potentially dangerous for the identity and integrity of the EU (Dora Dore 2014).

The effects of Scotland’s gaining independence and admission to the EU may be analysed from the perspective of different actors.

From the perspective of the EU, it would decrease costs of Brexit. The reason for this is that the transatlantic order could be maintained –weakening of the order would be prevented, which is the effect of Brexit. On the other hand, as already mentioned, it would create the threat of separatisms in Europe.

From the perspective of Poland, Scotland’s membership in the EU would be beneficial, as we would, at least partially, keep the migration opportunities. Poland would also benefit from the transatlantic ties, stronger non-Eurozone, and the EU sensitivity to interests of non-euro countries.

From the perspective of UK, Scotland’s independence would disintegrate the country with all political, economic, international and legal consequences (the level of the UK’s marginalisation after Scotland’s separation from the UK is so obvious that it does not deserve analysis).

Conclusions

The results of the UK’s referendum on the membership of the EU are hard to imagine and predict. We identify the results of Brexit in four main areas.

First, the balance of Brexit for the UK will be negative. We consider the consequences of Brexit not only in money terms, but also in a wider, geopolitical perspective. Brexit will weaken the UK’s integrity, even if Scotland does not become independent. In case of breakup of Great Britain, the consequences will be more far-reaching and difficult to predict. At the same time, we consider the scenario of Scotland’s accession to the EU after gaining independence as highly probable. It is supported by the coherence of the Scottish supporters of independence with economic interests of the state.
Second, the perspective of Poland is very difficult to present. From the perspective of Poland, which in 1989 began a long road to the West, the stability and strength of the European and transatlantic institutions is a guarantee of a full respect for common values. These values are inherent to Poland’s strategic interests (these are Polish “Our interests are eternal and perpetual, and those interests are our duty to follow”). Poland, in which the coup d’etat is taking place, removes itself out of Europe (both its institutions and values) and of the Atlantic security community. Poland’s membership in the EU is currently more questionable than the UK’s membership. So perhaps in the near future the subject of analysis will not only be Br-exit but also Pol-end.

Third, the UK’s decision to leave the EU affects the perception on European integration. Even though Brexit is in line with the letter of European’s treaties, it is contrary to their spirit. The European integration is no longer perceived as a road of no return. Its attractiveness is also lowered. The UK rejects the paradigm that the security community is a source of prosperity and security. Weakening of the UK’s ties with the EU will have a significant impact on the strength of the European identity and its external perception.

Fourth, irrespective of the EU-UK regime, Brexit will affect transatlantic order and western hemisphere. It will reduce the integrity of western hemisphere. Brexit will also weaken the Atlantic alliance.

References


