UNIVERSITY OF MACEDONIA

Department of International and European Studies

Master's Degree in International Studies

Specialization Field: EU studies and Diplomacy

Thesis Title:

The economic impact of Brexit and the reaction of the European Union: Brexit Adjustment Reserve

Postgraduate student: Gkekas Nikolaos Ilias

Supervisor: Professor Dimitrios V. Skiadas

THESSALONIKI 2022

UNIVERSITY OF MACEDONIA

THESSALONIKI 2022

Table of Contents

Introduction:

On 23 June 2016, the UK, after holding a referendum, decided to leave the EU. The country, considering that its interests for the present and the future are not served within the single market and the customs union, decided to follow its own independent course with emphasis on its internal issues. The result of the referendum caused an unprecedented shock to the EU, which would see for the first time in its history a decades-old member state leave the Union. In fact, it is not just any state but the second largest economy and the third largest country in the Union. Therefore, the economic, political and social damage suffered by both the EU and to a much greater extent by the UK was significant and aroused the interest of many scholars and academics to deal with the analysis of the issue.

The purpose of this master thesis is to approach the economic impact of Brexit in both the EU and the UK and the EU's response in order to mitigate the economic impact of Brexit on its member states. Of course, as the issue is new, the EU's reaction is in progress, as well as the definitive shaping of post-Brexit relations have not been consolidated since there are still several points of friction between the EU and the UK, the analysis of the work extends until the period of June 2022, when the last funding package of the Brexit Adjustment Reserve instrument was approved by the Commission, to four EU member states. The analysis extends into two major parts and an epilogue which are structured into individual chapters.

Part I of the analysis begins with a small chapter that introduces the reader to the processes that took place before and after the Brexit vote in June 2016 and to the possible scenarios of the formation of post-Brexit relations between the EU and the UK. Then, the second chapter analyzes the macro-economic impacts of Brexit mainly on the GDP of countries and outlines the economic role of the UK for the EU and the rest of the world. Emphasis, however, is placed on the interdependence of the two economies (EU and UK) and the need for a favorable withdrawal agreement that was ultimately secured with the TCA. The third and final chapter of Part I, describes the economic impact of Brexit on the one hand for the UK and on the other for the three EU member states that received the biggest economic blow. The economic impact examined in the first part of the paper is based on macro-economic analyses by academics and economists.

Part II of the analysis consists of the paper's case study and deals with the Brexit Adjustment Reserve, a € 5.4 billion instrument set up by the EU to ease the economic shock of Brexit for its member states. The first chapter of the second part explains the theoretical and legal background of the instrument. In particular, the objectives, the legal basis and the allocation of funding per member state as provided by the Brexit Adjustment Reserve Regulation are described. The second chapter analyzes the actual application of the instrument and the allocation of the funding per member state that has been carried out up to the time the paper is written. As mentioned above, the process is still ongoing and until now most countries have received the corresponding amount, since the program was implemented.

The epilogue deviates from the strict economic approach mainly presented on this thesis and includes a more comprehensive analysis of the future role of both the EU and the UK in the post-Brexit era. Based on what has happened, analysts make a series of estimates for the future and much more they concentrate on proposals that should be taken into account by both sides for their future course.

At this point, I would like to thank my Supervisor, Professor Dimitrios V. Skiadas, for his patience, his guidance and his academic and moral support, which have been vital for the preparation and completion of this work.

PART I

CHAPTER I

a. A sort timeline of Brexit

In order to examine the economic impact of Brexit both in the EU and the UK and then continue the analysis with the case study, concerning the newly established instrument of the EU, the Brexit Adjustment Reserve (BAR), it's necessary to present a sort timeline of the events that led to this conclusion.

A starting point of the Brexit events can be considered on 2013 when the Prime Minister David Cameron stated in a eurosceptic tone his preference on holding an in-out referendum about the stay of the UK in the EU[1]. After the 2015 general election where David Cameron and his conservative party won, by gaining majority[2], he implemented the referendum plan. David Cameron was declaring that the UK had to renegotiate with the EU the relations between the two parties. Some of these relations were related to areas such as the economic governance, the competitiveness, the sovereignty and governance and the free movement. The Referendum Act acquired Royal Assent at the end of 2015 and then on February 2016 David Cameron officially declared the referendum date on 23 June 2016[3].

Therefore, the citizens were called on that date to vote whether they should remain in the EU or not. The exact question was worded as it follows: "Should the United Kingdom remain a member of the European Union or leave the European Union?" Surprisingly, the result of that vote concluded to a slim majority for Brexit. To be more precise the aftermath of the referendum gave the Brexit supporters a lead of 51,9% (17.410.742 votes) against 48.1% (16.141.241) of those who preferred their

---

[1]BBC (2013). *David Cameron promises in/out referendum on EU.* BBC, link: https://www.bbc.com/news/uk-politics-21148282

[2] UK Parliament. *General Elections 2015: results.*, link: https://www.parliament.uk/business/publications/research/key-issues-parliament-2015/parliament-politics/general- election-2015-results/

[3] Walker N. (2021). *Brexit timeline: events leading to the UK's exit from the European Union.* HOUSE OF COMMONS LIBRARY, BRIEFING PAPER Number 7960, p. 4-5

country to remain into the EU. The very next day PM David Cameron resigned and Theresa May took the office of Prime Minister three weeks later[4].

The new PM was the one who triggered Article 50 of the Treaty on European Union on March 2017. This Article outlines the procedures a member state must follow in order to cease being a member of the EU[5]. Afterwards, the UK government introduced the European Union (Withdrawal) Act or the Great Repeal Bill, which secured Royal Assent and became Act of the Parliament officially in June 2018. Typically, from 2017 to 2019 a tough period of negotiations is taking place, between the EU and the UK, which is causing a stir within the UK Parliament[6]. More specifically, Theresa May, after failing to convince the Parliament and gain parliamentary support three times in a row for her Brexit plan, she was forced to resign. It should be pointed out that the Prime Minister also faced pressure within her party as many Conservative members of the parliament were harshly critical on the way she was running Brexit policy. A typical example of this situation can be found on December 2018 when members of the conservative parliamentary group challenged her through a vote of confidence[7]. Even though Theresa May secured the vote of confidence, she was not able to secure the essential meaningful vote in order to ratify the Brexit Deal.

Theresa May's successor to the Prime Minister office was Boris Johnson. A new round of negotiations between the UK and the EU took place on October of 2019[8]. In the end the two sides found the middle ground. The EU proceed immediately to the ratification of the revised withdrawal agreement, which encompassed a revised Protocol on Ireland and Northern Ireland relations, that will be discussed later in the analysis. Then, the Prime Minister of the UK sent a letter to the President of the European Council asking for the Brexit date to be moved a few months later. The request was accepted and the Brexit date was set for January 31, 2020. In the meantime, Boris Johnson engaged "to get Brexit done'' by the end of the

[4] Ibid p. 6-7

[5] Consolidated Version of the Treaty on European Union [2012] OJ C326/44, Art. 50

[6] Walker N. (2021). *Brexit timeline: events leading to the UK's exit from the European Union.* HOUSE OFCOMMONS LIBRARY, BRIEFING PAPER Number 7960

[7] BBC (2019). ***Theresa May resigns over Brexit: What happened?*** **BBC, link:** https://www.bbc.com/news/uk-politics-48379730

[8] European Council Council of the European Union. *Brexit Timeline.* Retrieved from:https://www.consilium.europa.eu/en/policies/eu-uk-after-referendum/

deadline[9] while the other Member States of the EU began to prepare the ground for the forthcoming negotiations with the UK in the Post Brexit era.

Following a lengthy tour of negotiations, the UK withdrew from the EU on January 31. However, the actual exit has not yet been stimulated, as from this point until the end of 2020 (31 December), the so-called **transition period** has been applied. More specifically, the transition period allowed the UK to remain a member of the single market and customs union, for a short period of time, in order to give the companies the necessary time to acclimate to the new economic reality, that would emerge after the end of this duration[10]. Following this period, the UK and the EU have been invited to renegotiate trade and other agreements, that would determine their future relations. The EU trade and Cooperation Agreement (TCA) has only been signed at the end of this period and put into force in May of 2021[11].

b. Brexit scenarios

As the negotiations were going on, many wondered about the relations that would follow, after the withdrawal of the UK from the EU. Besides the fact that an agreement was signed at the end of the transition period, many scenarios related to post-BREXIT relations with the EU were discussed between various experts and academics. These scenarios are worth mentioning as they provide a good opportunity for a brief overview of the EU' s economic relations with third countries. The following table (Catherine Mathieu, 2020) presents some key agreements that have been scrutinized in shaping the post Brexit relations between the EU and UK and provide some useful information.

[9] Walker N. (2021). *Brexit timeline: events leading to the UK's exit from the European Union.* HOUSE OFCOMMONS LIBRARY, BRIEFING PAPER Number 7960 p.62

[10] Etherington h. and Wright G. (2020). *Brexit Transition Period*. INSTITUTION FOR GOVERNMENT. Retrievedfrom: https://www.instituteforgovernment.org.uk/explainers/brexit-transition-period

[11] European Commission. *The EU-UK Trade and Cooperation Agreement.* Link: https://ec.europa.eu/info/strategy/relations-non-eu-countries/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement_en

	EEA	Customs union	FTA	WTO
Free trade with the EU	Yes, for industrial goods and services	Yes, for goods with possible exception for agricultural products. No, for services	Depending on the extent of the agreement	MFN rules
Customs union with the EU	No	Yes	No	No
Workers free movement	Yes	No	No	No
Contribution to the EU budget	Yes	No	No	No
Autonomous trade policy	Yes, in principle	No	Yes	Yes
Regulations	Set by the EU	Set by the EU	Negotiated	No
Conflict resolution	EFTA Court of justice, then ECJ	No or ECJ	Bilateral mechanisms	WTO mechanisms

Catherine Mathieu, 2020

To begin with, the European Economic Area or EEA is in simple terms an economic union that brings together the EU Member States along with three other European countries, which are Norway, Iceland and Liechtenstein. One should not confuse the EEA with EFTA, which stands for European Free Trade Association and consists of four member states. These are the three non EU member states of the EEA (Norway, Iceland and Liechtenstein) alongside with Switzerland[12]. The main target of EEA is to reinforce the economic ties between the countries that assemble this agreement, emphasizing to the four central freedoms of internal market. These freedoms refer to the free movement of goods, people, services and capital[13]. On the other hand EFTA is responsible to buildup a better trade and economic environment between the four member states[14].

Moving forward, the EU Customs Union is an integral part for the smooth functioning of the single market. The Customs union provides an area of common custom duties between EU member states, which applies for imports and exports from non EU countries. In particular, goods originated from non EU countries are subject

[12] Mathieu C. (2020). *Brexit: What economic impacts does the literature anticipate?* CAIRN.INFO, link:https://www.cairn.info/revue-de-l-ofce-2020-3-page-43.htm?ref=doi&contenu=bibliographie

[13] Eurostat Statistics Explained (2020). *Glossary:European Economic Area (EEA).* Link: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:European_Economic_Area_(EEA)

[14] Eurostat Statistics Explained (2019). *Glossary:European Free Trade Association (EFTA).* Link : https://ec.europa.eu/eurostat/statistics-explained/index.php

to common custom duties only the first time they cross the European border. After that time there no added tariffs within the EU borders[15]. Turkey and three other small states are in a customs union with the EU. Customs union with Turkey has been in forcesince 1995[16].

Finally, it's useful to make a brief reference to the WTO, as in case of a no deal Brexit the WTO rules would have automatically been implemented for the UK. World Trade Organization is a negotiation forum for all governments, aiming to optimize the trade agreements among the countries and resolve any possible disputes among them[17]. One of the key principles of the WTO is the so-called system of Most Favored Nation (MFN). According to this principle countries must treat equally to all their trading partners, without favoring a country with lower tariffs while burdening another with higher tariffs[18]

It's reasonable for someone to think that the issue of EU-UK trade relations in the post- BREXIT era would not be so difficult to resolve as there is a general framework of agreements on which this relationship could be based. However, the negotiations were much more complex, as there were many obstacles, mainly from the British side. In the table below, red lines posed by the UK government can be seen.

---

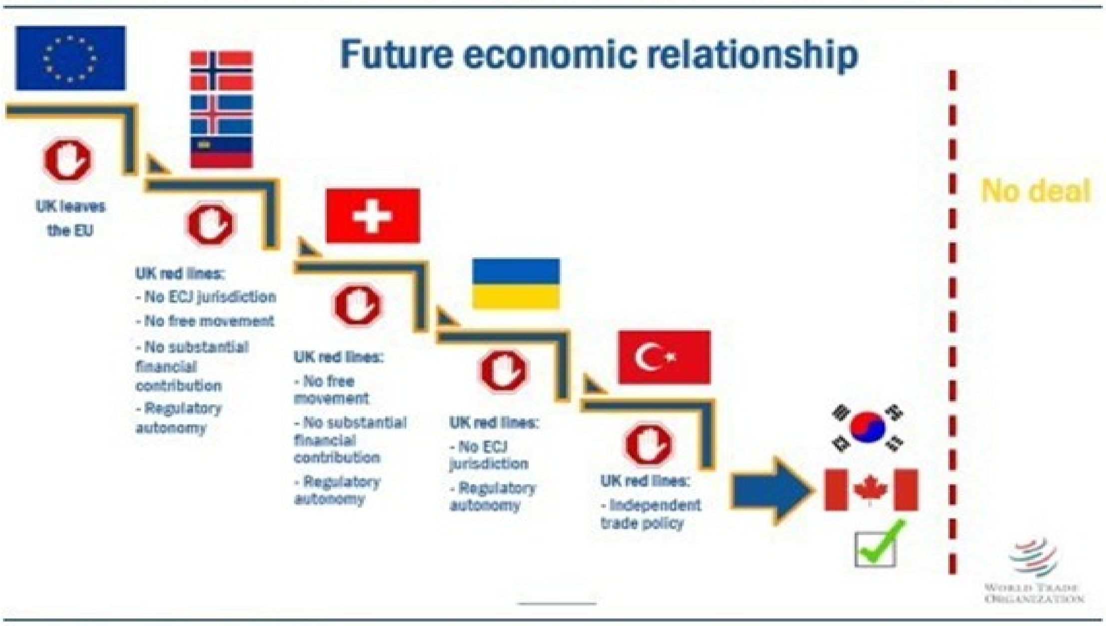
[15] European Commission. *EU Customs Union – unique in the world.* Link: https://ec.europa.eu/taxation_customs/customs-4/eu-customs-union-facts-and-figures/eu-customs-union-unique- world_en

[16] Ιωάννου Μ. (2020). Τι είναι η Τελωνειακή Ένωση ΕΕ-Τουρκίας και τι σημαίνει το ενδεχόμενο αναστολής της. Euronews, link: https://gr.euronews.com/2020/10/20/ti-einai-i-telwneiakh-enosi-eu-tourkias-ee-kai-ti-simainei-anastolis-ths-dasmoi-emporio

[17] WTO. *What is the WTO?* Link: https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact1_e.htm

[18] WTO. *Principles of the trading system*. Link: https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm

Possible institutional scenarios according to the original UK Government red lines



Source: European Commission (2017).

ECB, Occasional Paper Series, No 249 / October 2020

Starting from the highest step of the table the UK decided to leave the EU after the 2016 referendum. UK made it clear from the outset of the negotiations that it wanted to relinquish the ECJ jurisdiction and το take control over the deployment of workers in its borders. Also, the country didn't want any contribution to the European budget and sought regulatory autonomy. Under these circumstances, it's obvious that an agreement like the EEA or the EFTA couldn't be implemented between the two parties. In addition, it is worth noting that the EU didn't want to strengthen an EFTA, as such agreements where the ECJ jurisdiction is absent disrupt the pillars of the EU[19].

Moving forward, the scenario of maintaining the customs union between the UK and the EUwas opposed by both sides. On the one hand the UK would not be able to shape independent trade policies. On the other hand the EU would not accept the UK's stay in the customs union if the last did not respect basic principles, which are related to European rules and are subject to the control of respective European institutions. In this case, we would not have an equal terms agreement. In addition, a

[19] Mathieu C. (2020). *Brexit: What economic impacts does the literature anticipate?* CAIRN.INFO, link: https://www.cairn.info/revue-de-l-ofce-2020-3-page-43.htm?ref=doi&contenu=bibliographie

no-deal Brexit would further complicate the trade situation between the two parties and would definitely worsen UK's position, as the WTO rules would have automatically been implemented. For this reason, no one wanted such a conclusion[20].

