

## Top 8 effects of Brexit on the future EU policies

*This report looks at the impact of Brexit from a fresh angle, digging into how the direction of the EU policies is likely to change in the absence of the UK representatives from the EU decision-making bodies. Our research combines expert insights with big political data that captures the actual voting records of representatives of all 28 Member States in the EU institutions in recent years.*

*In short, Brexit will change substantially the dynamics in the EU institutions. A **Council of 27 members and a European Parliament lacking the British MEPs** would see a **substantial shift in the balance of power in favour of the pro-social/interventionist political forces**, i.e. those who push for stronger intervention of the state in the economy and the redistribution of income. On the other hand, the forces that support free market, less red tape and a more competitive Europe would suffer a substantial blow.*

**Most of the British politicians sent to Brussels are highly favourable to the free market.** In the Council, these are Theresa May's conservative ministers. In the European Parliament, most of the British MEPs are on the right side of the political spectrum (Conservatives in the ECR group, UKIP in the EFDD group), while the Labour MEPs are less prone to support extensive regulation than their Socialist group colleagues from other countries, such as France.

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### **How would the European Parliament vote without the British?**

We have run a simulation to assess how some of the key decisions made in the European Parliament in recent years would have looked like if the British MEPs had not been there to debate and vote. On this basis, we can project how future EU legislation will look like, when it will be made without British MEPs (and with no other significant factors emerging in the interim).

These are the main findings:

1. **British MEPs have been the strongest critics of European red tape.** Once the UK leaves the EU, the forces calling for reducing business regulation (as well as for a more flexible labour market) will be substantially weaker.
2. **Brexit will decrease opposition to further harmonisation of copyright protection across the EU and will make it more difficult to uphold a strong copyright regime.** Almost all MEPs from the UK have opposed over the years the European Commission's initiatives to design a comprehensive harmonised copyright protection

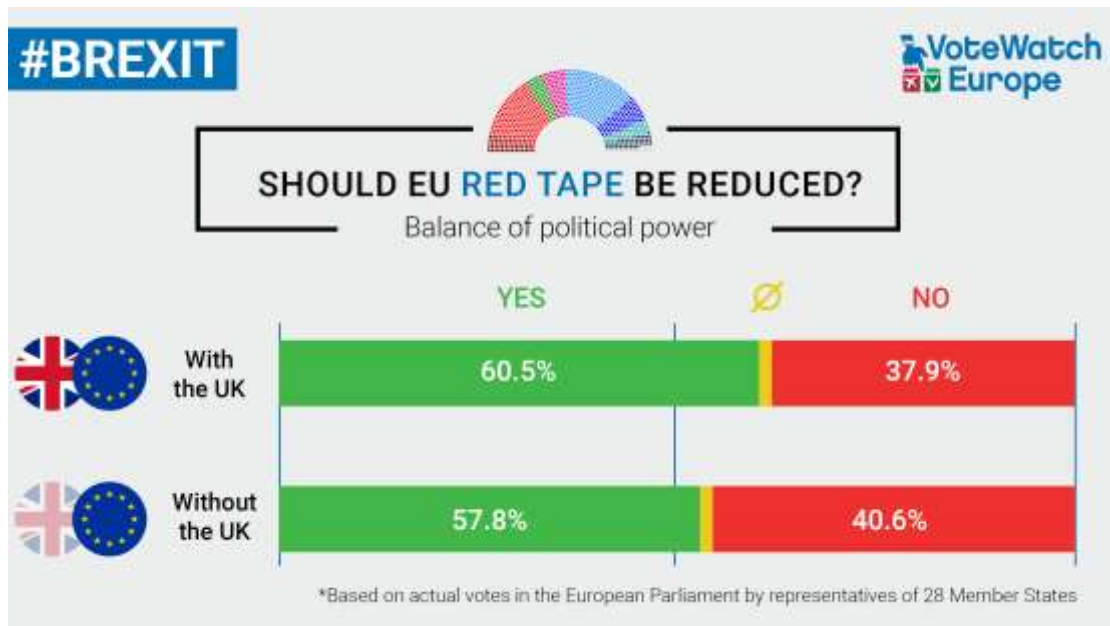
scheme in the EU, as the British believe that the way the Commission would do this would have hurt copyright holders.

