



What Next?

**A Short Guide through the
muddied waters**



The United-Kingdom is set to be the first European Member State to ever leave the Union after an historic referendum ended with a final result of 51.9% to 48.1% in favour of Brexit. The vote is likely to have long-term economic, political and social consequences on all European countries in the coming years and the short-term impact is already being felt in the global stock markets. Uncertainty abounds, not least because Boris Johnson, MP (former mayor of London), a contender to succeed David Cameron as Prime Minister and the leading Brexit campaigner has said there is no rush to leave the EU.

A decision to activate Article 50 of the Treaty of the European Union (TFEU) to withdraw from the Union is unprecedented which explains the caution with which the resigning UK PM approached this step, delaying the decision until his successor is in place. Brexit can come in many shapes and forms. To help you understand this from a European perspective, we have outlined the initial responses in Brussels and discuss below the implications for Europe and our sector.

The Aftershock



Many leading statesmen and stakeholders have already reacted. The response from the UK Prime Minister David Cameron was immediate and he confirmed on Friday (24/6) morning he would be resigning in three months to allow a new Conservative Prime Minister to take office before the Party's Conference in October 2016. Controversially Cameron has not triggered the exit negotiations under Article 50, but is leaving this to his successor. In the interregnum the full panoply of European legislation and treaty obligations still apply to the

UK. Meanwhile, over 3,5 million UK citizens have signed [a petition](#) to the UK Government and Parliament to call for a second referendum.

The Chancellor, George Osborne, made a statement Monday morning to calm markets, with the full support of the Governor of the Bank of England. Crisis meetings in the European Institutions and between European Heads of State are already taking place to deal with the ramifications and **unify their responses** to a shock which threatens to further galvanise Eurosceptic parties around the Continent.

So far, the reaction from Brussels has been calm but determined. In a [common agreement](#), Commission President Jean-Claude Juncker, President of the European Council Donald Tusk, Parliament President Martin Schulz and Dutch Prime Minister Mark Rutte, head of the rotating Presidency of the Council of the EU, said "we will stand strong and uphold the EU's core values of promoting peace and the well-being of its peoples. The Union of 27 Member States will continue." In a press conference, Juncker said he was "very sad" about the outcome of the vote but Europe would "remain strong in its response." They will remain close partners outside of the

EU and hope negotiations go swiftly. Donald Tusk called for a “wider reflection” on Europe and insisted that “what doesn’t kill you makes you stronger.”

However, they also warned the UK vote was final, emphasising there would be no re-negotiation and calling for the UK to launch exit negotiations “swiftly ... to avoid unnecessarily prolonging uncertainty.” It stressed that until the process of negotiation is over, the UK remains a full member and EU law continues to apply. The Commission president added that he now expected “**France and Germany to take a driving position**” in moving the EU forward to “stabilize the situation.”

Furthermore, there is likely to be an emergency meeting of EU Finance Ministers to try and calm the markets after a very volatile reaction to the referendum. EU leaders should meet over the weekend to agree on their position before the scheduled European Council meeting on **28-29 June**, which David Cameron will attend. This could be the first real battleground where EU leaders push for a faster start to withdrawal. Another informal meeting without the UK will take place on the same dates to speak about the details of the negotiation.

The reaction from the political groups of the European Parliament has been mixed. Some see the referendum result as a **wake-up call**. EPP Group Chair Manfred Weber (DE) said Brexit negotiations must begin immediately to avoid uncertainty for Europe. ALDE Group leader Guy Verhofstadt (BE) said: *“it is sad that a majority of the British people have decided to leave. We should now aim to ensure a quick and friendly divorce, in order to avoid unnecessary unrest on the financial markets, negative impacts on trade and job losses. The EU cannot be taken hostage by a Tory leadership wrangle. We need an article 50 notification now.”*

The European Parliament will hold an **extraordinary plenary session** on Tuesday morning with Jean-Claude Juncker and the Dutch Presidency. **MEPs will vote on a resolution analysing the outcome and ways forward.**

Meanwhile, several individual MEPs have asked Britain to be already stripped of some of its influence in the wake of the vote. Jan Philipp Albrecht (Greens/EFA, DE) insisted it *“should be absolutely clear that UK can’t have the Council presidency next year and that UK MEPs should resign from lead positions in the European Parliament.”* *“The European Parliament should call on Juncker to strip the British commissioner, Jonathan Hill, of its financial services brief with immediate effect and turn him into a commissioner without portfolio”* added Elmar Brok (EPP, DE). Some UK MEPs such as Ian Duncan (ECR, UK) have already resigned from their positions as the rapporteurs of the committees with more very likely to follow.