A modest diplomatic move from both sides would be to reach a FTA based on the model agreement, that the EU maintains with Canada. In this way there would be a mutual partnership in certain areas while the UK would maintain the autonomy it sought in other areas. Finally, there is also a FTA between the EU and Ukraine. However, this kind of agreement couldn't settle the EU - UK relations, as Ukraine adopted EU regulations that the UK wouldn't accept[21].

Taking into account not only the existing agreements but also the new framework that emerged from UK's withdrawal from the EU, the two sides ended up by signing the TCA (Trade andCooperation Agreement). This newly established FTA determines the basis of cooperation in a widerange of different areas.

[20] Ibid
[21] Ibid

CHAPTER II

a. The Impact of Brexit on GDP

The UK's exit from the EU is a loose-loose situation, no matter of the Brexit scenario that would follow and this is something that has been pointed out by various economists and academics. Specifically, although there are some discrepancies between the studies, it is certain that BREXIT has an impact on the sectors of trade and foreign direct investment, as well as the trading markets share activity between the EU and the UK.

However, in case that the UK and the EU would end up in a "*Hard Brexit*" meaning the UK's withdrawal from the EU without an agreement, this would have led to more serious economic consequences for both sides. To put it another way in case of no deal Brexit, the financial status of the WTO and the basic principle known as the MFN would automatically be applied. According to this principle, all WTO member countries must treat their trading partners equally without facilitating only certain countries, by granting favors. In essence, if the UK did not reach an agreement with the EU, its exports would be subject to MFN tariffs, which would greatly increase the cost of trade between the two parties[22].

As mentioned above, in case the UK and the EU did not reach an agreement the financial cost for both sides would be the maximum. Patrick Bisciari in the table[23] below has collected several studies that highlight the long term economic impact of such a development on the GDP of the two parties.

[22] Dhingra, Swati; Huang, Hanwei; Ottaviano, Gianmarco; Paulo Pessoa, João; Sampson, Thomas; Van Reenen, John (2017). *The costs and benefits of leaving the EU: trade effects*. Economic Policy, 32(92), 651–705. doi:10.1093/epolic/eix015, p. 658.

[23] Bisciari P. (2019). *Main findings from a survey on the long-term impact of Brexit on the UK and EU economies*. SUERF Policy Note, Issue No 84

Institution	Losses		Channels	Method
	UK	EU27		
LSE (2017)	-2.7		Trade, EU budget	
LSE (2018)	-3.3		Trade	
IMF (2018)	-4.0	-0.5		Comparative static, trade models
CAE (2018)	-2.7	-0.8		
IFO (2017)	-1.7	-0.3	Trade	
IFO (2018)	-3.2	-0.6		
CPB (2016)	-4.1	-0.8	Trade	CGE macro model
KUL (2017)	-4.5	-1.5	Trade, global value chains	Comparative static, trade model with sector-level input-output linkages
Bank of Italy (2018)	-2.0 -10.6	-0.3 (EA) -0.5 (EA)	Trade Trade, TFP	DSGE macro model
NIESR (2016)	-3.2		Trade, tariffs, FDI, EU budget	Macroeconomic model (NiGEM)
	-7.8		Idem + labour productivity shock	
NIESR (2018)	-5.5		Trade, FDI, migration, EU budget + limited labour productivity shock	
UK Gov (2018)	-7.7		Trade, new trade deals, deregulation	CGE macro model (+ gravity)
	-9.3		Idem + migration	
	-9.9		Trade, business investment-productivity	Idem (with capital accumulation)
UK Treasury (2016)	-7.5		Trade, FDI, uncertainty persistence	Back-of-the-envelope calculations for trade based on estimates of trade destruction and trade-income elasticity
LSE (2018)	-8.1		Trade	
	-8.7		Trade and migration	

Bisciari P. (2019)

At first glance in the table, we see that there are some discrepancies in the research, however it is quickly understood that each study focuses on different channels and different methodology. Given that the table provides us stats that would prevail in the worst case scenario, something we did not come up with in the end, we will not examine it in detail. However, the biggest loss for the UK (over 5% of GDP) seems to come from models that combine more than one channel[24].

Following his research, P.B. provides us with a table[25] where he compares the Brexit consequences on the GDP of each EU member state according to the Brexit scenario that would follow. It is clear that Brexit would be less costly in case of a FTA and even less so if the UK remained in the Customs union or is in the EEA. However, for reasons mentioned in the introduction, the latter two cases were not compatible with UK withdrawal requirements.

[24] Ibid
[25] Ibid

	WTO	(South Korea-like) FTA	FTA and a Customs union	EEA
Ireland	-2.0	-0.9	-0.8	-0.5
UK	**-1.7**	**-0.6**	**-0.4**	**-0.4**
Malta	-1.6	-0.7	-0.2	-0.5
Luxembourg	-1.4	-0.5	0.0	-0.4
Cyprus	-0.5	-0.2	-0.1	-0.1
Belgium	-0.5	-0.2	-0.1	-0.1
Netherlands	-0.4	-0.2	-0.1	-0.1
Slovakia	-0.3	-0.2	-0.2	-0.1
Denmark	-0.3	-0.2	-0.1	-0.1
Poland	-0.3	-0.1	-0.1	-0.1
EU27	**-0.3**	**-0.1**	**-0.1**	**-0.1**
Germany	-0.2	-0.1	-0.1	-0.1
France	-0.2	-0.1	-0.1	-0.1
Spain	-0.1	-0.1	-0.1	-0.0
Italy	-0.1	-0.1	-0.1	-0.0

Bisciari P. (2019)

Looking up the data in this table, it's obvious that the economic shock is not the same for all countries. More specifically, from the European Union point of view, there are countries that are much more affected than the EU average, such as Ireland, Malta and Luxembourg[26]. Ireland, which according to the data is going to be hit economically perhaps more than the UK, is a special case for the relations between the two parties and due to the complexity of the issue, this country will be analyzed separately in a following chapter below.

Where we should focus on is that the EU's small economies seem to have a harder impact due to Brexit. The BENEELUX countries are all well above the Union average. Luxembourg is a typical example as it is a country that specializes in financial services. Some other small economies such as Malta and Cyprus seem to have a larger-than-average loss mainly because these countries are connected to the UK through the Commonwealth. In contrast, the four largest economies in Europe (Germany, France, Italy, Spain) seem to have a smaller loss than the average of the Union because due to their size they can more easily absorb the economic shock[27].

[26] Bisciari P. (2019). Main findings from a survey on the long-term impact of Brexit on the UK and EU economies. SUERF Policy Note, Issue No 84
[27] ECB, Occasional Paper Series, No 249 / October 2020

b. UK's FDI inflows

Having explained that the GDP of all EU countries and much more of the UK can't remain untouchable due to Brexit, it would be useful to get the picture of how Foreign Direct Investment (FDI) function and affect the country's economy. In his research, P.B encompass FDI in the channels that affect a country's GDP, and given that FDI is a critical part of the UK's economy, it is worth mentioning a few things. Typically, FDI is beneficial to a country as it tends to increase productivity and have direct and indirect effects. On the one hand, in terms of the direct effects we can add the increased salaries of the employees, as foreign companies usually pay higher wages. On the other hand, the indirect effects the FDI provides in a country includes, among other things, the arrival of new know-how, knowledge that could in various ways be positive for the development of the recipient country[28].

According to a report published in 2016 (Dhingra et al. 2016), the UK is the main recipient of FDI with a stock value exceeding 1 trillion and with more than half of them coming from EU countries. The only countries receiving more FDI than the UK are China and USA.

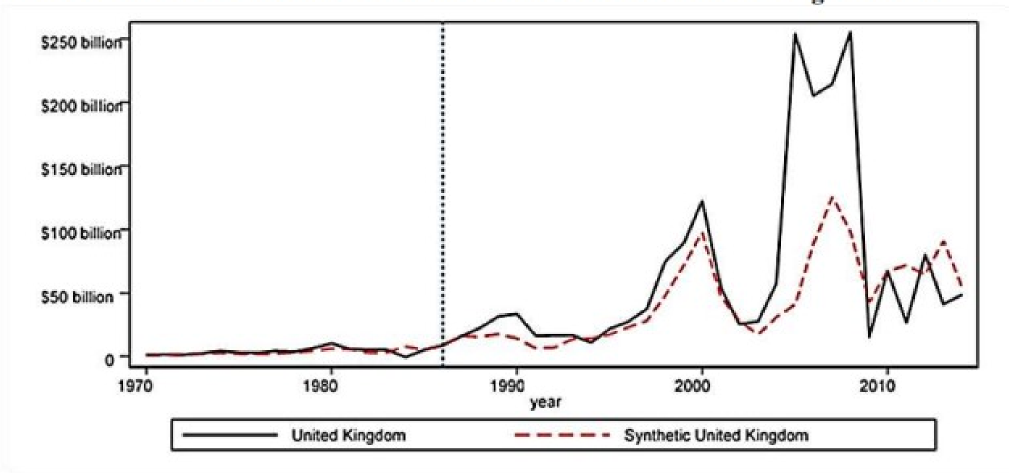
At this point, we need to take a closer look on how the UK's entry into the EU Single Market affected the FDI flow in the country. According to another research, FDI inflows in the UK were meager until the mid-1990s, compared to the significant increase in the second half of the 1990s as well as in the period before the 2008 financial crisis. UK's passage to the EU Single Market in 1986 raised sharply the FDI inflows as shown in the table below (table retrieved from: Campos and Coricelli, 2015). The dashed red line, on the same table presents what would have happened, if the UK's entry in the Single Market never occurred. The results show that if the UK had not entered the Single Market it would have had 25% to 30% less FDI.[29]

---

[28] Dhingra S., G. Ottaviano, Th. Sampson and J. van Reenen (2016). *The impact of Brexit on foreign investment in the UK.* CENTER for ECONOMIC PERFORMANCE, CEP BREXIT ANALYSIS No. 3. Link: https://cep.lse.ac.uk/pubs/download/brexit03.pdf

[29] Bruno, R., N. Campos, S. Estrin and M. Tian (2016) *'Gravitating towards Europe: An Econometric Analysis of the FDI Effects of EU Membership'*, Technical Appendix to this report. Link: https://cep.lse.ac.uk/pubs/download/brexit03_technical_paper.pdf

What would UK FDI net inflows be if the UK had not been in the EU Single Market?



Campos and Coricelli, 2015

In accordance with the data provided by Dhingra et al. (2016), being a member of the EU favors the FDI inflows from 14% to 38%, depending on the statistical method used, giving an average of 28% between the discrepancies. In addition, being part of an EFTA, such as Switzerland, does not fully cover the privileges of being an EU Member State, when it comes to FDI. Therefore, reaching an agreement after the UK leaves the EU would not fully cover the losses in this area.

Having briefly presented the flow of FDI in the UK, three reasons can be distinguished for their inevitable reduction after Brexit. Initially, the Single Market's format made it an attractive hub for FDI, as subsequent exports to EU countries were not subject to high tariffs. Furthermore, multinational companies have complex structures between their headquarters and the local branches, which increase costs. UK's exit from the EU would provoke these structures to be even more complex. Finally, the uncertainty surrounding the new EU-UK agreement and the actual implementation of the agreement is likely to have a negative impact on FDI inflows into the UK[30].

At this point, it should be noted that at the time the report of Dhingra et al. was published, the UK and the EU had not yet reached an agreement and relations between the two sides were not on a solid footing, as negotiations were still ongoing. Therefore, the research estimations are based on previously known data. However,

[30] Dhingra S., G. Ottaviano, Th. Sampson and J. van Reenen (2016). *The impact of Brexit on foreign investment in the UK.* CENTER for ECONOMIC PERFORMANCE, CEP BREXIT ANALYSIS No. 3. Retrieved from: https://cep.lse.ac.uk/pubs/download/brexit03.pdf

this does not allow us to completely abolish the macroeconomic results of the research.

Thus, it is estimated that Brexit will lead to a 22% drop of FDI inflows in the UK, over the next decade. This translates into a reduction of 3.4% of the average household income or 2.200 pounds approximately. As for the UK's car industry, production is expected to fall by 181,000 cars, i.e.12% of total production and prices to increase by 2.5%. Additionally, results from the same research showed that if the two sides concluded to a trade agreement where zero tariffs would be maintained, the drop in car production would be 36,000. The latter result fully corresponds to the turn of events[31].

Finally, the UK's financial services, being one of the largest recipients of FDI in the country, would be severely affected by Brexit. The next session will focus on the financial services industry of the UK and the interdependence between the UK and the EU through this industry, in order to understand its size and impact.

c. Understanding the interdependence

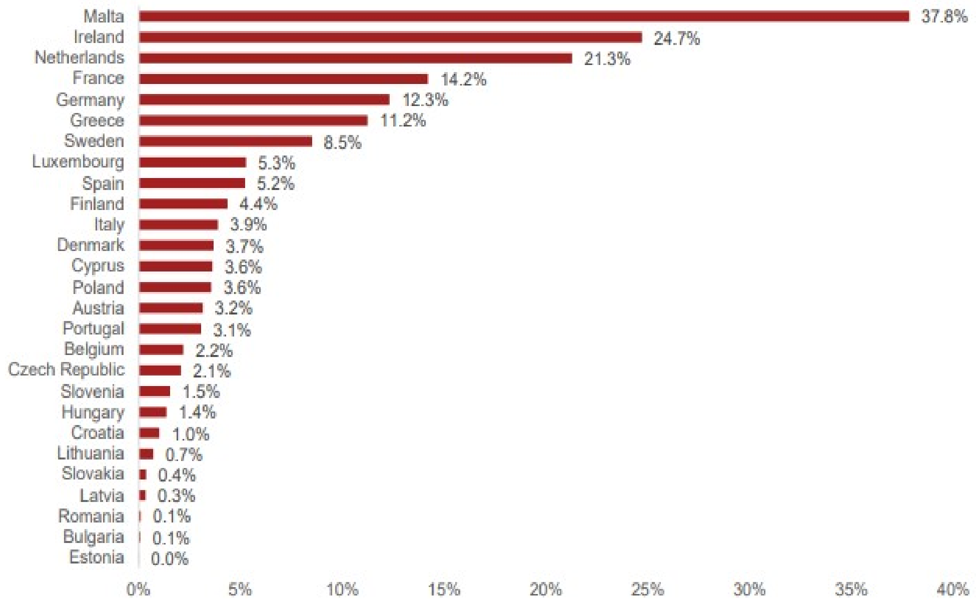
Having briefly presented some economic indicators, it's obvious that the economies of the UK and the EU are interconnected and interdependent and any change (in this case Brexit) on one side may have a serious economic impact on the other side. To better understand this, it's necessary to clarify the UK's position in global economy and more specifically the City's position in London. To put it bluntly, London is one of the two largest financial centers in the world, constantly competing with New York for first place, while EU financial stronghold cities such as Paris and Frankfurt are ranked 15th and 17th, respectively[32].

For instance, as for the year 2016, loans to the EU reached 1.62 trillion while loans from the opposite direction (from the EU to London) ranged at 1.63 trillion. In addition, precise information on foreign lending of banks based in the UK is provided by an interesting PwC publication (2018). Specifically, the most exposed countries

[31] Dhingra S., G. Ottaviano, Th. Sampson and J. van Reenen (2016). *The impact of Brexit on foreign investment in the UK.* CENTER for ECONOMIC PERFORMANCE, CEP BREXIT ANALYSIS No. 3. Retrieved from: https://cep.lse.ac.uk/pubs/download/brexit03.pdf

[32] Kalaitzake M. (2021). *Brexit for finance? Structural interdependence as a source of financial political power within UK-EU withdrawal negotiations*, Review of International Political Economy, 28:3, 479-504, DOI: 10.1080/09692290.2020.1734856

according to the table below for the year 2016 appear to be Malta, Ireland and the Netherlands with France and Germany to fill the top five places[33].



PwC. 2018

The City of London is also responsible for managing 60% of the EU's total stock market activity. It is also worth noting that due to the crisis of 2007-2008 a large share of the EU capital market passed to the management of US companies, which, however, are based within the City of London[34].

Indeed, from all the financial consequences that the EU would face due to Brexit and summarized above, the worst would be to lose access to London-based economic and financial services. Conversely, such a development would also pose a threat to the City of London, which would lose a significant share of the lucrative stock market, in which London has a leading position[35]. These City-based firms providing services are beneficial for both parties for a number of reasons.