3. In addition to getting a special rebate for the UK, a mechanism that allows it to pay less money to the common coffer, **British MEPs and ministers have tried to reduce the EU budget as a whole**. While the EU budget will be smaller after Brexit, the remaining MEPs will have more force to push for bigger contributions from the remaining Member States.
4. **The harmonisation of taxation across the EU will be more likely without British Parliamentarians**. Indeed, the majority of the British have strongly opposed such initiatives in the European Parliament, including the Labour delegation. Moreover, without the British MEPs, there will be a stronger majority in favour of the regulation of financial transactions.
5. **Nuclear and unconventional energy sources are important to the UK**, hence the power of pro-nuclear camp lobbying the European institutions will diminish post-Brexit. Similarly, there will be less support for unconventional energy resources without the British representatives at the negotiations table.
6. With the UK outside of the EU, **the pro-economic integration campaign might gain momentum**. Non-euro area countries will lose one of their main allies in the EU decision-making bodies and initiatives such as a full-fledged European Banking Union and the establishment of a Eurozone's budget will be easier to pass than with the UK at the table.
7. The issue of a European Defence Union has been on the table since the Brexit referendum. Post Brexit, **cooperation on defence and security is expected to increase**. The vast majority of British EU Parliamentarians and the British government opposed the plan of creating European Armed Forces.
8. Last but not least, **Brexit is likely to encourage closer cooperation on social issues**. The Conservative delegation – currently in power in London – recently opposed the creation of a European Social Pillar. It is noteworthy that Poland, which opposes social harmonisation at the European level, will lose a strong ally on this matter, both in the Council and the EP.

Also read [\*France more likely than Germany to lead the EU Council after Brexit\*](#).

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### **Effect no. 1: more regulatory burden on EU businesses**



British politicians are substantially more favourable to reducing red tape than their continental counterparts. If they no longer take part in the decisions regarding the internal market, the pressure on the EU decision-making apparatus to simplify legislation and decrease the number of regulation will be much weaker. On the contrary, **the forces that are of the opinion that reducing red tape has a negative impact on labour and environmental standards will become stronger** and will find it easier to influence the decisions their way.

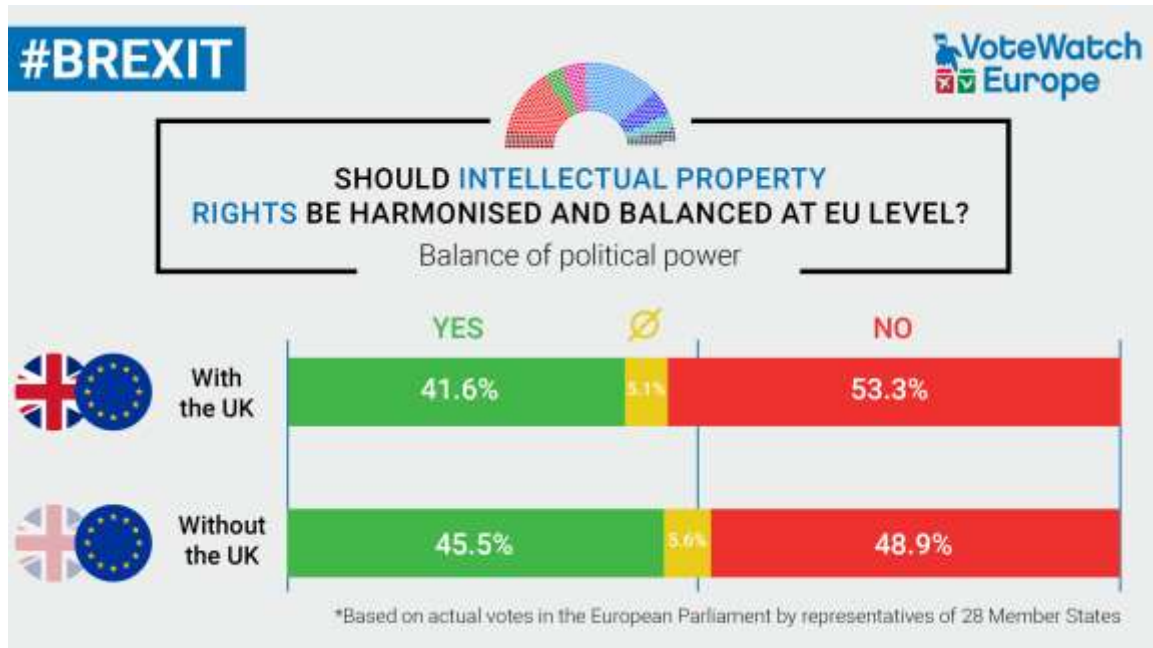
For instance, in May 2015 nearly all British Members of the Parliament (MEPs), regardless of their political family, supported a move to cut red tape. Concretely, they all voted in favour of a paragraph that backed the European Executive's approach to withdraw from the legislative process those bills that are considered obsolete or that are suspected to add too much administrative burden on the institutions and businesses working across the EU.