The reaction from EU Member States has been marked by disappointment but resolve. German Chancellor Angela Merkel was clearly disappointed by the outcome and will be meeting with Donald Tusk, French President Francois Hollande and Italian PM Matteo Renzi in Berlin on

The European Parliament will hold an **extraordinary plenary session** on Tuesday morning with Jean-Claude Juncker and the Dutch Presidency. **MEPs will vote on a resolution analysing the outcome and ways forward.**

Monday. Hollande expressed his sadness at the decision and urged a quick resolution of the withdrawal according to the rules.

Snapshot of UK internal implications

- Former London mayor Boris Johnson and Brexit leader is the leading contender for the new Tory leadership. Teresa May, the Home Secretary is also likely to put her hat into the leadership ring. Justice Secretary and leading Brexiter Michael Gove has said that he is not interested in the position but several other candidates are likely to emerge.
- The Labour Party in the UK faces its own challenge since 12 members of the shadow cabinet have now resigned following the sacking of the shadow Foreign Secretary, by party leader Jeremy Corbyn over the week-end. Many members of the parliamentary Labour Party they call for new Labour leadership.
- Scotland's First Minister Nicola Sturgeon said that Holyrood (Scottish Parliament) could try to block the UK's exit from the EU. In Scotland the picture is different with 62% backing Remain and only 38% wanting to go. She also said that a Second Scottish independence referendum is 'highly likely'.
- In Northern Ireland Sinn Fein calls for a referendum on Irish reunification as the Brexit vote leaves Ireland facing a new era of border controls.
- The Irish government were called to a special meeting to reflect on the result and further actions.

Meanwhile, over 3,5 million UK citizens have signed [a petition](#) to the UK Government and Parliament to call for a second referendum.

The Domino Effect

European leaders are worried the UK vote will spark a domino effect, with several other countries seeking their own referenda on EU membership. French National Front leader Marine Le Pen immediately greeted the decision and promised a similar referendum on French membership of the Union in case of her election. Eurosceptic parties, the Dutch Party for Freedom and German AfD made similar calls. Another populist party, Podemos could win the general elections in Spain held this weekend.

Faced with such a movement, support could grow for Donald Tusk's line that "more Europe" is not the answer to all of Europe's problems. Europe may gradually move from idealism to pragmatism to avoid what he labelled "*the beginning of the end not only of the EU but of the entire western political civilization.*" President Martin Schulz tried to dampen down fears of contagion being celebrated by Eurosceptics, saying that the EU was the world's biggest single market and "Britain has just cut its ties with that market. That will have consequences, and I don't believe other countries will be encouraged to follow that dangerous path."

A domino effect within the UK is also now increasingly likely. Scottish First Minister Nicola Sturgeon clearly stated today the Scottish people voted to stay in Europe and called it an indication they saw their future as part of the Union. The Scottish National Party government promised not to act hastily but warned Scotland must be able to hold a second referendum on independence before it was “dragged out” of the EU in two years. Some parties are also calling for a new Irish settlement. In Northern Ireland, Sinn Fein, the North's power sharing Republican Party has called for a poll on uniting the island on the claim that the leave vote fundamentally changes the backdrop to the Good Friday agreement.

Implications for Europe

The short-term impacts are already evident with global financial stock markets suffering from the uncertainty created by Brexit. The FTSE is down 7% since the results were called. The pound sterling is at its lowest against the dollar since 1985, losing 10% of its value. The economic impact on some European countries will be severe, especially for the Benelux, with Belgium estimating losses of €2.1 billion.