Companies like these are the CCPs (central counterparty clearing firms) and dominate FX currency trading as well as IRDs. To better understand the size of the EU exposure to this system, M. Kalaitzake provided us with some interesting stats. As

---

[33] PricewaterhouseCoopers. 2018. *Impact of loss of mutual market access in financial services across the EU27 and UK.* Retrieved from: http://www.pwc.com/

[34] Kalaitzake M.(2021). *Brexit for finance? Structural interdependence as a source of financial political power within UK-EU withdrawal negotiations*. Review of International Political Economy, DOI: 10.1080/09692290.2020.1734856

[35] Kalaitzake M. (2021). *Resilience in the City of London: the fate of UK financial services after Brexit*, New Political Economy, DOI: 10.1080/13563467.2021.1994540

for the year 2016 dealers in the UK managed 78% of the entire foreign exchange market within the EU. More specifically, dealers in the UK traded 43% of global euro foreign transactions and 69% of EU-based euro currency trading, which means that the UK traded twice the amount of euros than the whole Eurozone. Further as for the CCPs, they cleared 75% of euro-denominated IRDs and 82% of all EU-traded IRDs. Typically, UK markets cleared 70% of all euro-denominated over-the-counter (OTC) derivatives, while French markets cleared 11% and German markets cleared 7%[36].

City's dominance is the result of a combination of factors that no other financial center has. Initially, London has a solid infrastructure that directly connects it to New York's world leading financial center and thus increases its share in the foreign exchange market. In addition, the UK being one of the two English-speaking countries within Europe, is a fertile ground for international trade with specialized staff both from within England and abroad. Finally, the UK legal system is the most respected for international investors[37].

A brief presentation of City's global position in the financial services sector underlines the interdependence between the European market and the market of the UK. This situation quickly became apparent between officials and negotiators on both sides, who pointed out during the negotiations that it was necessary to find common ground between the UK and the EU, in order to minimize the financial shock for both sides.

Initially, David Davis, UK’s chief Brexit negotiator, in his speech at UBS, pointed out that for the year 2017 London was recognized as the top financial center despite Brexit and that the government is fighting through the negotiations to maintain this position. He also added that the prosperity of City, not only benefits the UK but also benefits the EU and the businesses worldwide[38]. Chancellor Philip Hammond, on his speech on HSBC, stated clearly that both the UK and the EU are concerned about the EU businesses and residents accessibility to the UK Financial Services hub and

[36] Kalaitzake M. (2021). *Resilience in the City of London: the fate of UK financial services after Brexit*, New Political Economy, DOI: 10.1080/13563467.2021.1994540

[37] Kalaitzake M. (2021). *Brexit for finance? Structural interdependence as a source of financial political power within UK-EU withdrawal negotiations.* Review of International Political Economy, 28:3, 479-504, DOI: 10.1080/09692290.2020.1734856

[38] Davis, D. (2017, November 14). *Speech at UBS*. Link: https://www.gov.uk/government/news/david-davis-speech-at-ubs

that the UK financial services center is a driving force behind the real economy not just in the United Kingdom, but throughout Europe[39].

From the EU side, there were also statements of compromise in order for the Europeans not to lose the access to London's financial hub. Michel Barnier said he wanted a special relationship between the EU and the UK regarding the access of the 27 Member States to the City in favor of avoiding risks of economic instability[40]. Another EU report, released by "The Guardian", said a favorable deal with the UK government was crucial as a significant proportion of both European assets (40%) and European capital markets (60%) are managed by UK-based financial firms[41].

d. The Trade and Cooperation Agreement (TCA)

Having realized the degree of interdependence and interconnection that lies between the economies of both sides, the negotiators concluded after a long period of time to the so called, **Trade and Cooperation Agreement** (TCA), which was signed on December 30, entered into force on January 1, 2021 and was finally implemented on March 1, 2021[42].

The EU-UK TCA[43], in more than 2500 pages, covers a wide range of regulations on trade in goods, financial services, digital trade, energy, transport, fisheries, law enforcement and participation in EU programs. What the agreement does not cover are issues related to foreign policy and foreign security and defense, as the UK wanted to maintain autonomy in this area. Furthermore, areas related to financial service equivalences, the adequacy of the UK data protection regime, or the assessment of the UK's sanitary and phytosanitary regimes constitute EU unilateral policy choices that cannot be negotiated and for this reason they are not part of the TCA.

---

[39] Hammond, P. (2018, March 7). *Chancellor's HSBC speech: financial services*. Link: https://www.gov.uk/government/speeches/chancellors-hsbc-speech-financial-services

[40] Rankin, J. (2017). *EU negotiator wants 'special' deal over access to City post-Brexit*. The Guardian.

[41] Boffey, D. (2017). *EU will lose out from bad Brexit deal on City, says leaked report.* The Guardian.

[42] European Commission. *The EU-UK Trade and Cooperation Agreement*. Europa.eu, retrieved from: https://ec.europa.eu/info/strategy/relations-non-eu-countries/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement_en

[43] EUR-Lex. *The EU-UK Trade and Cooperation Agreement.* Retrieved from: https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=uriserv%3AOJ.L_.2021.149.01.0010.01.ENG&toc=OJ%3AL%3A2021%3A149%3ATOC

Specifically, the TCA consists of a. A Free Trade agreement b. a close partnership on citizens' security and c. an overall governance framework. Starting with the Free Trade Agreement, this appears to be particularly broad compared to other FTAs. Some of the key points of this agreement provide for zero tariffs and quotas on all RoO-compliant goods, a level playing field for both parties with respect for common principles and rules (e.g. environmental protection, social and labor rights). and joint management and exploitation of fisheries in EU and UK territorial waters. Of course, the agreement ensures the continuous road, air, rail and sea connectivity of the two parties, common and harmonized energy policies, ensuring and coordinating social security in order to protect and facilitate the citizens of the two parties who choose to work in the other part. Finally, the UK will be able to participate in some EU programs[44].

Regarding the new partnership for the security of citizens, the TCA is defining a new framework for the cooperation of the judicial authorities in criminal and civil matters. This results in the cooperation not only of the national judiciary but also of the police services with the aim of combating crime and terrorism. Finally, as far as the overall governance of the TCA is concerned, this is a horizontal agreement that sets out how the TCA operates and implements, establishing a joint council to resolve any issues that may arise.

Nevertheless. while the TCA at first glance seems theoretically symmetrical and fair between the two sides, issues in practice, quickly arose that created asymmetric situations. An article from Bob Hancké, Laurenz Mathei and Artus Galiay (2021) points out that the agreement creates asymmetric competition that mainly affects UK exports.

Zero tariffs on exports between the two parties apply only when the goods meet the Rules of Origin and to meet these rules a minimum share of the value of the product must be produced within the UK and the EU. All other tariffs are imposed normally and the UK is now treated as a third country by the EU, in areas not covered by the TCA. In addition, the UKCA stamp on UK exports, being different from the CE, must first be accepted by the EU and if this is not the case, then the products must

[44] European Commission. *The EU-UK Trade and Cooperation Agreement*. Europa.eu, retrieved from: https://ec.europa.eu/info/strategy/relations-non-eu-countries/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement_en

be designed to meet EU requirements. This can be achieved but inevitably part of the export market will be lost[45].

Therefore, the same rules for both sides may have a different impact on each side. This is easy to understand, if someone considers that the EU is a much bigger market for the UK than vice versa. Specifically, for the year 2019 50% of the exported goods of the UK went to the EU while only 6% of the exported products of the EU flee to the UK. Additionally, while a British company is subject to Rules of Origin, when it exports to Germany, a French company is not. This means that the French company can import much cheaper goods from the rest of the world and assemble them to make a product that will be an EU product.

An example, retrieved from the same article (Hancké B. at al 2021), to better understand how the Rules of Origin regime works is the automotive industry that is progressively moving to green energy. This means that the car industry will have to take a completely different direction towards the creation of electric vehicles. The batteries of the new generation of electric vehicles make up almost 50% of the total value of the vehicle and are mostly produced in Asia at the moment. According to TCA's RoO requirements from 2027 55% of the value of a car must be produced within the EU and the UK so that each unit is not subject to a 10% tariff when exported from the EU to the UK and vice versa. It is easy to understand, therefore, that by this date drastic changes and investments are needed to take place in the UK automotive industry, so that it does not face a problem with its exports to the EU market. It should be noted that 80% of UK car production is exported and half of them towards the EU.

[45] Hancké B., Mathei L., Galiay A. (2021). *Dancing in the dark: What Brexit means for UK-EU trade and UK industry*. LSE, retrieved from: https://blogs.lse.ac.uk/europpblog/2021/07/13/dancing-in-the-dark-what-brexit-means-for-uk-eu-trade-and-uk-industry/

CHAPTER III

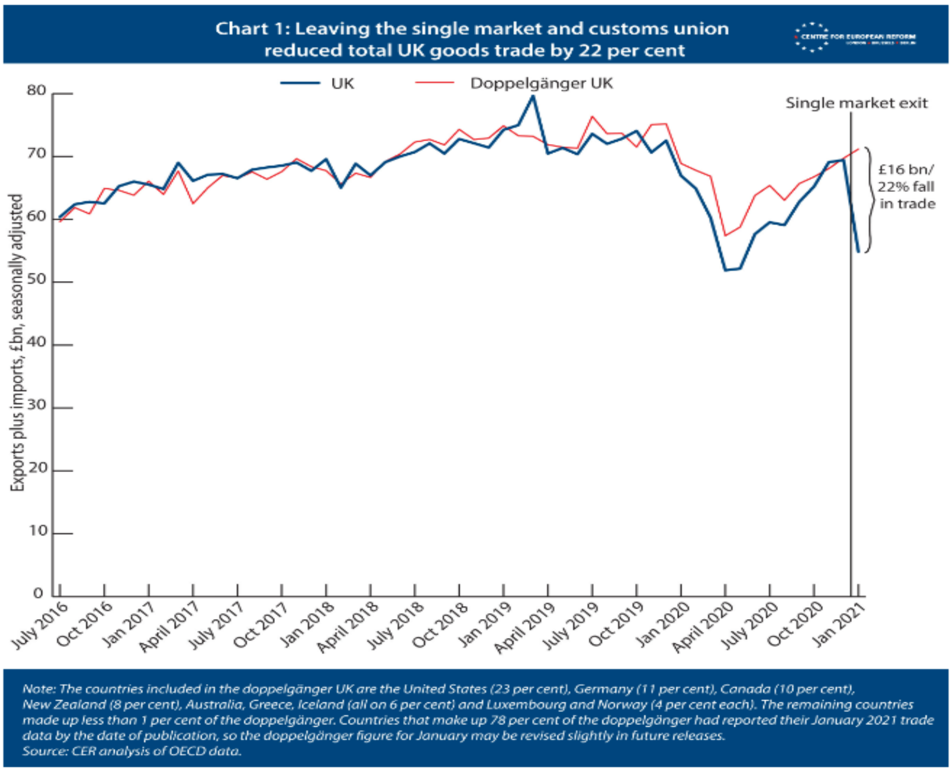
Given that the UK withdrew from the EU single market in January 2021 and the TCA entered into force at the same time, we can set that date as the starting point for the real BREXIT, five years after the referendum. In this chapter individual studies concerning the financial impact of BREXIT will be presented both for the UK and three EU member states, for the year 2021, at macroeconomic and political level. The samples of countries that will be studied separately are on the one hand the UK and on the other hand, from the EU part, Ireland, the Netherlands and France, as they are countries bordering the UK and according to statistics seem to receive the biggest blow due to BREXIT. In addition, these three EU countries are going to benefit the most from the BAR by receiving the largest amount of money compared to the rest EU member states. The distribution of BAR money will be thoroughly analyzed on PART 2 of this thesis. But before dealing with the EU it is useful to look at the real economic shock suffered by the UK due to its decision to leave the EU single market.

a. UK

John Springford has been studying the financial impact of Brexit in the UK mainly, since the post-referendum period, coming to some safe conclusions that are worth considering in this dissertation. His articles are published on CER (Center for European Reform) and focus on the UK's hit on goods trade, since the referendum. However, this chapter will cover the losses of the year 2021, from January 1st to December 31st, ie the losses of the UK since it ceased to be a member of the EU single market.

The method used by John Springford to estimate UK losses, is to create a *doppelgänger UK'*, which could be described as a UK mirror. To put it simply, *doppelgänger UK* works as follows. An algorithm selects from a pool of 22 economically advanced countries, samples that have common economic characteristics and growth with those of the UK over the past decade. The countries selected by the algorithm are combined to create the UK doppelgänger, which is a mirror of the UK's minimal deviation in goods trade until 2019, before the pandemic begins. In this way we can see how the UK's exit from the single market affected trade in goods. Regarding only the following algorithm, it is estimated that the UK from the date of the referendum until December 31st, 2020, shows a 10% reduction in goods trade[46].

Moving on 2021, the decline in UK goods trade appears to be significant. To be more precise, in January 2021 the UK appears to have a decrease of 22% (16 billion GBP) compared to the UK doppelgänger. Of course, January being the first month of the UK's exit from the single market and customs union, was considered a month of adjustment and the following months do not show such extreme differences[47].



Springford, 2021

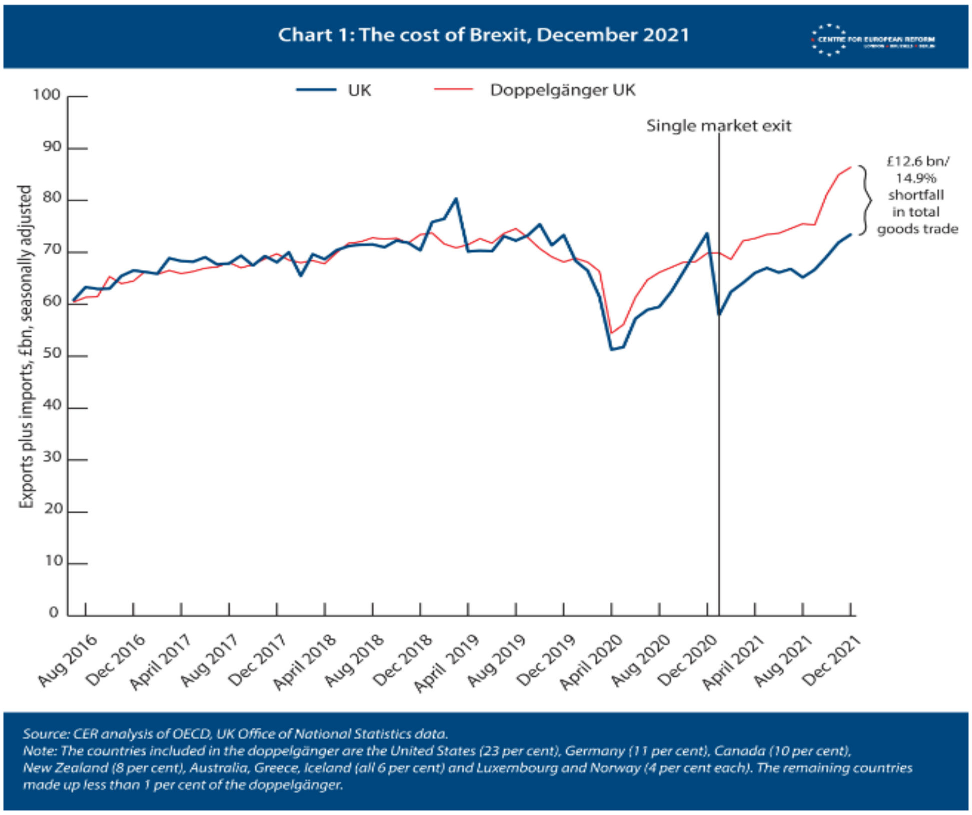
In February, the losses of UK goods trade were reduced to 5% (3.5 billion GBP), to rise again in March and April to 11% (7.7 billion GBP and 7.9 billion GBP respectively) In May the losses climbed to 13.5% (10 billion GBP) while after the summer in September they fell to 11.2% (8.5 billion GBP) only to rise again in October to 15.7% (12.6 billion GBP). Finally, December closed with losses of 14.9%

---

[46] Springford J. (2021). *THE COST OF BREXIT, JANUARY 2021: THE END OF TRANSITION EDITION.* CENTER FOR EUROPEAN REFORM. Retrieved from: https://www.cer.eu/insights/cost-brexit-january-2021-end-transition-edition

[47] Ibid

(12.9 billion GBP)[48]. The losses in the trade of goods for the UK in the first year after its departure from the EU single market and customs union are estimated between 11-16%. The following table lists the losses of December 2021 while at the same time presents linearly the course of the country's losses in this sector for the whole year.