As highlighted by our infographic, the majority supporting the cut of red-tape would have been definitely smaller without British members. The smaller the EP majority behind a Commission proposal, the more the Commission becomes hesitant to change the course of policy. Notably, within the S&D group the British Labour delegation had a different opinion, voting alongside the centre-right in favour of less legislation.

Similarly, **British MEPs from the three main delegations, Conservatives, Labour and UKIP have traditionally supported a more flexible labour market**, being of the opinion that this is needed in order to strengthen the competitiveness of the European enterprises. They have also voted against the introduction of minimum wages across the EU.

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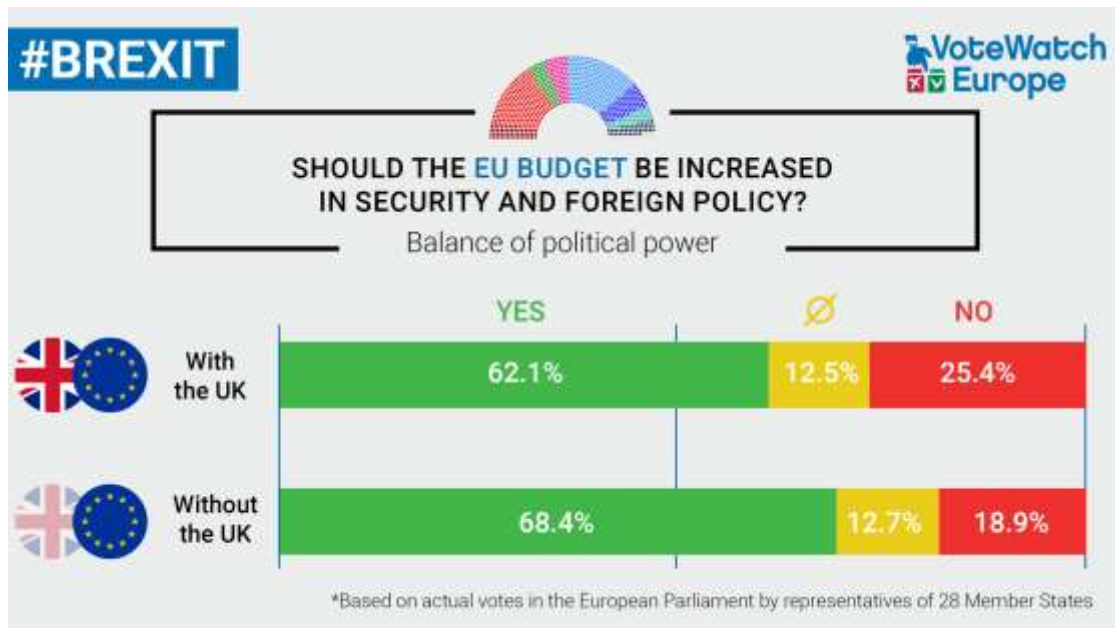
#### **Effect no. 2: weaker copyright protection in the EU**



The British delegation in the EU Parliament tended to oppose any harmonisation of copyright protection within the EU. **Almost all UK Parliamentarians opposed (only the centrist Lib Dems representative voted in favour) an amendment calling on the European Commission to establish an EU harmonised system of copyright**, which should take into consideration both the interests of both consumers and right holders. Although most British MEPs are supportive of stronger copyright protection in the European Union, they are not keen on letting the European Commission take a leading role in this process.

