

## ***EU publishes white paper on its future, with a view to strengthening unity after Brexit***

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After parliament passed the Brexit bill to trigger Article 50 of the Lisbon Treaty on 20<sup>th</sup> March, the UK government announced that it would notify the EU of its departure on 29<sup>th</sup> March. The notice will start two years of compulsory exit negotiations.

In Europe, there are concerns that the unifying force of the EU is dwindling, even outside of the UK. While the Party for Freedom, a Eurosceptic political party, did not become the largest party at the Dutch general election on 15<sup>th</sup> March, they did increase their number of seats. Furthermore, Marine Le Pen, leader of the National Front, a party committed to leaving the EU, is forecast to remain on the final ballot of the French presidential election, which is scheduled to take place during April and May. Also in Italy, support for the Eurosceptic party, the Five Star Movement, continues to exceed that of the ruling party, the Democratic Party.

At the EU's 60<sup>th</sup> anniversary summit on 25<sup>th</sup> March, discussions regarding the new system of the EU post Brexit are expected to take place. In preparation for the event, the European Commission published a White Paper on 1<sup>st</sup> March. The paper presents five scenarios related to the possible future state of the EU and its remaining 27 countries after the UK's departure (Table 1). The first scenario, "Carrying on", is one where the single market is strengthened, the financial system of the Eurozone is improved, progress is made towards a common asylum system and the EU budget is partly modernized to reflect the reform agenda. The second scenario, "Nothing but the single market", is one where the single market for goods and capital is strengthened; meanwhile, different standards such as financial regulations are permitted, migration and asylum issues are left to bilateral cooperation and the EU budget is refocused to finance essential functions needed for the single market. The third scenario, "Those who want to do more", is based on the first scenario, yet greater flexibility is permitted and certain Member States may integrate further. The fourth scenario, "Doing less more efficiently", is one where there is consensus on prioritised policy areas where EU common standards apply. Finally, the fifth scenario, "Doing much more together", is one where trade, financial and fiscal unity is strengthened. In December, the European Council is expected to reveal which of the future scenarios above the EU will follow, taking into account discussions with each country's government and parliament. A key test will be whether or not the EU can reconstruct a system which can improve the level of satisfaction amongst the government and citizens of every Member State in order to avoid a "second UK".

Table 1: Five Scenarios for the Future of the EU

	The Single Market and Trade	Economy and Finance	Schengen, Migration and Security	EU Budget
① Carrying on	+	++	++	+
	Single Market is strengthened; pursue trade agreements	Improve the functioning of the euro area	Step up external border management; common asylum system; improve coordination on security	Modernise to reflect reform agenda agreed at 27
② Nothing but the Single Market	+			
	Single market for goods and capital strengthened; free movement of people and services not guaranteed	Different standards (such as financial regulations) are permitted	No single migration/ asylum policy; coordination on security dealt with bilaterally	Refocus to finance essential functions for the single market
③ Those who want more do more	+	++	++	+
	As in "Carrying on"	As in "Carrying on", except for countries who deepen cooperation in taxation and social standards	As in "Carrying on", except for countries who deepen cooperation on security and justice matters	As in "Carrying on"; additional budgets made available for some Member States for areas where they decide to do more
④ Doing less more efficiently		+	+	+
	Current standards set to a minimum	Consolidate the euro area and ensure its stability	Cooperation on border management, asylum policies, counter terrorism	Significantly redesign to fit new priorities agreed at EU27 level
⑤ Doing much more together	++	+++	+	++
	Single market strengthened through harmonisation of standards	Achieve monetary and fiscal Union envisioned in the report of the Union of the Five Presidents of June 2015	Some as "Doing less more efficiently"	Significantly modernised and increased, backed up by own resources

Note: "+" indicates a direction which would further the integration of Europe, and the number indicates the strength. A blank space indicates a situation close to the current status quo.

Source: European Commission, BTMU Economic Research Office

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