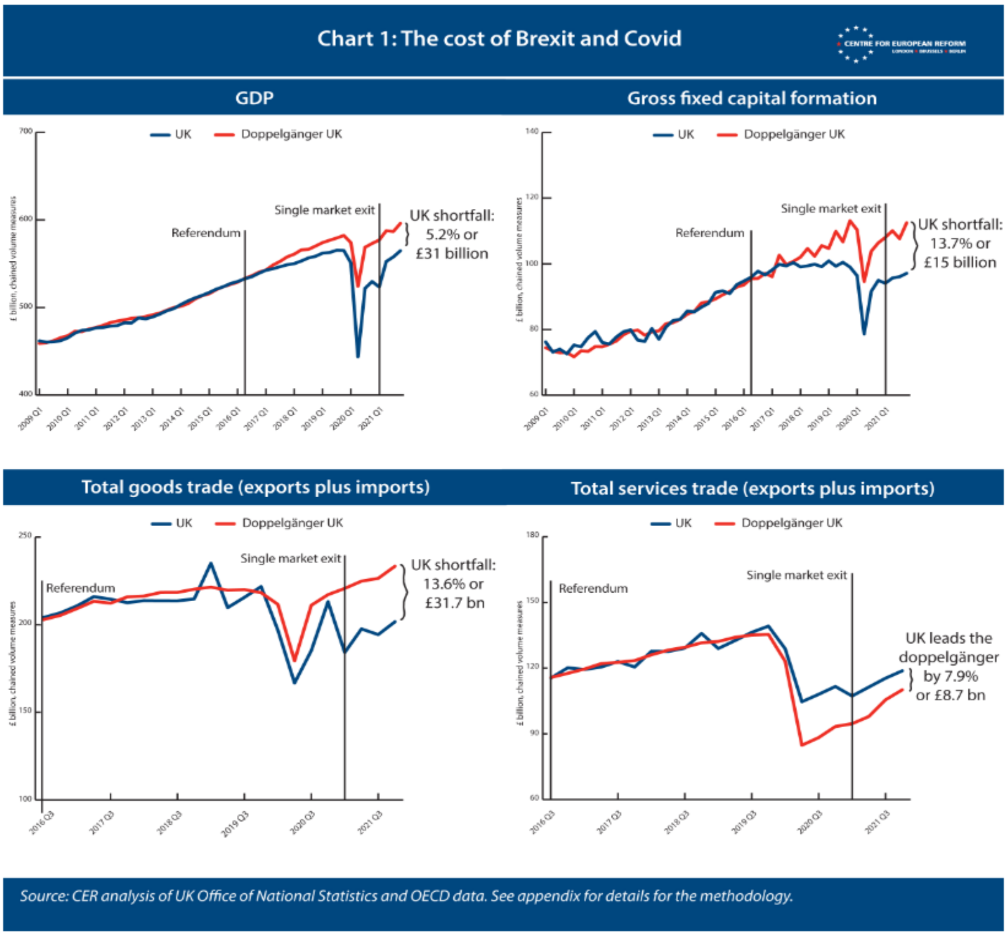
Springford, 2022

More specifically, losses in UK exports of goods after leaving the EU single market are at 15.7% while those of imports are at 7.8%[49].

A more recent study by John Springford estimates the UK's losses due to Brexit and COVID19 in the areas of GDP, investment in the UK (Gross Fixed Capital Formation), total goods trade and total services trade. Using again the doppelgänger method, he estimates that GDP by the end of 2021 appears reduced by 5.2% or otherwise 31 billion GBP while investments record a drop of 13.7% or otherwise 15 billion GBP. Regarding the total goods trade, analyzed above, it appears 13.6% reduced or otherwise 31.7 billion GBP, while finally total services trade records a

[48] For more details see: *COST OF BREXIT* at: https://www.cer.eu/research/cost-of-brexit
[49] Springford J. (2022). *THE COST OF BREXIT: DECEMBER 2021.* CER. Link: https://www.cer.eu/insights/cost-brexit-december-2021

decrease of 7.9% or otherwise 8.7 billion GBP less[50]. A graphic illustration of all these estimates is given below.



Springford, 2022

b. Ireland

Ireland is a special case in terms of how the country was affected by Brexit and was a difficult point in the negotiations between the two parties. Ireland, being the only EU member state to share a land border with the UK through Northern Ireland, is, according to estimates, the most affected EU member state by BREXIT, particularly in terms of trade flows. The special case of Ireland has led to the need to consolidate a special regime in which Northern Ireland is part of the customs area of both the UK and the EU.

Northern Ireland's relations with both the EU and the UK are governed by the Northern Ireland Protocol. In the wake of the UK decision to leave the EU, the two

[50] Springford J. (2022). *WHAT CAN WE KNOW ABOUT THE COST OF BREXIT SO FAR?* CER. Link: https://www.cer.eu/publications/archive/policy-brief/2022/cost-brexit-so-far

sides reached the Withdrawal Agreement (WA), which outlines how this exit would take place. An integral part of the Withdrawal Agreement is the Northern Ireland Protocol, which stipulates, among other things, that the border between Northern Ireland and Ireland remains open to avoid dividing the island and to serve the transfer of goods between Northern Ireland, Ireland and at the same time the rest of the EU. More specifically, under the Northern Ireland Protocol rules, Northern Ireland belongs to the UK customs area but at the same time Northern Ireland should respect the EU Customs Code as well as many EU single market rules. Of course, Northern Ireland's position under the Protocol reasonably creates what has been described as a maritime border between NI and GB, as goods moving between the two will have to be subject to further controls and specific conditions. In order to avoid misunderstandings, the TCA and the WA including the Northern Ireland Protocol are two separate agreements and the latter will continue to apply regardless of changes to the former[51].

In addition, a few committees have been set up for the implementation and oversight of the WA, headed by an EU-UK Joint Committee for the overall oversight and implementation of the WA. There is also a specific Specialized Committee to oversee the implementation of the Northern Ireland Protocol. The creation of an independent arbitration panel was not omitted, with the aim of resolving any disputes that may arise. As for the Court of Justice of the EU (CJEU), this will have the power to intervene and interpret in matters relating to EU law (Article 174, WA). Further, the CJEU will have jurisdiction over the Northern Ireland protocol in terms of the customs code and the EU single market[52].

Finally, it is worth noting that the Protocol sets out an emergency mechanism in Article 16. Thus, in accordance with Article 16, assuming that the implementation of the Protocol leads to serious financial consequences for a party, then the affected party may unilaterally implement appropriate measures to reduce the financial difficulties. Of course, these measures should be aimed exclusively at the problem to be solved[53].

---

[51] Curtis J. (2022). *Northern Ireland Protocol: Implementation, grace periods and EU-UK discussions (2021- 22).* House of Commons Library, p. 10

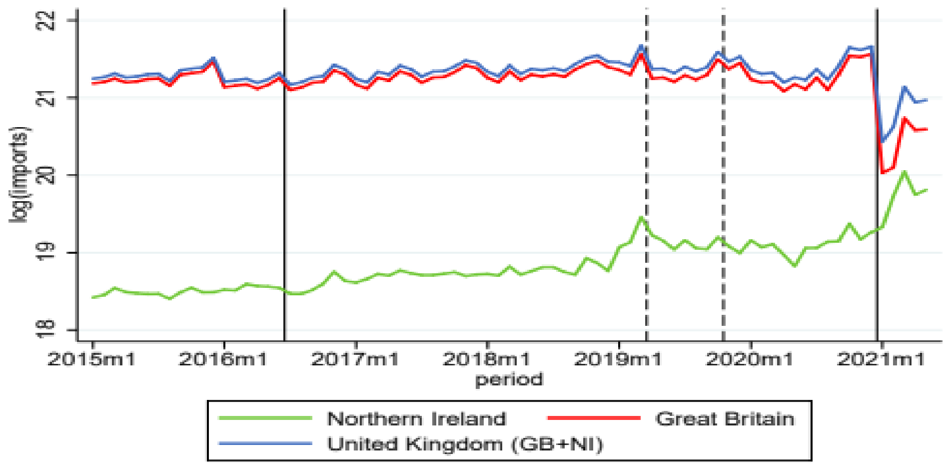
[52] Ibid, p. 11

[53] Ibid, p. 13

Having briefly explained the post-Brexit regime between Ireland and the UK, where Northern Ireland could be described as a place of common interests for both, it is time to see how Ireland has been affected by the UK's exit from the EU in real numbers. In a working paper published by Eimear Flynn, Janez Kren and Martina Lawless in December 2021, the three researchers analyze the impact of Brexit on Ireland's total trade with the UK.

Generally, as shown in the following tables of the same survey, Irish imports from the UK decreased significantly after Brexit, while conversely, exports didn't show much difference. The scope of the research covers the period from February 2015 to February 2021. Also, the data on imports and exports of Ireland are structured and analyzed on ten major good categories some of which are chemicals, food and fuel. Chemicals is a sector where Ireland's exports to the UK are much higher than imports while the food sector is a more balanced sector both in terms of imports and exports. Conversely, the fuel sector is one in which Ireland relies on imports from the UK[54].

As shown in the table below, Ireland's imports from Great Britain and the UK as a whole have fallen sharply since early 2021, when the UK withdrew from the single market. However, imports from Northern Ireland separately increased slightly.



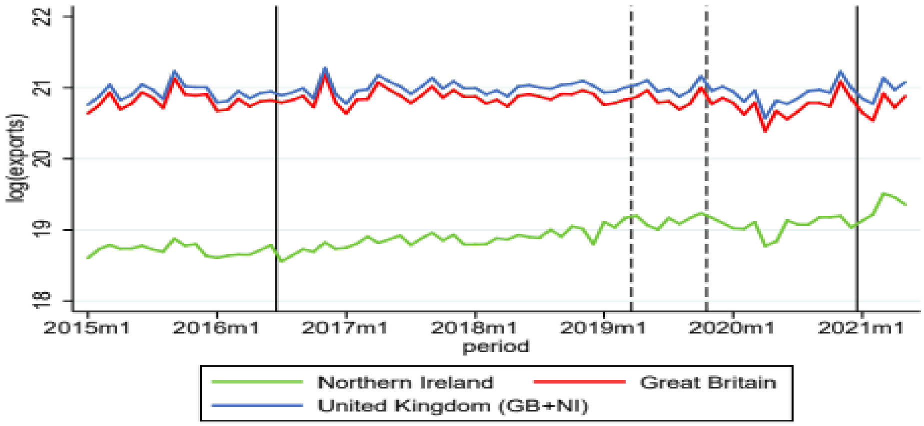
Flynn et al. 2021

Ireland's total imports from the UK, which stood at 23.2% in 2015, fell sharply in early 2021 to 7.2%. At the same time, Ireland's imports from Northern Ireland,

[54] For more details see: Eimear Flynn, Janez Kren, and Martina Lawless (2021). *Initial impact of Brexit on Ireland-UK trade flows.* ESRI, Working Paper No. 714

which stood at 1.5% in 2015, increased to 5% in 2021. Typical examples are the food and beverage sectors, where Ireland's imports from the UK declined, noticeably. In the same sectors, however, imports from Northern Ireland increased from 5% in 2015 to 20% in 2021[55].

Proceeding now to Irish exports to the UK, they are much less diversified than imports.



Flynn et al. 2021

Observing the same period from 2015 to 2021, Irish exports to Great Britain fell from 10.9% to 6.3%. Correspondingly, Ireland's exports to Northern Ireland appear to have increased slightly from 1.4% in 2015 to 1.7% in 2021. A typical example of Irish exports to the UK, can be found in chemicals sector. A remarkable fact for this sector is that, in 2015, chemicals accounted for 58.2% of Ireland's total exports to the UK, while in 2021 the percentage increased to 63.1%[56].

c. France

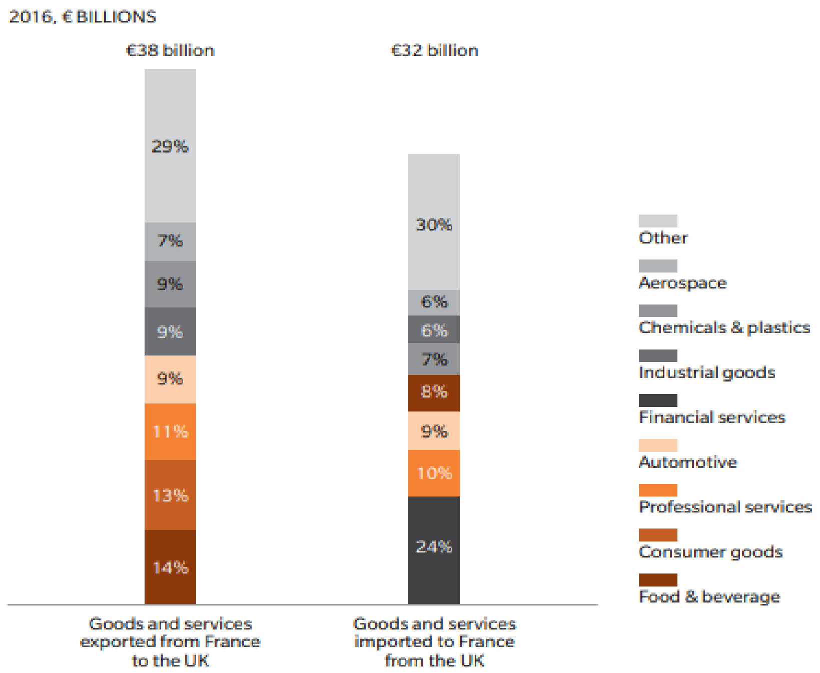
France, being the second largest economic power in the EU, is considered according to Euler Hermes to be the third most affected country due to Brexit[57]. This estimate is reasonable if someone considers that France receives the largest trade surplus from the UK. For the year 2016, France's exports to the UK accounted for 38 billion euros, while its imports from the UK reached the amount of 32 billion euros, which placed the UK as the 5th largest customer of France and the country's 8th

---

[55] Ibid
[56] Ibid
[57] Bpifrance (2021). Brexit: *what is the impact for French companies?* Link: https://www.bpifrance.com/2021/02/11/brexit-what-is-the-impact-for-french-companies/

largest supplier in goods and services[58]. Correspondingly, for the year 2020, France's exports to the UK accounted for 33.6 billion euros, while its imports reached 21.6 billion euros, putting the UK as France's 6th largest customer and the country's 7th largest supplier[59].

Oliver Wyman's chart showing exports and imports between France and the UK for 2016, provides us with additional information on trade sectors between the two parties.



Oliver Wyman and Clifford Chance, 2018

Some sectors are going to be hit much harder than others. In particular, the wine sector, which belongs to the wider category of food and beverages, jewelry, which is in the wider category of consumer goods and aircraft sector, are going to be hit harder than others, a fact that became evident with the arrival of January 2021.

More specifically, France's imports from the UK, in January 2021, fell by 78% compared to the second half of 2020, which analysts attributed to a combination of disruptions at the British border and the general impact of COVID 19 on global trade. In February the figures were clearly improved with French imports from the UK

[58] Oliver Wyman and Clifford Chance (2018). *FRANCE'S "RED TAPE" COST OF BREXIT.* Link: https://www.oliverwyman.com/content/dam/oliver-wyman/europe/france/fr/Publications/Cost_of_Brexit-EN-screen-v2.pdf p.8
[59] BORDEAUX business (2022). Brexit: what are the impacts on the French economy? Link: https://bordeaux.business/en/brexit-what-impacts-economy-french/

appearing to be down only 2%. Conversely, France's exports to the UK remained down 16% compared to the monthly average of the previous year[60].

French companies, on the other hand, are not going to be unaffected by Brexit. The factor that will play a decisive role in the course of each business is the size of the business. To put it simply, large companies, having more experience exporting their goods and services out of the EU to international markets, are going to adapt more easily to the additional costs that are going to be imposed in the post-Brexit era, than small and medium-sized enterprises. Small and medium-sized businesses in France, which only interact within the EU's single market, make up 20-25% of all enterprises. Even though this percentage is small compared to that of Germany and France (40-70%), it nevertheless concerns in real numbers 15.000-20.000 small and medium-sized businesses within the French territory, that need to adapt to the new post-Brexit era[61].

Finally, another sector which has created friction between France and the UK is Fisheries. 30% of France's fishing comes from British territorial waters[62], and under an agreement signed in late December and included in the TCA, European fishermen have the right to access British territorial waters up to 6-12 nautical miles, as was the case until before Brexit. This regime is valid until June 30, 2026 and from then on it will be formed every year with annual negotiations[63].