In the absence of UK Members, **the European Parliament would be much more in favour of an increased role for the European Commission on copyright protection**. In fact, the majority voting against the amendment calling for a harmonised and balanced system of copyright would have been much smaller without British MEPs.

**Effect no. 3: EU budget as a whole will be smaller, while Member States' contributions might increase**



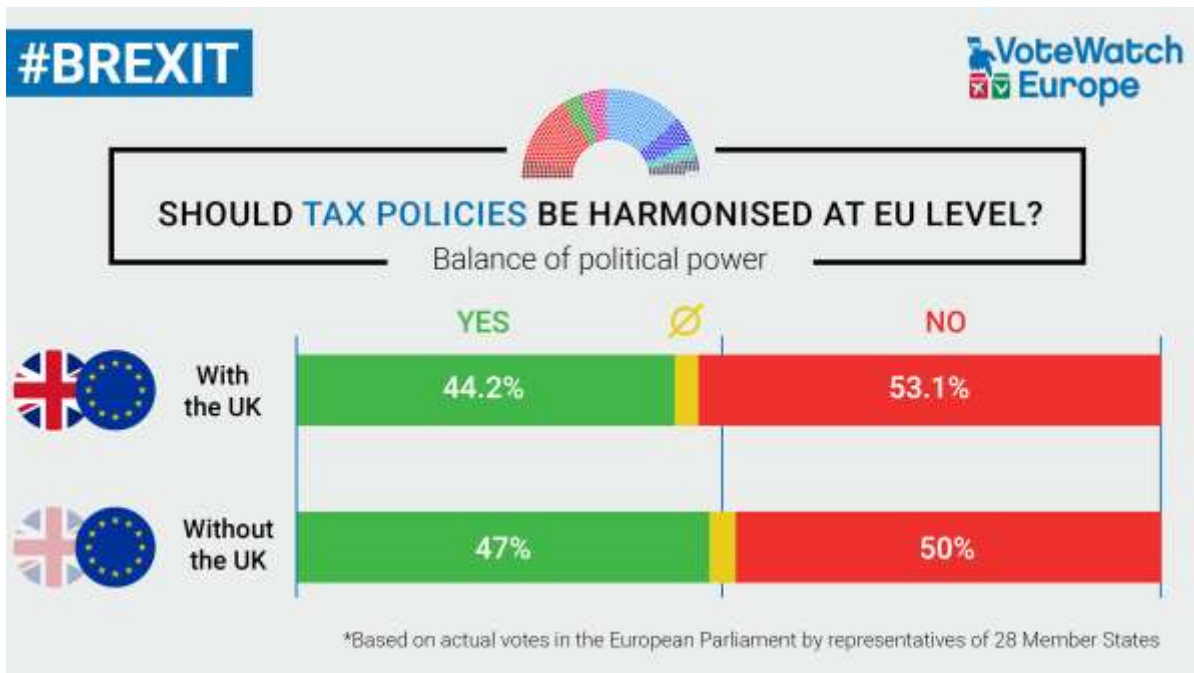
The disputes between Brussels and London on the matter of how much the UK should contribute to the common coffer are no news. According to the Treaty, the UK enjoys the famous rebate, which allows it to pay less money, proportionally, than the rest of the Member States. Additionally, **British politicians have tried to reduce their contribution to the EU also indirectly, by supporting the reduction of the EU budget as a whole (which would automatically reduce British contribution proportionally)**. Concretely, the British government takes this view in the Council every time it has the chance, but also most of British MEPs do so when voting in the European Parliament.

