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BREXIT MESS: WHAT CAN THE EU DO?

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Even Shakespeare could not have imagined a bigger drama. UK Brexiteers had once set out to “regain control“. Instead, the political crisis in the UK and Theresa May’s need to now ask for a [Brexit delay](#) at tomorrow’s EU summit without being able to convincingly spell out the length and purpose of the delay has given the EU27 - and each of its member states - more leverage over the UK than they ever wanted to have. The EU27 will probably ask the UK to clarify its intentions or at least to clearly set out its next steps first before granting the Brexit delay. In the words of EU chief negotiator Michel Barnier, “EU leaders will need a concrete plan to make an informed decision”.

So far, the EU27 members have been quite consistent and united in their approach to Brexit. But forging a common approach among 27 countries usually takes time. The UK’s worsening Brexit mess now forces the EU27 to co-ordinate and act with uncommon speed. As the situation is still in flux, we can only guess how the EU27 will respond to the letter requesting a delay which May will reportedly send today..

STARTING SITUATION FOR THE EU27

A week ago, we noted that the EU27 are “exasperated“ by [UK dithering on Brexit](#). By now, this has turned into the understatement of the year.

- All EU27 members want to avoid a hard Brexit.
- No member wants to get the blame for causing a “no deal“ hard Brexit.
- No member wants to grant the UK extra time for simply prolonging its agony. The UK needs to be under pressure to finally take a decision and choose one of the available options for post-Brexit relations such as May’s deal, an augmented customs union for goods or full single market membership - or allow a new political process that could potentially result in staying in the EU.
- No member wants to re-open the detailed Withdrawal Agreement. Changes to the declaration on post-Brexit relations are easier as the details will have to be fixed during the envisaged transition period to end-2020 anyway.
- Some players (apparently including European Council president Donald Tusk) still hope that, after a new referendum, the UK may decide to stay in the EU. They would like to grant the UK sufficient time for such a potential change of mind.
- Others, apparently including France, would like to resolve the uncertainty fast, one way or the other.
- Many EU27 leaders are concerned that, if the UK remains a member beyond the EU parliamentary elections on 23-26 May, the UK could mess up EU affairs. Choosing the next EU Commission and negotiating the budget would be even trickier if a disoriented UK still casts a vote. They would only countenance this if they see a serious chance that the UK could remain a bona fide EU member for good after new elections and/or a new referendum.



A POSSIBLE WAY FORWARD

Kicking the can down the road only to resolve issues at last-minute crisis meetings is a time-honoured EU tradition. Even stopping the clock for a while is not unheard of. One possible outcome of the EU's Brexit summit on 21 March could be:

- The EU27 endorse the UK's request for a delay in principle.
- The EU27 ask the UK to specify by 28 or 29 March whether it wants to use the delay simply to finalise and ratify one of the three easy Brexit options, namely May's deal, an augmented customs union or full single market membership. The EU could then call a special summit at short notice to formally grant the Brexit delay request.
- If a majority in the UK parliament votes in favour of one of the three easy options early next week, the EU27 would then - just ahead of the original Brexit day - agree to a delay until 22 May (or 30 June). Customs union or full single market membership would require only limited changes, if any, to the Withdrawal Agreement. The text of the statement on future relations could be adjusted fairly easily. Barnier suggested this once again yesterday when he explained that the statement could be made more "ambitious".
- If the UK cannot endorse one of these three options by 28 March, the delay would have to be much longer. The UK would most likely have to take part in the EU parliamentary elections. In addition, the EU27 would ask for strong guarantees that the UK will not seek to shape EU decisions in the meantime - unless it had decided to stay in the EU for good, of course.

We see a risk that, even if the UK were to choose the augmented customs union for goods or full single-market membership by 28 March, the EU27 may insist on a long delay. But to avoid the EU elections issue in such a case, the EU27 would probably prefer the short delay in this case.

As the EU27 countries have to unanimously support a Brexit delay, each of them could threaten to use its veto to extract concessions from the UK or even its fellow EU27 members. This is one way in which negotiations could go wrong in the last minute. Through its inability to take a decision, the UK has put its fate at the mercy of each of the other EU members. However, the pressure on all EU27 leaders to close ranks in such an important case will likely be immense. We do not expect potential disagreements among the EU27 to prevent a delay and trigger a no-deal hard Brexit in the end.

For the EU27 economy, a hard Brexit would be the worst result. Any other outcome that resolves uncertainty fast would support business confidence. Full single market membership or customs union for goods would be more advantageous for both the EU27 and the UK than May's deal. A long delay would be a mixed blessing. While it would keep a hope alive for the economically best option, the UK stays in the EU, it would go along with an extended period of grave uncertainty until the UK has made up its mind one way or the other.



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