The frictions soon became apparent when, following the implementation of the TCA, the UK refused to grant the fishing licenses according to the agreement to the French fishermen, claiming that the French vessels did not meet the appropriate bureaucratic requirements to obtain them. France, on the other hand, threatened to take legal action through the EU against the UK, if the later did not comply with the

---

[60] Kantor A. (2021). *How French companies are also being hit hard by Brexit*. FINANCIAL TIMES, link: https://www.ft.com/content/0801cd6d-22c9-4e71-ae29-f6c857b69fe5

[61] Oliver Wyman and Clifford Chance (2018). *FRANCE'S "RED TAPE" COST OF BREXIT.* Link: https://www.oliverwyman.com/content/dam/oliver-wyman/europe/france/fr/Publications/Cost_of_Brexit-EN-screen-v2.pdf p. 11

[62] Bpifrance (2021). Brexit: *what is the impact for French companies?* Link: https://www.bpifrance.com/2021/02/11/brexit-what-is-the-impact-for-french-companies/

[63] Ares E. (2021). *UK-EU Trade and Cooperation Agreement: Fisheries*. UK Parliament. Link: https://commonslibrary.parliament.uk/research-briefings/cbp-9174/

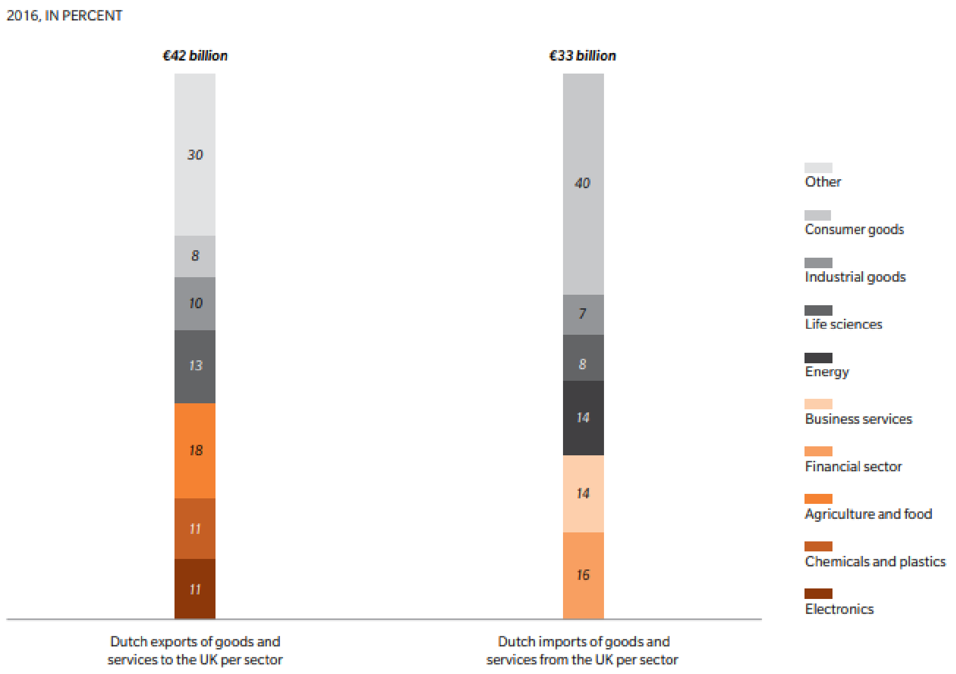
provisions of the agreement on the issue. Finally, after both sides threatened each other, the UK granted 23 additional licenses to France by the end of 2021[64].

d. The Netherlands

The Netherlands is the third and last EU country, which we will briefly inspect in terms of its relations with the UK and the extent to which it is affected after Brexit. Indeed, the Netherlands due to its multilevel ties with the UK were to be affected both economically and politically, since the two countries shared the same ideas in policy and funding. The areas in which the Netherlands are to be affected are trade and industry, healthcare, customs and excise, education and research, public Finance[65]. In this subchapter, however, reference will be made to the economic impact that the country is called upon to face.

As mentioned above with Ireland and France, the new reality following the UK's withdrawal from the EU's Single Market, brings the Netherlands ahead of new regulations and negative trade forecasts. Taking into account that the UK is the second largest trading partner of the Netherlands in both exports and imports, contributing 3.3% to the country’s GDP, potential increases in products are going to hurt the Dutch economy significantly[66]. According to Oliver Wyman, for 2016, Dutch exports to the UK accounted for 42 billion euros while imports to the Netherlands accounted for 33 billion euros. Specifically, as reflected in the chart below, about 45% of the country's exports to the UK can be found in three sectors, which are agriculture sector (18%), the life sciences sector (13%) and the chemical sector (11%)[67].

[64] Spirlet T.(2021). *France granted 93 percent of post-Brexit fishing licenses, minister says*. POLITICO. Link: https://www.politico.eu/article/france-obtains-93-post-brexit-fishing-licence/
[65] Netherlands Court of Audit. How will Brexit affect the Netherlands? Link: https://english.rekenkamer.nl/publications/frequently-asked-questions/european-union/how-will-brexit-affect-the-netherlands
[66] Aydin Ali Kaan (2021). *Aftermath of the Exit Day: Consequences of Brexit for the Netherlands*. EFR. Link: https://www.efr.nl/blog/article/2021-01-19-aftermath-of-the-exit-day-consequences-of-brexit-for-the-netherlands#_ftn1
[67] Oliver Wyman and Clifford Chance (2018). *THE DIRECT COSTS OF BREXIT FOR DUTCH EXPORT COMPANIES.* Link: https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2018/august/OW-Red-Tape-Brexit-Netherlands.pdf p.8



Oliver Wyman and Clifford Chance, 2018

The largest direct costs are expected to be borne by agricultural and chemistry sectors, with these two sectors accounting for 45% of total direct costs for Brexit. On the one hand, chemical manufacturers rely on huge supply chains, spread across the EU and the UK, and are set to incur large costs under the new non-tariff barriers regime on the products they export to the UK. On the other hand, agriculture sector, apart from the fact that it is going to be hit in the Netherlands to a greater extent than in other EU countries, many agricultural companies have little experience exporting their products outside the EU's Single Market, as in the case of France we saw above. As for the Netherlands in particular, it is worth mentioning that because most of the economic activity of the agricultural sector is located in the southern provinces of the country, the economic shock of Brexit in these provinces is going to be disproportionately greater than in the rest of the country. Typical example of the size of agriculture sector's economic activity is that the province of South Holland alone contributes 25% of the country's GNP to this sector[68].

A survey by the CPB Netherlands Bureau for Economic Policy Analysis estimated that the cost of Brexit for the Netherlands in total trade between the two countries is estimated at -1.2% of GDP for 2030, or in simple numbers around 10 billion euros. Then in 2021 the CPB after the signing of the TCA presented the data

[68] Ibid p. 10 - 12

renewed, calculating that the cost of Brexit in terms of trade between the two parties may cause a decrease between 0,9% - 1,5% in the GDP of the Netherlands in 2030, which translates into losses of between 8 and 13 billion euros[69].

Another point that may perturb the country economically is that after Brexit, the Netherlands are called upon to contribute more to the EU budget. The UK's presence in the EU also made it an important contributor to the Union's budget. However, the contribution of the Netherlands to the EU budget will not only be determined by Brexit but also by the EU Multiannual Financial Framework (MFF) for 2021-2027. It is estimated that of the 9 billion euros that the Netherlands contributed to the euro-fund in 2021, this amount will rise to 10 billion in 2027[70].

Despite the negative economic impact on the Dutch economy in January 2021, a particularly positive development was observed for the Dutch stock market. Specifically, in January Amsterdam surpassed London as a stock exchange hub as the Netherlands collected the UK's "losses" due to Brexit. Euronext, CBOE Europe and Turquoise traded, on average daily basis, shares worth 9.2 billion euros in January, four times as much as December. On the other hand, the UK fell to 8.6 billion euros a day, losing its historic position as the “bastion” of Europe's stock market[71].

However, even though EU shares worth 6.5 billion euros were transferred from London to Amsterdam in January 2021, City regained its lead position as Europe's largest financial hub in July 2021. What should be noted, of course, is that despite the fact that the exit of many companies from London was widely expected in January 2021, the rapid and massive relocation of companies shows us how sharply the primacy of a solid economic structure of many decades can be threatened[72].

---

[69] Netherlands Court of Audit. *How will Brexit affect the Netherlands?* Link: https://english.rekenkamer.nl/publications/frequently-asked-questions/european-union/how-will-brexit-affect-the-netherlands

[70] Ibid

[71] Stafford Philip (2021). *Amsterdam ousts London as Europe’s top share trading hub*. FINANCIAL TIMES, link: https://www.ft.com/content/3dad4ef3-59e8-437e-8f63-f629a5b7d0aa

[72] Manolis Kalaitzake (2021): Resilience in the City of London: the fate of UK financial services after Brexit, New Political Economy, DOI: 10.1080/13563467.2021.1994540 p.12

PART II

CHAPTER I

After a vivid description of the UK's withdrawal process from the EU on the one hand and the financial impact both the UK and the EU member states faced because of this withdrawal on the other hand, the second part of this thesis will analyze the Union's reaction to mitigate the negative consequences in its member states. The establishment of the **Brexit Adjustment Reserve** (hereafter referred to as **BAR**) is the EU's counteract instrument to protect its member states from the direct financial costs of Brexit and constitutes the case study of this thesis.

Following the ordinary legislative procedure, the European Commission as early as the end of 2020 submitted a proposal for the establishment of the Reserve to the Council of the EU and the European Parliament. Subsequently, in the first three months of 2021, the opinions of the Economic and Social Committee, Court of Auditors and European Committee of the Regions, were presented. The European Parliament and the Council of the EU, after reaching an agreement at first reading, approved the Commission's legislative proposal. Thus, the signing and establishment of the final Regulation of the BAR was signed on October 6, 2021[73].

a. Purpose of the BAR

The European Commission already on the first page of the Explanatory Memorandum of the proposal for the BAR, explained the causes and objectives that led to the establishment of the Reserve. The UK's presence in the EU for 47 years has created economic ties between it and the member states. The new post-Brexit reality brings obstacles to this established economic activity and consequently an economic shock to businesses and entities that have a large market opening in the UK[74]. As we saw in the individual analyses of the EU member states in the previous part, it is the small and medium-sized enterprises with great economic interaction in the UK that

[73] For more information:. **Procedure 2020/0380/COD.** COM (2020) 854: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Brexit Adjustment Reserve. Link: https://eur-lex.europa.eu/procedure/EN/2020_380

[74] Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Brexit Adjustment Reserve. COM/2020/854 final Link: https://eur-lex.europa.eu/resource.html?uri=cellar:05770942-46c9-11eb-b59f-01aa75ed71a1.0001.02/DOC_1&format=PDF

will face the biggest problems. The EU's reference to SMEs is clear already from the second paragraph of the BAR Regulation[75]:

Following the end of the transition period, barriers to trade, to cross-border exchanges and to the free movement of persons, services and capital between the Union and the United Kingdom have become a reality with broad and farreaching consequences for businesses, particularly for small and medium-sized enterprises (SMEs) and their workers, as well as for local communities, public administrations and citizens. Since those consequences are unavoidable, they need to be mitigated as much as possible and stakeholders need to make sure that they are ready for them.

Next, the fisheries sector is among the big losers, given the limitation of many EU member states ' fishing activities in UK territorial waters, and as we shall see below it shapes the allocation of the Reserve to member states according to the extent to which their fishing activities have been affected.

It is known that the withdrawal of the UK was shaped as a soft Brexit through the agreements signed and implemented (e.g. TCA). However, as K. Skiadas states, this does not negate the fact that Great Britain and the European Union are two distinct markets with different regulatory and legal spaces and consequently barriers to the inter-ethnic mobility of people and goods[76].

The objectives of the reserve BAR are to alleviate the financial outgrowth of Brexit for all EU member states, and in particular for those whose regions and sectors are to bear the biggest economic shock. Article 2 (1)[77] of the regulation clearly sets out the objectives which are aligned with the Union's sustainable development objective, as explained in Paragraph 2[78]:

1. The Reserve shall provide support to counter the adverse economic, social, territorial and, where appropriate, environmental consequences of the withdrawal of the United Kingdom from the Union in Member States, including their regions and local communities, and sectors, in particular in those that are most adversely affected by the withdrawal, and to mitigate the related negative impact on the economic, social and territorial cohesion.

---

[75] Regulation (EU) 2021/1755 of the European Parliament and of the Council of 6 October 2021 establishing the Brexit Adjustment Reserve PE/59/2021/REV/1 OJ L 357, 8.10.2021, p.1. Link: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1755&from=EN

[76] Σκιαδάς Δ. (2021) Newsletter Έδρα JEAN MONNET «Δημοσιονομική Διακυβέρνηση της ΕΕ και Έλεγχος» (Απρίλιος 2021). ΠΑΝΕΠΙΣΤΗΜΙΟ ΜΑΚΕΔΟΝΙΑΣ p. 9

[77] Regulation (EU) 2021/1755 of the European Parliament and of the Council of 6 October 2021 establishing the Brexit Adjustment Reserve PE/59/2021/REV/1 OJ L 357, 8.10.2021, p.6 Art. 2. Link: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1755&from=EN

[78] Ibid

2. The objectives of the Reserve shall be pursued in line with the objective of promoting sustainable development as set out in Article 11 TFEU, taking into account the United Nations Sustainable Development Goals, the Paris Agreement and the 'do no significant harm' principle.

b. Legal basis

The BAR Regulation (EU) 2021/1755 is based both on the articles of the TFEU and on the principles of proportionality and subsidiarity enshrined in the TEU.

In particular, Articles 175 and 322 of the TFEU[79] form the legal basis of the BAR. In particular, in accordance with Article 175, the European Parliament and the European Council may in specific circumstances adopt actions, in accordance with the ordinary legislative procedure and after consulting other institutions, to achieve the objectives set out in Article 174 TFEU, which are none other than the economic social and territorial cohesion of the Union. Article 175[80] States the following:

Member States shall conduct their economic policies and shall coordinate them in such a way as, in addition, to attain the objectives set out in Article 174. The formulation and implementation of the Union's policies and actions and the implementation of the internal market shall take into account the objectives set out in Article 174 and shall contribute to their achievement. The Union shall also support the achievement of these objectives by the action it takes through the Structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section; European Social Fund; European Regional Development Fund), the European Investment Bank and the other existing Financial Instruments.

The Commission shall submit a report to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions every three years on the progress made towards achieving economic, social and territorial cohesion and on the manner in which the various means provided for in this Article have contributed to it. This report shall, if necessary, be accompanied by appropriate proposals.

If specific actions prove necessary outside the Funds and without prejudice to the measures decided upon within the framework of the other Union policies, such actions may be adopted by the European Parliament and the Council acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee and the Committee of the Regions.

---

[79] Consolidated version of the Treaty on the Functioning of the European Union. OJ C 326, 26.10.2012, p. 47–390. Link: https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12012E/TXT:en:PDF
[80] Ibid. Art. 175

The BAR is also based on Article 322 TFEU, as the rules it contains do not fall under the financial regulation. In particular Article 322[81] states that:

1. The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, and after consulting the Court of Auditors, shall adopt by means of regulations:

(a) the financial rules which determine in particular the procedure to be adopted for establishing and implementing the budget and for presenting and auditing accounts;

(b) rules providing for checks on the responsibility of financial actors, in particular authorising officers and accounting officers.

2. The Council, acting on a proposal from the Commission and after consulting the European Parliament and the Court of Auditors, shall determine the methods and procedure whereby the budget revenue provided under the arrangements relating to the Union's own resources shall be made available to the Commission, and determine the measures to be applied, if need be, to meet cash requirements.

The reserve BAR shall be governed by the principles of subsidiarity and proportionality, which are a basic foundation for democracy within the Union and can be found in Article 5 of the TEU[82].

1. The limits of Union competences are governed by the principle of conferral. The use of Union competences is governed by the principles of subsidiarity and proportionality.

(...)

3. Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level.

4. Under the principle of proportionality, the content and form of Union action shall not exceed what is necessary to achieve the objectives of the Treaties.

The principle of subsidiarity is reflected by the fact that the measures of the Reserve are not implemented by the European Commission but in cooperation with member states and local bodies, in order to achieve the objectives that cannot be achieved by each member state separately. Moreover, the principle of proportionality

[81] Ibid. Art. 322

[8282] Consolidated version of the Treaty on European Union. OJ C 326, 26.10.2012, p. 13–390 Art. 5. Link: https://eur-lex.europa.eu/resource.html?uri=cellar:2bf140bf-a3f8-4ab2-b506-fd71826e6da6.0023.02/DOC_1&format=PDF

is ensured by the fact that EU action is limited to the minimum possible to achieve the Union's objectives at European level and does not go beyond this line[83].

c. Financing

The funding amount of the BAR can be found in Article 4[84] of the Regulation (EU) 2021/1755 and corresponds to **5 470 435 000 EUR** (€) in October 2021 prices. Specifically, this amount is mainly available in the form of a pre-financing calculated at € 4.321.749.000 and distributed in 3 installments, which will be divided in the following way: € 1.697.933.000 in 2021, € 1.298.919.000 in 2022 and € 1.324.897.000 in 2023. The remaining € 1.148.686.000 will then be allocated in 2025.