This happened, for instance, when voting on the resolution addressing the 2016 draft budget. This time again, the text welcomed the fact that the draft general budget of the EU for 2016 increased the funding in several domains such as security and foreign policy. British MEPs from all political groups voted against the resolution. If they had not taken part in the vote, there would have been a larger majority in favour of increasing the EU budget.

Consequently, after Brexit, the total EU budget will be certainly smaller without the British contribution. On the other hand, **the Commission and the Parliament would see an opportunity to push for bigger contributions** from the remaining Member States in the absence of British opposition.

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**Effect no. 4: stronger push for tax harmonisation and higher taxation of financial transactions**

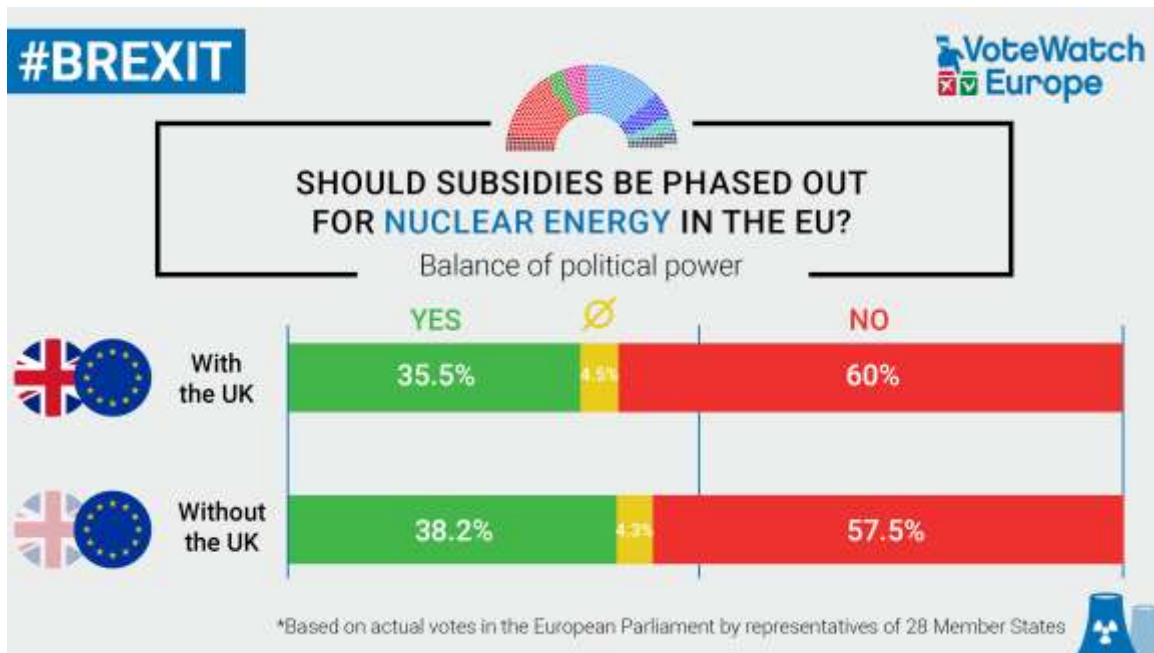


If the British representatives had not been there to vote, the harmonisation of taxation across the EU would have been more likely. An illustration of this is the rejection of a call for EU-wide tax harmonisation that took place in March 2015.

The Socialist, Liberal-democrat and Greens/EFA MEPs wanted to adopt a measure calling the EU to put forward tax harmonisation measures. The proposal was rejected, as most of the centre-right MEPs (People's Party and Conservatives) voted against tax harmonisation. Interestingly, inside the Socialist and Democrats group, **the British Labour delegation disagreed also with the position expressed by their continental counterparts and voted alongside the centre-right.** As shown in our infographic, the majority against the harmonisation of taxation would have been much thinner without UK Members (for more information on MEPs' position on tax harmonization read our [previous analysis](#)).