Options for the UK:

- join the EEA which would allow the UK to access the single market but will also mean that it will still be subject to the majority of European law;
- become part of EFTA, which provides more limited access to the single market but means that fewer European laws have to be adopted;
- negotiate a separate trade deal with the EU, where everything could be on the negotiation table.

One million British citizens are currently living in other European countries. There will be **consequences for those working in the institutions**. Directly concerned are British Commission staff and MEPs and although they will continue their mandate until the official withdrawal of the UK, their influence will be greatly reduced as of now.

Consequences at a political level will be less immediate. The major European political groups, the Socialists & Democrats (S&D) and the European People’s Party (EPP) will not be too affected by the removal of British MEPs. However, the European Conservatives & Reformists (ECR), dominated by the UK Conservative Party, and the European Freedom & Direct Democracy Party (EFDD), dominated by the UK Independence Party, could both struggle to meet the thresholds to form a political group.

Possible consequences on media and creative sector

A UK withdrawal will have effects on the free movement of goods and services within the EU. For the Audiovisual sector, one can think of cast and crews for production not being able to travel as they do now, but also movement of physical goods (DVDs) broadcast and other AV services.

Brexit may also have an effect on the scope of the AVMS Directive. This Directive is currently under review and although it will take time, it most likely means the UK government has very little influence on the future shape of the Directive from now on which for some is regrettable as the UK traditionally takes a more liberal view of legislation and is a great supporter of self-regulation. The effects should not be overstated though because the UK is still a signatory to the Council of the Europe's "European Convention on Transfrontier Television", which provides similar basic principles. This might also ensure that UK productions could still qualify as 'European Works'. However, the UK will not benefit from the expected updates in the AVMSD and the Convention is only for linear broadcast.

While some aspects of copyright are very much regulated on a national basis, one can expect some changes in this area too as a reform package is due in September, including proposals for a new publisher's right. The current Portability proposal, which was pushed strongly by the UK government, would not automatically apply in the UK and to UK consumers anymore although the UK is likely to enact such provisions in any case. This might be quite sensitive considering the reforms around territoriality still on the table.

A final aspect which might have immediate effect is around the rules of state aid in the AV sector. The UK would not be bound by the EU competition rules and would have more flexibility in this area. The EU will however most likely push back in this area and limit the UK's possibilities of distributing AV content in the EU with what the EU could consider 'excessive' or 'unfair' state aid.

In other areas such as the new GDPR, the UK companies will still have to comply with the Regulation, given that they will offer their services to EU citizens. This actually will be the case for most of the existing regulation in place.

Next steps

Whilst the actual Brexit can come in many shapes and forms, it should roughly fit into one of the following three scenarios for the UK's relation with the EU:

- join the EEA which would allow the UK to access the single market but will also mean that it will still be subject to the majority of European law;
- become part of EFTA, which provides more limited access to the single market but means that fewer European laws have to be adopted;
- negotiate a separate trade deal with the EU, where everything could be on the negotiation table.

The choice of next leader of the Conservative Party and consequently Prime Minister, due in three months, will already provide some answers as to which path the UK will take and the manner and speed of negotiations.

Boris Johnson is the lead contender to take over as Prime Minister given his popular support among the Eurosceptic Conservative Party membership and in the wider country. Both heads of the Leave campaign, Michael Gove and Boris Johnson advocated departing from the single market altogether and negotiating a bespoke trade deal with the EU. Boris Johnson has already insisted that these negotiations should not be rushed and does not want to invoke Article 50, at least not before October 2016. Article 50 provides a two-year renewable negotiating period with the departing Member State, but there is a general consensus that this will need to be extended for the UK's departure. Some Labour MPs have said they would fight to stay in the single market as a non-EU member, even if it involves accepting free movement obligations and EU budget bills.

In whichever scenario, the process will be an arduous one. As the Chairman of the House of Lords EU Committee, Lord Boswell of Aynho explained in a recent report on [the process of withdrawing from the EU](#) "if we are to get a decent outcome we need to work together. Parliament must be fully involved, to make sure that the process is transparent, and that the Government's long-term goals have real democratic legitimacy."

As the European Union wades into uncharted waters, it is impossible to predict exactly how this complex settlement will turn out but we hope this has helped clarify some of the issues at stake and highlight some of the possible outcomes.