The following table[85] details the breakdown of reserve money per member state. For reasons mentioned and explained above, the countries that will receive the largest amounts are in turn Ireland, the Netherlands and France, as they are counted as the biggest losers in the trade and fishing sectors due to Brexit.

[83] Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Brexit Adjustment Reserve. COM/2020/854 final. p. 3-4, Link: https://eur-lex.europa.eu/resource.html?uri=cellar:05770942-46c9-11eb-b59f-01aa75ed71a1.0001.02/DOC_1&format=PDF

[84] Regulation (EU) 2021/1755 of the European Parliament and of the Council of 6 October 2021 establishing the Brexit Adjustment Reserve PE/59/2021/REV/1 OJ L 357, 8.10.2021, p.7-8 Art. 4. Link: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1755&from=EN

[85] Council of the EU (2021). *Council adopts a €5 billion Brexit adjustment reserve*. Press release: 28 September 2021. Link: https://www.consilium.europa.eu/media/52119/20210625_brexit-adjustment-reserve-breakdown-of-allocation-per-ms-in-current-prices.pdf

BREXIT Adjustment Reserve – Breakdown of allocation per MS in current prices

Member States	Final agreement in EUR/current prices (rounded)				
	Trade in goods and services with the UK	Fish caught in the UK Exclusive Economic Zone	of which earmarked for fisheries	Maritime CBC regions with the UK	Total
BE - Belgium	316.706.221	57.189.523	27.060.177	12.678.212	386.573.957
BG - Bulgaria	15.372.864				15.372.864
CZ - Czechia	54.918.029				54.918.029
DK - Denmark	117.758.311	157.240.966	19.249.949		274.999.277
DE - Germany	601.249.670	45.350.388	22.675.194		646.600.057
EE - Estonia	6.615.616				6.615.616
IE - Ireland	981.398.620	111.246.160	55.623.080	72.557.344	1.165.202.125
EL - Greece	38.631.153				38.631.153
ES - Spain	268.490.849	3.956.201			272.447.050
FR - France	451.211.542	132.283.310	51.488.588	152.056.411	735.551.263
HR - Croatia	7.190.532				7.190.532
IT - Italy	146.769.412				146.769.412
CY - Cyprus	52.056.350				52.056.350
LV - Latvia	10.946.343				10.946.343
LT - Lithuania	12.154.122	30.451			12.184.573
LU - Luxembourg	128.475.124				128.475.124
HU - Hungary	57.157.852				57.157.852
MT - Malta	44.322.261				44.322.261
NL - Netherlands	710.099.858	139.984.996	62.042.025	36.229.783	886.314.637
AT - Austria	27.711.512				27.711.512
PL - Poland	172.161.964	1.471.297			173.633.261
PT - Portugal	81.358.331	28			81.358.359
RO - Romania	43.162.623				43.162.623
SI - Slovenia	5.257.380				5.257.380
SK - Slovakia	36.307.747				36.307.747
FI - Finland	23.242.037				23.242.037
SE - Sweden	129.734.726	7.698.879			137.433.605
EU27 total	**4.540.461.050**	**656.452.200**	**238.139.013**	**273.521.750**	**5.470.435.000**

Council of the EU, 2021

Although the amount of pre-financing is unusually high, as it comprises 80% of the total reserve, it is essential for the EU member states, given that they have to cope with the direct effects of the UK's withdrawal from the EU[86]. The measures against these negative effects that member states may adopt at regional and local level are detailed in Article 5 of the Regulation and cover a wide range of different areas[87]. Article 6 of the Regulation stipulates that 2,5% of the contribution to each member state shall be for technical assistance related to the management, monitoring, information and Communication, Control and auditing of the Reserve[88]. Article 7 then states that the Reserve will not be provided for support to VAT and relocation costs[89].

It is worth mentioning that according to Article 10 of the Regulation, member states have a deadline for submitting an application for funding to the Commission, by 30 September 2024, otherwise it is planned by the Commission to recover the amount of funding given to the member state as pre-financing[90].

1. Each Member State shall submit to the Commission an application for a financial contribution from the Reserve by 30 September 2024. The Commission shall assess those applications and establish whether the remaining provisional allocation and additional amounts are due to Member States or if any amounts are to be recovered from Member States in accordance with Article 12.

2. Where a Member State does not submit an application for a financial contribution from the Reserve by 30 September 2024, the Commission shall recover the total amount paid as pre-financing to that Member State.

---

[86] Opinion No 1/2021 (pursuant to Article 322 TFEU) concerning the proposal for a Regulation of the European Parliament and of the Council establishing the Brexit Adjustment Reserve (COM(2020) 854 final)

[87] Regulation (EU) 2021/1755 of the European Parliament and of the Council of 6 October 2021 establishing the Brexit Adjustment Reserve PE/59/2021/REV/1 OJ L 357, 8.10.2021, p.8-9 Art. 5. Link: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1755&from=EN

[88] Ibid, p.10 Art.6

[89] Ibid, p.10 Art.7

[90] Ibid, p.11 Art.10

CHAPTER II

The BAR regulation (EU) 2021/1755 came into force on 6 October 2021, 9 months after the UK left the EU. The adoption of this Regulation was welcomed positively by all EU member states, particularly those whose economic activity has been severely affected by the high exposure they have had to British markets. Having presented and explained both the Regulation and the path to its final signature through the ordinary legislative procedure of the Union in the previous chapter, now it is time to analyze its implementation to date.

a. Ireland

Ireland, having received the biggest financial blow due to Brexit, is also the largest beneficiary of the Brexit Adjustment Reserve since it not only received the largest amount from the reserve but was also the first member state for which the regulation was applied, two months after the introduction of the Reserve. On 6.12.2021 the Commission implemented the decision (C(2021) 8818 final), setting out the annual pre-financing amounts allocated to Ireland from the BAR, granting € 920.4 million to the country. Following the Regulation, this amount will be distributed in three installments in the form of pre-financing, which will be € 361.5 million in 2021, € 276.7 million in 2022 and € 282.2 million in 2023[91]. The remaining 20% of the funding will be given to Ireland in 2025 and is estimated at € 244 million[92]. Funding is provided to cover costs from losses incurred due to Brexit, from January 1, 2020.

Indeed, there is a wide range of sectors in Ireland that have been significantly affected by Brexit, particularly the Trade and Food and Drinks sector (FDI) and the significant amount of the Reserve is going to be spent on easing them. According to the Irish government, the amount will be spent on compensation for companies that

[91] European Commission (2021). Brexit Adjustment Reserve: Commission approves €920.4 million pre-financing for Ireland. Link: https://ec.europa.eu/regional_policy/en/newsroom/news/2021/12/12-06-2021-brexit-adjustment-reserve-commission-approves-eur920-4-million-pre-financing-for-ireland

[92] Burke-Kennedy E. (2021). *EU approves over €920m for Ireland under Brexit fund*. THE IRISH TIMES. Link: https://www.irishtimes.com/business/economy/eu-approves-over-920m-for-ireland-under-brexit-fund-1.4747915

their trade has been reduced, on the protection of jobs, on fishing communities, and on customs infrastructure that is required from now on in the country's ports[93].

According to Paul Kelly, FDI director, The Food and Drink Sector of Ireland, it is by far the most exposed sector in all EU countries due to Brexit[94]. According to his words:

Brexit has added significantly to trading costs including transport and logistics and additional administration both for trade with the UK but also for trade with the EU using the land bridge.

This situation can only get worse when border controls are installed within the next period of time. For this reason, the FDI sector suggests where the reserve fund should be targeted. Among other things, it proposes the creation of an export credit insurance system with state support, the investment of € 300 million to increase competitiveness and promote trade outside Ireland, the maintenance of the Employment Wage scheme (EWSS), especially for those whose Brexit has affected them more. They also propose the extension of the Revenue Warehousing Scheme to companies affected by Brexit, the extension of Foreign Earnings determination to as many markets as possible and refinancing Ready for Customs scheme[95].

In any case, Ireland, being the biggest beneficiary of the BAR, will have the opportunity to offer support to various sectors, professional groups and social strata that have borne very negative economic consequences due to their high exposure to the neighboring UK. The words of Elisa Ferreira[96], Commissioner for Cohesion and Reforms, realistically capture the situation:

"Brexit has had a negative impact on many people's lives. Within the EU, it is the people in Ireland who feel it the most. The EU's Brexit Adjustment Reserve stands for solidarity with those most affected. In moving forward, we don't want to leave anyone behind. The funding that Ireland will receive will contribute to improve living

---

[93] O'Leary N. (2021). European Parliament approves over €1bn in Brexit subsidies for Ireland. THE IRISH TIMES. Link: https://www.irishtimes.com/news/politics/european-parliament-approves-over-1bn-in-brexit-subsidies-for-ireland-1.4675158

[94] O'Sullivan K. (2021). FDI welcomes approval of Brexit adjustment reserve. Agriland. Link: https://www.agriland.ie/farming-news/fdi-welcomes-approval-of-brexit-adjustment-reserve/

[95] Ibid

[96] European Commission (2021) Brexit Adjustment Reserve: Commission approves €920.4 million pre-financing for Ireland. Link: https://ec.europa.eu/regional_policy/en/newsroom/news/2021/12/12-06-2021-brexit-adjustment-reserve-commission-approves-eur920-4-million-pre-financing-for-ireland

standards, support economic growth in the country and mitigate the negative impacts in local communities."

b. Italy

Italy, three days after Ireland, becomes the second country to receive funding for the adverse effects of Brexit. On 9.12.2021 the Commission implemented the decision (C(2021) 8922 final), setting out the annual pre-financing amounts allocated to Italy from the BAR. The amount to be received by Italy is estimated at € 116 million[97] and will be distributed in three installments in the form of pre-financing, which are € 45.55 million in 2021, € 34.85 million in 2022 and € 35.55 million in 2023[98].

Member State	Annual pre-financing amounts based on the provisional allocation to Italy, in EUR/current prices (rounded)		
	2021	2022	2023
IT - Italy	45 554 810	34 849 437	35 546 415

C(2021), 8922 final, ANNEX

Elisa Ferreira, Commissioner for Cohesion and Reforms, reported on the case of Italy[99]:

"Brexit has had a negative consequences for many people in the EU. The Brexit Adjustment Reserve stands for solidarity with those most affected. With this, EU offers a helping hand to all the Member States, as we do not want to leave anyone behind. With this pre-financing, over the next years Italy can use the funding to mitigate the negative impact and better the lives of people and support local communities."

---

[97] European Commission (2021). Brexit Adjustment Reserve: Commission approves €116 million pre-financing for Italy. Link: https://ec.europa.eu/regional_policy/en/newsroom/news/2021/12/12-09-2021-brexit-adjustment-reserve-commission-approves-eur116-million-pre-financing-for-italy

[98] C(2021). 8818 final. *ANNEX to the COMMISSION IMPLEMENTING DECISION setting out the annual pre-financing amounts allocated to Ireland from the resources of the Brexit Adjustment Reserve.* Brussels, 6.12.2021.

[99] European Commission (2021). Brexit Adjustment Reserve: Commission approves €116 million pre-financing for Italy. Link: https://ec.europa.eu/regional_policy/en/newsroom/news/2021/12/12-09-2021-brexit-adjustment-reserve-commission-approves-eur116-million-pre-financing-for-italy

The amount received by Italy, given the size of the country, is clearly smaller than other EU member states and this is undoubtedly to some extent reflected in the smaller impact that Italy's economy may have had due to Brexit compared to other countries that are much closer to the UK border. However, at this point it would be useful to mention that at the European Union level Italy is the biggest beneficiary of the Next Generation EU instrument having been scheduled to receive the astronomical amount of € 191 billion. Italy has already received € 24.9 billion pre-financing in August 2021, while in April 2022, the first tranche of the Next Generation EU fund, *"is now on its way"*, as stated by Ursula von der Leyen, president of the Commission[100].

Italy, being one of the largest affected by the COVID 19 pandemic within the EU, will have the opportunity through the large amount it will receive from The Next Generation EU fund to restore the heavy economic and social blow inflicted on the country. We can, therefore, with some relative safety assume that Brexit is not the major problem that the country was called upon to face, in relation to the disease of COVID 19.

c. Commission approves pre-financing for 12 Member States

Having settled Ireland and Italy, the European Commission in mid-March 2021, following the BAR Regulation, approved the amount of € 2 billion, relating to the support of 12 member states. Particularly, on 14 March 2021 the Commission implemented the decision (C(2022) 1412 final) setting out the annual pre-financing amounts allocated to Belgium, Estonia, Spain, France, Croatia, Latvia, Malta, Netherlands, Austria, Portugal, Romania and Sweden from the BAR. With this approval by the side of the European Commission, the amount of € 2 billion will be distributed among the 12 member states in three installments, which are as follows: € 819.297.017 for 2021, € 626.726.342 for 2022 and € 639.297.405 for 2023[101]. The individual allocation of this fund to the EU member states can be found on the ANNEX (C(2022) 1412 final) and is presented in the table below.

[100] Montanari M. (2022). *Italy to receive first funds from NextGeneration EU. EURACTIV.* Link: https://www.euractiv.com/section/future-eu/short_news/italy-to-receive-first-funds-from-nextgeneration-eu/

[101] European Commission (2022). Brexit Adjustment Reserve: Commission approves €2 billion of pre-financing for 12 Member States. Link: https://ec.europa.eu/regional_policy/en/newsroom/news/2022/03/14-03-2022-brexit-adjustment-reserve-commission-approves-eur2-billion-of-pre-financing-for-12-member-states

Member State	Annual pre-financing amounts based on the provisional allocation to Member States, in EUR/current prices (rounded)		
	2021	2022	2023
Belgium	119 986 195	91 789 457	93 625 219
Estonia	2 053 378	1 570 835	1 602 251
Spain	84 563 081	64 690 770	65 984 566
France	228 303 007	174 651 835	178 144 821
Croatia	2 231 823	1 707 345	1 741 491
Latvia	3 397 565	2 599 138	2 651 120
Malta	13 756 900	10 524 031	10 734 508
Netherlands	275 097 478	210 449 612	214 658 542
Austria	8 601 197	6 579 917	6 711 514
Portugal	25 252 296	19 318 010	19 704 365
Romania	13 396 968	10 248 682	10 453 653
Sweden	42 657 129	32 632 710	33 285 355
Total	**819 297 017**	**626 726 342**	**639 297 405**

C(2022) 1412 final, ANNEX

The two biggest beneficiaries of the third tranche are France and the Netherlands, as shown by the table, who will receive € 174 million and € 210 million in 2022 and € 178 million and € 215 million in 2023 under the pre-financing[102]. As we have seen in the detailed analysis of the previous chapter, these two are among the biggest Brexit wounded countries for a number of reasons. Apart from these two countries, the case of Malta is also worth mentioning. This small Mediterranean State, while at first glance the amount of € 35 million it receives as pre-financing does not seem to be anything special, is nevertheless the largest expenditure per capita among the 12 member states that their fund has been approved at this stage. Of course, this amount is justified by the fact that Malta is part of the Commonwealth and since its relations with the UK were close at the time, its losses will be significant too. The

[102] Fox B. (2022). *Firms to get €2 billion from EU's Brexit fund*. EURACTIV Link: https://www.euractiv.com/section/uk-europe/news/firms-to-get-e2-billion-from-eus-brexit-fund/

countries that follow Malta in terms of per capita criteria are the Netherlands and then Belgium[103].

Elisa Ferreira mentioned that[104]: *"Brexit has had a negative impact on many people's lives within the EU. The Brexit Adjustment Reserve was set up and adopted in record time to help Member States mitigate the adverse economic, social and territorial consequences of Brexit. Now it is up to Member States to make the best use of the available funding to support regions, local communities, citizens and small and medium businesses to diversify their activities, keep jobs and reskill the workforce where necessary."*

Indeed, some countries have already made a plan for how to distribute the fund of the bar. Netherlands, for instance, are about to spend € 710 million out of the € 866 million that can be claimed from the Reserve, to cover the trade losses with the UK, while the remaining amount is to be distributed to the fishing sector[105].

More specifically, the amount that the Netherlands will receive will be distributed by the Netherlands Enterprise Agency (RVO) in three major sectors that are business, community and the fisheries sector. In a broader context, the Netherlands has organized two compensation schemes and a trade program for businesses. One scheme refers to the losses that have already been observed due to Brexit, while the other scheme refers to the losses that are to be incurred. Particularly, € 218 million have been planned for the two upper schemes, € 32 million have been pre-planned for the support of entrepreneurs exposed to international markets and € 200 million for the fishing sector[106].