Moreover, once UK MEPs leave the EU Parliament, a stronger drive for normalising financial transactions could emerge. This can be observed on a vote over a paragraph within the report "EU Semester for economic policy coordination for 2015". On this occasion, a centre-left majority succeeded in pushing for an explicit call for the adoption at Council level of an ambitious financial transaction tax (FTT). The provision was adopted by 353 votes in favour, 317 against and 27 abstentions. **Without the British EU Parliamentarians opposing this paragraph, the majority in favour of the regulation of financial transactions would have been even stronger.**

**Effect no. 5: less support for nuclear energy and exploitation of unconventional energy sources (e.g. shale gas)**



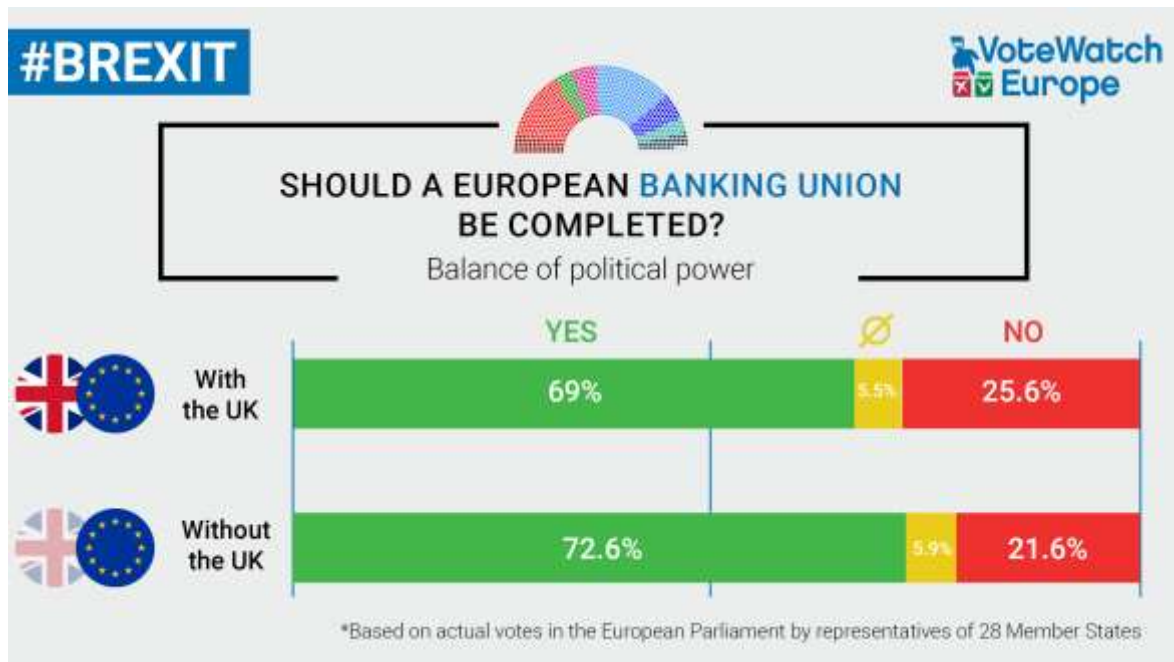
Supporters of nuclear energy will lose a strong ally in the EU institutions due to Brexit. UK members are usually opposing provisions demanding the phasing out of nuclear energy. This was the case, for example, when voting on an amendment within the report “EU Energy Security Strategy”. The amendment, rejected by the Parliament, was calling on the Member States and the EU institutions to phase out subsidies and other public funding that goes to new and existing nuclear facilities. **With no UK Parliamentarians, the pro-nuclear camp would become smaller.**

Similarly, **there will be less backing for exploiting unconventional energy resources, such as shale gas.** Another amendment on the same report asking the Member States “to refrain from any shale gas exploration and exploitation activities” was also rejected by 289 votes in favour, 388 against and 25 abstentions. Without the British delegation, the outcome of the vote would have been 276 votes in favour, 329 votes against and 25 abstentions.

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#### **Effect no.6: stronger push for Banking Union and economic reforms**





With the UK outside of the EU, **the non-Eurozone countries will lose an important ally** and Eurozone Member States will have a stronger majority within the EU institutions. The British have always been sceptical about the common currency, be it the Euro or the European currency unit (ECU). Recently, **the majority of British Parliamentarians** (only the Labour Party were in favour) **opposed the completion of the Banking Union**. As highlighted by our infographic, the pro-integration side on economic issues would have been stronger without British Parliamentarians.

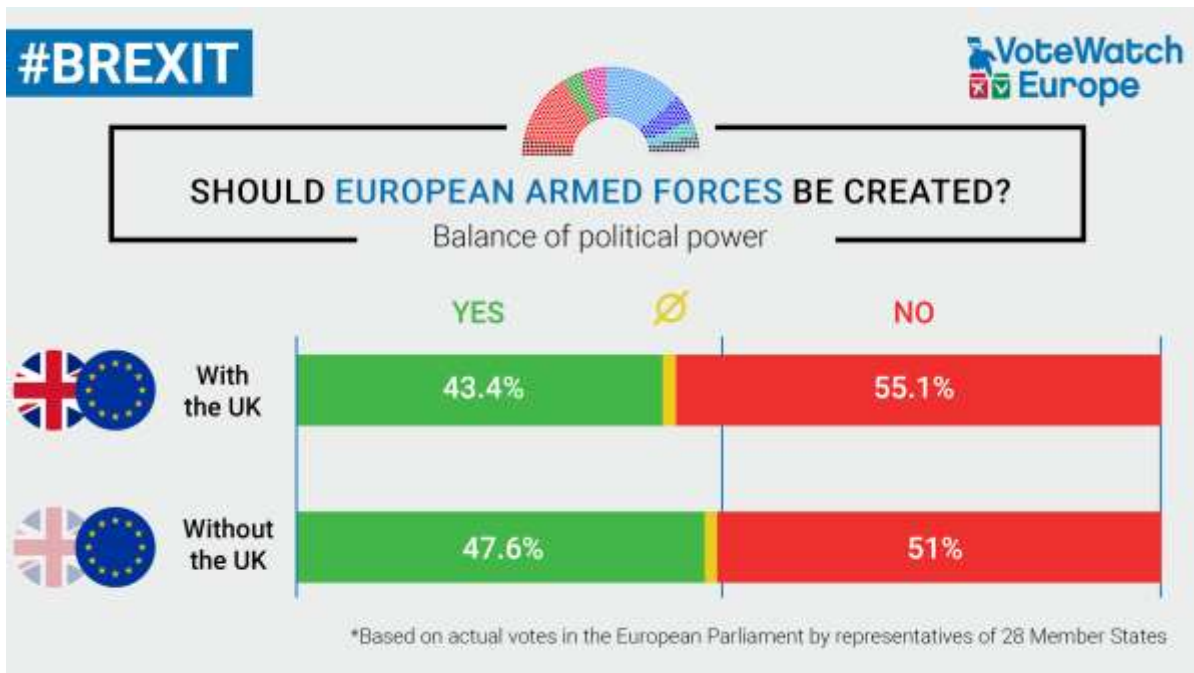
With an economically and demographically important non-Eurozone country leaving the EU, current euro area members will see an opportunity to strengthen economic and monetary integration. Regarding the establishment of a Eurozone's budget, which is backed by the majority of candidates in the French presidential elections, non-Eurozone and reluctant countries, such as Sweden, Denmark and Central Member States, will have less weight in decision-making bodies without the UK.