In any case, each country should have the opportunity to take advantage of the BAR and mitigate the negative economic effects by making a proper planning after it has estimated the losses in its exposed sectors due to Brexit.

---

[103] Times of Malta (2022). *Malta to receive €35m in EU funding to cushion Brexit impact*. TIMES OF MALTA. Link: https://timesofmalta.com/articles/view/malta-to-receive-35m-in-eu-funding-to-cushion-brexit-impact.941256

[104] European Commission (2022). Brexit Adjustment Reserve: Commission approves €2 billion of pre-financing for 12 Member States. Link: https://ec.europa.eu/regional_policy/en/newsroom/news/2022/03/14-03-2022-brexit-adjustment-reserve-commission-approves-eur2-billion-of-pre-financing-for-12-member-states

[105] Netherlands Court of Audit. *How will Brexit affect the Netherlands?* Link: https://english.rekenkamer.nl/publications/frequently-asked-questions/european-union/how-will-brexit-affect-the-netherlands

[106] Ibid,

d. Commission approves pre-financing for 4 Member States.

The fourth and final decision of the European Commission concerning the financing of four more member states, at least until the time this research is written, was adopted only in June 2022. On 16/06/2022, the European Commission implemented the decision (C(2022) 3921 final) setting out the annual pre-financing amounts allocated to Germany, Greece, Cyprus and Hungary from the BAR. With this decision, the Commission will allocate € 435 million in 2022, to the four member states. This amount includes the installments that the states are entitled to for the year 2021. The remaining € 192 million will be donated to these states by the end of April 2023. In total, the European Commission will distribute € 627 million to just four member states to make it easier for them to cope with the negative economic consequences of Brexit. This amount, as in the previous decisions concerns the period until December 31, 2023[107].

The exact allocation of the amount each country will receive for each year is shown in the table below, retrieved from the ANNEX of the decision (C(2022) 3921 final).

Member State	Annual pre-financing amounts based on the provisional allocation to Member States, in EUR/current prices (rounded)		
	2021	2022	2023
DE – Germany	200 694 017	153 530 953	156 601 527
EL - Greece	11 990 474	9 172 715	9 356 166
CY - Cyprus	16 157 434	12 360 440	12 607 645
HU - Hungary	17 740 857	13 571 758	13 843 189

C(2022) 3921 final, ANNEX

At a quick glance, it is easy to understand that Germany is the biggest beneficiary of this decision. Obviously, this is justified by the extent of the ties that Germany had with the UK, mainly on trade sector. Since the UK's withdrawal from the EU, Germany's exports and imports to and from the UK have seen a clear decline.

[107] European Commission (2022). Brexit Adjustment Reserve: Commission approves almost €627 million pre-financing for 4 Member States. Link: https://ec.europa.eu/regional_policy/en/newsroom/news/2022/06/16-06-2022-brexit-adjustment-reserve-commission-approves-almost-eur627-million-pre-financing-for-4-member-states

In particular, Germany's exports to the UK shrank from €89 billion in 2015 to €79 billion in 2019. As for imports, they experienced a significant decrease of €32 billion in 2021, which corresponds to a decrease of 8.5% compared to the previous year. To fill the gap, Germany has focused its exports on other markets such as the EU and China. Specifically, its exports to the EU increased 16.8% while to China by 20.8% while its shift to neighboring European countries to meet needs such as car parts and stainless-steel enclosures contributed to the maintenance of the country's aerospace sector[108].

Cyprus, like Malta in the previous decision, will receive a respectable amount compared to its size and compared to Greece too, given that the ties with the UK are very extensive. Cyprus as a former British colony and part of the Commonwealth, apart from commercial ties, maintains, closer relations with the UK. In fact, it is worth mentioning that 300.000 Cypriots living in the UK had the right to vote in the referendum on Brexit[109].

In any case, by the time this paper is written, the EU has approved the funding of 20 member states from the BAR instrument. The approval for the remaining member states will be taken over the next period to complete this funding cycle so that everyone can handle the new economic challenges, already visible after Brexit.

[108] EUBusiness.news (2022). *Echoes Throughout Europe – The Impact of Brexit on Germany*. Link: https://www.eubusinessnews.com/echoes-throughout-europe-the-impact-of-brexit-on-germany/
[109] Michalopoulos S. (2016). *MEP: The Cypriot economy will be hard hit by a Brexit.* EURACTIV Link: https://www.euractiv.com/section/uk-europe/news/mep-the-cypriot-economy-will-be-hard-hit-by-a-brexit/

EPILOGUE:

The future role of the EU and the UK after Brexit.

Brexit is now a reality for both the UK and the EU, bringing significant repercussions and changes at political, economic and administrative level, especially for the British government and its citizens. The economic impact for the UK is much greater than for the EU, as explained above, but given that this is an irreversible situation, Britain will now have to seek and shape its role in the global world.

The UK's relations with both the US and the EU have always been an interesting field of study with many analysts believing that the UK is the bridge between the EU and America. In fact, the UK has always been a loyal U.S. ally on the European continent that has supported U.S. policies primarily within NATO. On the other hand, the view prevails that Germany needed the UK as an interlocutor between it and the US, especially after World War II. The complex history of the UK, however, has made it difficult for historians to unravel Britain's role between the US and the modern structures of Europe. What is certain is that the UK's role as Global Britain has lost the power and glamour it used to have and shaped the slogan of the pro-Brexit movement because it was thought that leaving the EU would restore that global role[110].

To outline the UK's future role globally, we must first focus on its role in the EU. At this point we have seen that in terms of the withdrawal process the upper hand in the negotiations was by no means the UK. Although the TCA was finally signed and implemented, which enshrines zero tariffs for both sides, the UK has poor access to the EU market, leaving the most important decisions on financial services to the supervision of the EU. The UK has not even managed to have devolved control of fishing territories within its territorial waters[111].

Of course, being outside the EU, Great Britain will now be able to negotiate new economic policies with world powers such as the USA, India and China and even all Anglophone allied countries, which, however, seems difficult at the moment. In

---

[110] Holden P. (2021). *The UK's Global Role Post-Brexit: What is Worth Researching?* E-INTERNATIONAL RELATIONS. Link: https://www.e-ir.info/2021/01/28/the-uks-global-role-post-brexit-what-is-worth-researching/

[111] Ibid

addition, faster progress in the vaccination program against COVID-19 compared to the EU and its complex functional structures, can give a step to the supporters of Brexit. What the UK can certainly take advantage of is the soft power it has. Football and literature may not be soft power levers for the British government, but UK universities and science programs are worldwide renowned centers of growth, innovation and influence for Great Britain. There is no doubt, however, that Brexit has also affected the UK brand as a whole and consequently its impact globally[112].

The figures at the macro-economic level speak for themselves, as we have seen in the relevant chapter of this research. UK trade openness, foreign direct investment (FDI) inflows, and immigration growth have declined significantly since Brexit. UK trade is recovering at a much slower pace after the COVID-19 pandemic than Trade, as a share of GDP, in other European countries, where the situation in trade has exceeded pre-pandemic levels. The same is true in the rest of the liberal Asian countries, where trade has largely recovered. However, the UK trade as a share of GDP remains more than 6 percent below its Q1 2017 level. As for the UK's FDI inflows, which have traditionally increased since 1970, they have recorded the largest decline in the period 2017-2020, since 1980. It doesn't take in-depth analysis to understand why post-Brexit percentage growth of immigrant population has fallen sharply in the UK over the past five years[113].

Given the data presented, the question arises whether the UK is ultimately weaker than everyone assumed under the circumstances. However, this is not true, and there is an explanation for the position in which the country has fallen since the Brexit vote. For many decades, Great Britain has been an integral part of the EU structure, which has as its ultimate goal the European integration and to a certain extent the unification. When, therefore, UK decides to leave the Union and its goals in order to pursue an individual course with emphasis on domestic politics and its own individual interests, it makes sense to provoke the dislike of the other member states

---

[112] Ibid

[113] Posen Adam. S. (2022). *The UK and the global economy after Brexit*. PIIE Link: https://www.piie.com/research/piie-charts/uk-and-global-economy-after-brexit

who will act punitively against the country or in simpler words not to make life easy for it afterwards[114]

The EU's punitive stance towards its decades-old ally is obvious after Brexit. This is evident from both the negotiations and the EU's post-Brexit stance. Northern Ireland is still at the point of friction between the two parties and the European Commission is planning a retaliation package, that will allow tariffs to be imposed within a month on UK exports, if the latter decides to suspend Northern Ireland trade rules, against what has already been agreed. According to Article 16 of the Northern Ireland protocol, each side can unilaterally suspend the arrangement in a situation deemed necessary for the economy but leaves the other side room for rebalancing countermeasures. The Commission hopes that such a package would prevent the UK from implementing Article 16. In fact, an even more harsh and punitive measure considered would be to cut the UK from EU's research and innovation program "*Horizon Europe*", but that would be vindictive. The role of the EU towards a member state which has democratically decided to leave the Union should not be punitive, but more advisory, giving additional incentives to remain[115].

European Integration has undoubtedly made progress in areas such as the Single Market and the free movement of people, but the EU has been in crisis mode for many years. Since the period of the global economic crisis and consequently the crisis in the eurozone, the EU has been called upon to face a multitude of crises related to the economy, immigration, security and the departure of a member state. Today EU is called upon to face a multidimensional crisis centered on the energy crisis. The EU enlargement has made the Union particularly dysfunctional in terms of implementing decisions uniformly and in addition politically heterogenous. In the EU's multidimensional governance system, the implementation of EU law depends on the governments of the member states and its further local administrations, which creates problems in its legal implementation. Furthermore, among the 27 EU member

---

[114] [114] Holden P. (2021). *The UK's Global Role Post-Brexit: What is Worth Researching?* E-INTERNATIONAL RELATIONS. Link: https://www.e-ir.info/2021/01/28/the-uks-global-role-post-brexit-what-is-worth-researching/

[115] Von Der Burkhard H. (2021). EU to review retaliation package in case Britain blows up Brexit deal. POLITICO. Link: https://www.politico.eu/article/eu-tariffs-trade-deal-retaliation-brexit/

states there is no unanimity, both at administrative and citizen level, on the role and future prospects to be followed in the post-Brexit era[116].

The UK's departure undoubtedly creates a military, intelligence, security and financial gap in the EU. In particular, the withdrawal of the UK means the departure of the third largest member state, the second largest economy and the first military power of the EU. On the one hand, Germany loses one of its largest trading partners and France loses an ally with a very important strategic global outlook. On the other hand, Brexit creates great prospects and ambitions for Germany and France, which are now the two largest economic powers of the union after Brexit. In the post-Brexit era, the deepening of Franco-German relations for a Franco-German Leadership within the EU seems inevitable. The economic resources of these two countries account for 40% of the EU's economic output. Although Germany in the years before Brexit had a much more decisive role in the direction of EU policy due to its economic superiority, France seems to benefit more in the post-Brexit era in terms of its position in the EU policies in the fields of competition, trade, and the Union budget[117]. Margaret Thatcher, a political leader who was many times at odds with Brussels, believed that German reunification after the fall of the Berlin Wall would make Germany the undisputed pioneer of Europe's political and economic integration. The claim was correct since this was the case, but it was carried out under France's terms[118].

France is one of the countries that has contributed the most into shaping and promoting a unified Europe. The vision for an Integrated Europe would not be an exaggeration to say that it is a French ambition and initiative that took shape on May 9, 1950 with the speech of Robert Schuman who led to the creation of the European Coal and Steel Community. With the initiative of France and the participation of five other states, the first step was taken for what we now call the EU. The withdrawal of the UK poses a threat to this vision of an Integrated Europe and it is logical that France did not accept this move at all positively. Both Francois Hollande and

[116] Calliesh C. (2021). *The Future of Europe after Brexit: Towards a Reform of the European Union and its Euro Area/ I. Under pressure: the EU after Brexit.* Yearbook of European Law, Volume 40, 2021, Pages 3–55,Link: https://doi.org/10.1093/yel/yeaa014
[117] Krotz U. and Schramm L. (2021). *Franco-German Leadership in the post-Brexit and post-Merkel EU*. DCU Brexit Institute. Link: https://dcubrexitinstitute.eu/2021/09/franco-german-post-merkel/
[118] Dempsey J. (2017). *Britain's decision to withdraw from the European Union will have a profound effect on the bloc's realignment, starting with Germany*. CARNEGIE EUROPE Link: https://carnegieeurope.eu/strategiceurope/68459

Emmanuel Macron clearly showed that they would not offer a favorable withdrawal agreement for the UK. Francois Hollande's speech at the Commission had focused on the British backstory that had created problems for the EU, posing the UK as an antagonist. Emmanuel Macron did not in his turn offer diplomatic privileges or additional bilateral agreements that would shape the post-Brexit landscape between the two countries. In any case, France's history in the formation of the EU gives an advantage to the country and its co-founders to define more clearly the future role of the Union[119].

The UK's withdrawal now puts France at the forefront of the defense sector of the European Union. By 2016, the UK contributed 47 billion euros to the EU's defense and France 40 billion euros. After Brexit, France remains the biggest contributor of the EU defense budget and the only nuclear power, making the Union dependent on France for defense and security issues. As early as 2020, Emmanuel Macron called on the EU to proceed with a coordinated nuclear defense strategy centered on France. The president of France strengthened his country's position as protector of the EU against possible external military threats and in his speech in front of military officers in Paris, showed his optimism that France would take the lead in this area[120].

Nevertheless, Germany remains the economic pillar of the EU and this puts the country at the forefront of shaping the Union's geostrategic and economic direction. Germany's role in reshaping European foreign and economic policy already dominates before Brexit, under Angela Merkel's direction. The coordinated imposing of sanctions by all member states against Russia for its annexation of Crimea, was carried out under Germany's watch. Furthermore, Wolfgang Schäuble imposed the German economic model in most eurozone countries despite the strong opposition of member states, such as Greece. In addition, Germany introduced the migration policy agenda, despite all the problems and reactions that have existed since its

---

[119] Athirah Mulya Y. and Miranda A. (2020) *The Impact of Brexit on France's Stance in European Union.* ATLANTIS PRESS, Advances in Social Science, Education and Humanities Research, volume 509 4th International Conference on Language, Literature, Culture, and Education (ICOLLITE 2020)

[120] Ibid

implementation. In any case, if France does not take a decisive turn, Germany may remain the strongest influence in shaping the European agenda[121].

The EU as a whole is successful in its response to Brexit. The introduction of the BAR instrument, in order to ease the negative economic consequences of the member states was rapid and most of the countries have already received their corresponding amount. Some may say that the amount granted is not sufficient, but it should not be forgotten that the EU runs also instruments like The Next Generation EU, with larger funding for its member states. In general, the EU's ability to grant funds is to a wider extent satisfactory. Room for improvement is needed mainly on politico-institutional level where the Union is asked to find answers that will regain its lost credibility. The uniformly application of European law finds obstacles stemming from heterogeneity among the member States. The Conference on the Future of Europe was a good opportunity to make important proposals. However, for such actions to be successful and to create a substantive debate, the EU must also undertake the presentation of an alternative perspective and narrative[122].

It is worth noting that so far this year the EU is called to address perhaps the biggest crisis in recent years, which is related to energy and is the outcome of the crisis in Ukraine. Brexit is undoubtedly a blow to the foundations of the EU, but it is not in itself the Union's biggest concern. The UK's position is much more difficult in the new multidimensional challenges as the surveys show. An interesting field of research would be the analysis and estimate of the UK's position if it had not left the EU, and to a further extent, the EU's position if it had not lost its powerful ally.

The future role of the EU is still under development as crises and challenges have not stopped hitting the Old Continent. The EU must definitely focus on the strongest rapprochement and cooperation among the member states in order to shape its future role in the post-Brexit period and the new challenges that have arisen. The emphasis should be on a more collective and unifying policy than on the individual interests of each member state. The EU as an entity is undoubtedly more powerful

---

[121]Dempsey J. (2017). *Britain's decision to withdraw from the European Union will have a profound effect on the bloc's realignment, starting with Germany*. CARNEGIE EUROPE Link: https://carnegieeurope.eu/strategiceurope/68459

[122] Calliesh C. (2021). *The Future of Europe after Brexit: Towards a Reform of the European Union and its Euro Area/ I. Under pressure: the EU after Brexit.* Yearbook of European Law, Volume 40, 2021, Pages 3–55,Link: https://doi.org/10.1093/yel/yeaa014

when united and it must not be forgotten that what unites us is greater than what divides us.