Also read: [\*The politics behind EU's economic policy: which way forward during the 2017 electoral year?\*](#)

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#### **Effect no. 7: greater willingness to develop a European Defence Union**



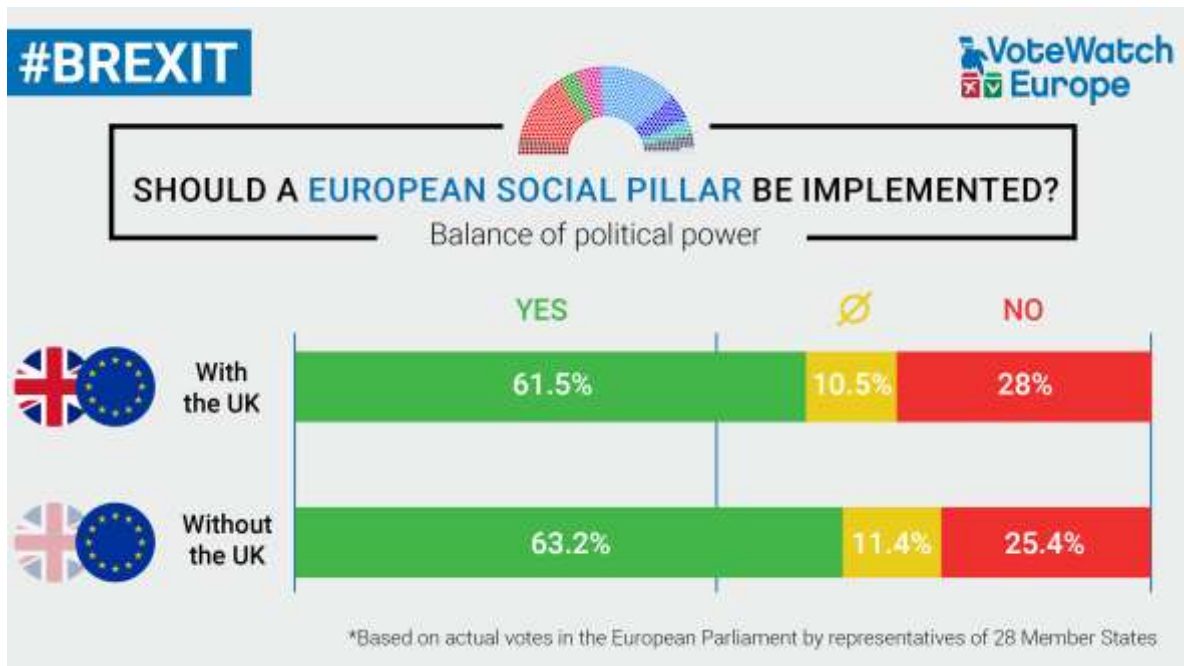


Although the UK is considered as an important military actor, **it has long blocked European integration in defence and security areas**. In order to relaunch the EU after the Brexit referendum, the 27 remaining countries have intensified discussions about [deepening cooperation on these issues](#). The European Commission has proposed in November 2016 the creation of a European Defence Fund. In addition to Trump's election in the United States, Brexit could strengthen defence cooperation within the EU, considering that both France and Germany now call for it.

In the European Parliament, **British MEPs recently opposed the establishment of European Armed Forces – only the Liberal Democrats MEP favoured it**. The EP was strongly divided on this issue and the majority of MEPs opposed this very federalist phrasing. Only the three political groups at the centre of the political spectrum (EPP, S&D and ALDE) favoured the creation of European Armed Forces. With no UK Parliamentarians in the Chamber, this coalition will grow stronger, getting very close to rallying a majority.

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**Effect no.8: stronger support for social policies**



The European Commission is expected to present in April 2017 a set of proposals on a European Social Pillar, including employment, working conditions and social protection policies. Social policy has not been a core policy of the EU over the past few decades but it will likely be at the centre of political debates in the following months. During the debate surrounding Juncker's White Paper on the future, the European countries will have to decide a way forward for Europe and what should be the role of social policy.

**Brexit will weaken the power of opposing governments, such as the Visegrad members or the Netherlands.** In effect, London had mostly been interested in the single market, opting out of the Charter of Fundamental Rights. In this context, **the majority of British MEPs recently opposed a resolution on the European Social Pillar**, only the Labour Party voting in favour. Without UK Members, the balance of power on this vote would have not considerably changed, but it is noteworthy that Poland, and especially the governing party Law and Justice (PiS), will lose a strong partner on these issues.