Bibliography:

- Ares E. (2021). *UK-EU Trade and Cooperation Agreement: Fisheries*. UK Parliament. Link: https://commonslibrary.parliament.uk/research-briefings/cbp-9174/
- Athirah Mulya Y. and Miranda A. (2020) *The Impact of Brexit on France's Stance in European Union.* ATLANTIS PRESS, Advances in Social Science, Education and Humanities Research, volume 509 4th International Conference on Language, Literature, Culture, and Education (ICOLLITE 2020)
- Aydin Ali Kaan (2021). *Aftermath of the Exit Day: Consequences of Brexit for the Netherlands*. EFR. Link: https://www.efr.nl/blog/article/2021-01-19-aftermath-of-the-exit-day-consequences-of-brexit-for-the-netherlands#_ftn1
- BBC (2013). *David Cameron promises in/out referendum on EU.* BBC, link**:** https://www.bbc.com/news/uk-politics-21148282
- BBC (2019). ***Theresa May resigns over Brexit: What happened?*** **BBC, link:** https://www.bbc.com/news/uk-politics-48379730
- Bisciari P. (2019). *Main findings from a survey on the long-term impact of Brexit on the UK and EU economies*. SUERF Policy Note, Issue No 84
- Boffey, D. (2017). *EU will lose out from bad Brexit deal on City, says leaked report.* The Guardian.
- BORDEAUX business (2022). Brexit: what are the impacts on the French economy? Link: https://bordeaux.business/en/brexit-what-impacts-economy-french/
- Bpifrance (2021). Brexit: *what is the impact for French companies?* Link: https://www.bpifrance.com/2021/02/11/brexit-what-is-the-impact-for-french-companies/
- Bruno, R., N. Campos, S. Estrin and M. Tian (2016) '*Gravitating towards Europe: An Econometric Analysis of the FDI Effects of EU Membership',* Technical Appendix to this report. Link: https://cep.lse.ac.uk/pubs/download/brexit03_technical_paper.pdf
- Burke-Kennedy E. (2021). *EU approves over €920m for Ireland under Brexit fund*. THE IRISH TIMES. Link: https://www.irishtimes.com/business/economy/eu-approves-over-920m-for-ireland-under-brexit-fund-1.4747915
- Calliesh C. (2021). *The Future of Europe after Brexit: Towards a Reform of the European Union and its Euro Area/ I. Under pressure: the EU after Brexit.* Yearbook of European Law, Volume 40, 2021, Pages 3–55,Link: https://doi.org/10.1093/yel/yeaa014
- Curtis J. (2022). *Northern Ireland Protocol: Implementation, grace periods and EU-UK discussions (2021- 22).* House of Commons Library
- Davis, D. (2017, November 14). *Speech at UBS.* Retrieved from: https://www.gov.uk/government/news/david-davis-speech-at-ubs
- Dempsey J. (2017). *Britain's decision to withdraw from the European Union will have a profound effect on the bloc's realignment, starting with Germany*. CARNEGIE EUROPE Link: https://carnegieeurope.eu/strategiceurope/68459
- Dhingra S., G. Ottaviano, Th. Sampson and J. van Reenen (2016). *The impact of Brexit on foreign investment in the UK.* CENTER for ECONOMIC PERFORMANCE, CEP BREXIT ANALYSIS No. 3. Link: https://cep.lse.ac.uk/pubs/download/brexit03.pdf
- Dhingra, Swati; Huang, Hanwei; Ottaviano, Gianmarco; Paulo Pessoa, João; Sampson, Thomas; Van Reenen, John (2017). *The costs and benefits of leaving the EU: trade effects*. Economic Policy, 32(92), 651–705. doi:10.1093/epolic/eix015
- ECB, Occasional Paper Series, No 249 / October 2020
- Eimear Flynn, Janez Kren, and Martina Lawless (2021). *Initial impact of Brexit on Ireland-UK trade flows.* ESRI, Working Paper No. 714

- Etherington h. and Wright G. (2020). *Brexit Transition Period*. INSTITUTION FOR GOVERNMENT. Link: https://www.instituteforgovernment.org.uk/explainers/brexit-transition-period
- EUBusiness.news (2022). *Echoes Throughout Europe – The Impact of Brexit on Germany*. Link: https://www.eubusinessnews.com/echoes-throughout-europe-the-impact-of-brexit-on-germany/
- Fox B. (2022). *Firms to get €2 billion from EU's Brexit fund*. EURACTIV Link: https://www.euractiv.com/section/uk-europe/news/firms-to-get-e2-billion-from-eus-brexit-fund/
- Hammond, P. (2018, March 7). *Chancellor's HSBC speech: financial services*. Link: https://www.gov.uk/government/speeches/chancellors-hsbc-speech-financial-services
- Hancké B., Mathei L., Galiay A. (2021). *Dancing in the dark: What Brexit means for UK-EU trade and UK industry*. LSE, retrieved from: https://blogs.lse.ac.uk/europpblog/2021/07/13/dancing-in-the-dark-what-brexit-means-for-uk-eu-trade-and-uk-industry/
- Holden P. (2021). *The UK's Global Role Post-Brexit: What is Worth Researching?* E-INTERNATIONAL RELATIONS. Link: https://www.e-ir.info/2021/01/28/the-uks-global-role-post-brexit-what-is-worth-researching/
- Ιωάννου Μ. (2020). Τι είναι η Τελωνειακή Ένωση ΕΕ-Τουρκίας και τι σημαίνει το ενδεχόμενο αναστολής της. Euronews, link: https://gr.euronews.com/2020/10/20/ti-einai-i-telwneiakh-enosi-eu-tourkias-ee-kai-ti-simainei-anastolis-ths-dasmoi-emporio
- Kalaitzake M. (2021). *Brexit for finance? Structural interdependence as a source of financial political power within UK-EU withdrawal negotiations*, Review of International Political Economy, 28:3, 479-504, DOI: 10.1080/09692290.2020.1734856
- Kalaitzake M. (2021). *Resilience in the City of London: the fate of UK financial services after Brexit*, New Political Economy, DOI: 10.1080/13563467.2021.1994540
- Kantor A. (2021). *How French companies are also being hit hard by Brexit*. FINANCIAL TIMES, link: https://www.ft.com/content/0801cd6d-22c9-4e71-ae29-f6c857b69fe5
- Krotz U. and Schramm L. (2021). *Franco-German Leadership in the post-Brexit and post-Merkel EU*. DCU Brexit Institute. Link: https://dcubrexitinstitute.eu/2021/09/franco-german-post-merkel/
- Mathieu C. (2020). *Brexit: What economic impacts does the literature anticipate?* CAIRN.INFO, link: https://www.cairn.info/revue-de-l-ofce-2020-3-page-43.htm?ref=doi&contenu=bibliographie
- Michalopoulos S. (2016). *MEP: The Cypriot economy will be hard hit by a Brexit.* EURACTIV Link: https://www.euractiv.com/section/uk-europe/news/mep-the-cypriot-economy-will-be-hard-hit-by-a-brexit/
- Montanari M. (2022). *Italy to receive first funds from NextGeneration EU. EURACTIV*. Link: https://www.euractiv.com/section/future-eu/short_news/italy-to-receive-first-funds-from-nextgeneration-eu/
- Netherlands Court of Audit. How will Brexit affect the Netherlands? Link: https://english.rekenkamer.nl/publications/frequently-asked-questions/european-union/how-will-brexit-affect-the-netherlands
- O'Leary N. (2021). European Parliament approves over €1bn in Brexit subsidies for Ireland. THE IRISH TIMES. Link: https://www.irishtimes.com/news/politics/european-parliament-approves-over-1bn-in-brexit-subsidies-for-ireland-1.4675158
- Oliver Wyman and Clifford Chance (2018). *FRANCE'S "RED TAPE" COST OF BREXIT.* Link: https://www.oliverwyman.com/content/dam/oliver-wyman/europe/france/fr/Publications/Cost_of_Brexit-EN-screen-v2.pdf
- Oliver Wyman and Clifford Chance (2018). *THE DIRECT COSTS OF BREXIT FOR DUTCH EXPORT COMPANIES.* Link: https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2018/august/OW-Red-Tape-Brexit-Netherlands.pdf

- O'Sullivan K. (2021). FDI welcomes approval of Brexit adjustment reserve. Agriland. Link: https://www.agriland.ie/farming-news/fdi-welcomes-approval-of-brexit-adjustment-reserve/
- Posen Adam. S. (2022). *The UK and the global economy after Brexit*. PIIE Link: https://www.piie.com/research/piie-charts/uk-and-global-economy-after-brexit
- Rankin, J. (2017). *EU negotiator wants 'special' deal over access to City post-Brexit*.
- The Guardian.
- Σκιαδάς Δ. (2021) Newsletter Έδρα JEAN MONNET «Δημοσιονομική Διακυβέρνηση της ΕΕ και Έλεγχος» (Απρίλιος 2021). ΠΑΝΕΠΙΣΤΗΜΙΟ ΜΑΚΕΔΟΝΙΑΣ
- Spirlet T.(2021). *France granted 93 percent of post-Brexit fishing licenses, minister says*. POLITICO. Link: https://www.politico.eu/article/france-obtains-93-post-brexit-fishing-licence/
- Springford J. *COST OF BREXIT* at: https://www.cer.eu/research/cost-of-brexit
- Springford J. (2021). *THE COST OF BREXIT, JANUARY 2021: THE END OF TRANSITION EDITION.* CENTER FOR EUROPEAN REFORM. Retrieved from: https://www.cer.eu/insights/cost-brexit-january-2021-end-transition-edition
- Springford J. (2022). *THE COST OF BREXIT: DECEMBER 2021*. CER. Link: https://www.cer.eu/insights/cost-brexit-december-2021
- Springford J. (2022). *WHAT CAN WE KNOW ABOUT THE COST OF BREXIT SO FAR?* CER. Link: https://www.cer.eu/publications/archive/policy-brief/2022/cost-brexit-so-far
- Stafford Philip (2021). *Amsterdam ousts London as Europe's top share trading hub*. FINANCIAL TIMES, link: https://www.ft.com/content/3dad4ef3-59e8-437e-8f63-f629a5b7d0aa
- Times of Malta (2022). *Malta to receive €35m in EU funding to cushion Brexit impact*. TIMES OF MALTA. Link: https://timesofmalta.com/articles/view/malta-to-receive-35m-in-eu-funding-to-cushion-brexit-impact.941256
- UK Parliament. *General Elections 2015: results*., link: https://www.parliament.uk/business/publications/research/key-issues-parliament-2015/parliament-politics/general- election-2015-results/
- Von Der Burkhard H. (2021). EU to review retaliation package in case Britain blows up Brexit deal. POLITICO. Link: https://www.politico.eu/article/eu-tariffs-trade-deal-retaliation-brexit/
- Walker N. (2021). *Brexit timeline: events leading to the UK's exit from the European Union.* HOUSE OFCOMMONS LIBRARY, BRIEFING PAPER Number 7960, p. 4-5
- WTO. *Principles of the trading system*. Link: https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm
- WTO. *What is the WTO?* Link: https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact1_e.htm

Sources retrieved from EU official sites:

- C(2021). 8818 final. *ANNEX to the COMMISSION IMPLEMENTING DECISION setting out the annual pre-financing amounts allocated to Ireland from the resources of the Brexit Adjustment Reserve.* Brussels, 6.12.2021. Retrieved from: https://ec.europa.eu/regional_policy/en/funding/brexit-adjustment-reserve/ at KEY DOCUMENTS *BAR – Summary of notifications/payments disbursed*
- C(2021). 8922 final. *ANNEX to the COMMISSION IMPLEMENTING DECISION setting out the annual pre-financing amounts allocated to Italy from the resources of the Brexit Adjustment Reserve*. Brussels, 9.12.2021. Retrieved from: https://ec.europa.eu/regional_policy/en/funding/brexit-adjustment-reserve/ at KEY DOCUMENTS *BAR – Summary of notifications/payments disbursed*

- C(2022). 1412 final. *ANNEX to the COMMISSION IMPLEMENTING DECISION setting out the annual pre-financing amounts allocated to Belgium, Estonia, Spain, France, Croatia, Latvia, Malta, Netherlands, Austria, Portugal, Romania and Sweden from the resources of the Brexit Adjustment Reserve.* Brussels, 11.3.2022. Retrieved from: https://ec.europa.eu/regional_policy/en/funding/brexit-adjustment-reserve/ at KEY DOCUMENTS *BAR – Summary of notifications/payments disbursed*
- C(2022). 3921 final. *ANNEX to the COMMISSION IMPLEMENTING DECISION setting out the annual pre-financing amounts allocated to Germany, Greece, Cyprus and Hungary from the resources of the Brexit Adjustment Reserve.* Brussels, 16.6.2022. Retrieved from: https://ec.europa.eu/regional_policy/en/funding/brexit-adjustment-reserve/ at KEY DOCUMENTS *BAR – Summary of notifications/payments disbursed*
- Consolidated Version of the Treaty on European Union [2012] OJ C326/44, Art. 50
- Consolidated version of the Treaty on European Union. OJ C 326, 26.10.2012, p. 13–390 Link: https://eur-lex.europa.eu/resource.html?uri=cellar:2bf140bf-a3f8-4ab2-b506-fd71826e6da6.0023.02/DOC_1&format=PDF
- Consolidated version of the Treaty on the Functioning of the European Union. OJ C 326, 26.10.2012, p. 47–390. Link: https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12012E/TXT:en:PDF
- Council of the EU (2021). *Council adopts a €5 billion Brexit adjustment reserve*. Press release: 28 September 2021. Link: https://www.consilium.europa.eu/media/52119/20210625_brexit-adjustment-reserve-breakdown-of-allocation-per-ms-in-current-prices.pdf
- European Commission (2021). Brexit Adjustment Reserve: Commission approves €116 million pre-financing for Italy. Link: https://ec.europa.eu/regional_policy/en/newsroom/news/2021/12/12-09-2021-brexit-adjustment-reserve-commission-approves-eur116-million-pre-financing-for-italy
- European Commission (2022). Brexit Adjustment Reserve: Commission approves €2 billion of pre-financing for 12 Member States. Link: https://ec.europa.eu/regional_policy/en/newsroom/news/2022/03/14-03-2022-brexit-adjustment-reserve-commission-approves-eur2-billion-of-pre-financing-for-12-member-states
- European Commission (2022). Brexit Adjustment Reserve: Commission approves almost €627 million pre-financing for 4 Member States. Link: https://ec.europa.eu/regional_policy/en/newsroom/news/2022/06/16-06-2022-brexit-adjustment-reserve-commission-approves-almost-eur627-million-pre-financing-for-4-member-states
- European Commission (2021) Brexit Adjustment Reserve: Commission approves €920.4 million pre-financing for Ireland. Link: https://ec.europa.eu/regional_policy/en/newsroom/news/2021/12/12-06-2021-brexit-adjustment-reserve-commission-approves-eur920-4-million-pre-financing-for-ireland
- European Commission. *EU Customs Union – unique in the world.* Link: https://ec.europa.eu/taxation_customs/customs-4/eu-customs-union-facts-and-figures/eu-customs-union-unique- world_en
- European Commission. *The EU-UK Trade and Cooperation Agreement.* Link: https://ec.europa.eu/info/strategy/relations-non-eu-countries/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement_en
- EUR-Lex. *The EU-UK Trade and Cooperation Agreement.* Link: https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=uriserv%3AOJ.L_.2021.149.01.0010.01.ENG&toc=OJ%3AL%3A2021%3A149%3ATOC
- European Council Council of the European Union. *Brexit Timeline.* Retrieved from: https://www.consilium.europa.eu/en/policies/eu-uk-after-referendum/
- Eurostat Statistics Explained (2019). *Glossary:European Free Trade Association (EFTA).* Link :https://ec.europa.eu/eurostat/statistics-explained/index.php

- Eurostat Statistics Explained (2020). *Glossary:European Economic Area (EEA).* Link: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:European_Economic_Area_(EEA)
- Opinion No 1/2021 (pursuant to Article 322 TFEU) concerning the proposal for a Regulation of the European Parliament and of the Council establishing the Brexit Adjustment Reserve (COM(2020) 854 final)
- **Procedure 2020/0380/COD.** COM (2020) 854: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Brexit Adjustment Reserve. Link: https://eur-lex.europa.eu/procedure/EN/2020_380
- Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Brexit Adjustment Reserve. COM/2020/854 final Link: https://eur-lex.europa.eu/resource.html?uri=cellar:05770942-46c9-11eb-b59f-01aa75ed71a1.0001.02/DOC_1&format=PDF
- Regulation (EU) 2021/1755 of the European Parliament and of the Council of 6 October 2021 establishing the Brexit Adjustment Reserve PE/59/2021/REV/1 OJ L 357, 8.10.2021, p.1. Link: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1755&from=EN

UNIVERSITY OF MACEDONIA

THESSALONIKI 2022