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BREXIT FROM DIFFERENT PERSPECTIVES

Abstract: The subject of the research is consequences of Brexit perceived from the perspective of the European Union, the United Kingdom and Poland. The research is an interdisciplinary law and economics study. The results show that the balance for the EU is negative. Brexit changes the internal and external perception and attractiveness of integration, which will no longer be perceived as a road with no return, which may result in subsequent withdrawals. It weakens the European identity. It closes the era of bargaining and concessions to the UK. The balance for the United Kingdom will also be negative. The economic costs of leaving the EU can neither be compensated by savings on EU budget payments nor by the dubious benefits stemming from the economic relations with third countries free of the European regulatory restrictions. At the same time, Brexit ends the era of controversy around EU membership and therefore forces the formulation of internal programmes and the implementation of a policy based on realities, not on nostalgia. For Poland, Brexit is also unfavourable. Poland needs a strong European Union to support its basic interests in which the UK is a strategic partner. UK's withdrawal means also lower EU budget and therefore decrease of financial benefits for Poland.

Keywords: Brexit, geoeconomics, European integration, Poland.

JEL codes: F15, F50.

BREXIT Z RÓŻNYCH PERSPEKTYW

Abstrakt: Przedmiotem badania są konsekwencje Brexitu postrzegane z perspektywy Unii Europejskiej, Wielkiej Brytanii i Polski. Opracowanie ma charakter interdyscyplinarnego studium z zakresu ekonomicznej analizy prawa. W konkluzji stwierdzamy, że bilans dla UE jest ujemny. Wyjście Wielkiej Brytanii z UE zmienia wewnętrzną i zewnętrzną percepcję i atrakcyjność integracji, która nie będzie już postrzegana jako droga bez powrotu, co może skutkować kolejnymi wystąpieniami. Osłabia tożsamość europejską. Również ujemne będzie saldo dla Wielkiej Brytanii. Gospodarczych kosztów wyjścia z UE nie rekompensują ani oszczędności na wpłatach do budżetu UE, ani wątpliwe korzyści z wolnych od gorsetu prawa europejskiego stosunków gospodarczych z państwami trzecimi. Dla Polski Brexit jest wyłącznie niekorzystny. Polska potrzebuje silnej Unii Europejskiej, wspierającej jej podstawowe interesy, w realizacji których Wielka Brytania jest strategicznym partnerem. Wystąpienie Wielkiej Brytanii z UE oznacza także mniejsze wpłaty do budżetu UE, a co za tym idzie – spadek korzyści finansowych dla Polski.

Słowa kluczowe: Brexit, geoekonomia, integracja europejska, Polska.

Kody JEL: F 15, F 50.

Introduction

In the referendum on the UK's membership of the EU held in 2016, there were 51.9% votes to leave the EU and 48.1% to remain in it (turnout was 72.2%). Although the referendum was not formally binding, the government decided to withdraw the United Kingdom from the European Union (EU), an action commonly referred to as Brexit. The outcome of the referendum was not evenly distributed across the UK. Wales and England voted to leave the EU, while voters in Scotland and Northern Ireland would prefer to stay in the EU (more in: Menon, Fowler 2016; Goodwin, Heath 2016).

On 29 March 2017, the UK Prime Minister started the legal procedure of the UK's withdrawal. Conclusion of the withdrawal agreement may take a maximum of 2 years. M. Barnier[1], the EU's chief Brexit negotiator, announced the conclusion of the negotiations at maximum 18 months, reserving the remainder for the remaining procedures (Crisp, Tampest 2016; Barnier 2016).

Table 1

Proportion of votes in the EU referendum

	Leave	Remain
England	53.4%	46.6%
Wales	52.5%	47.5%
Scotland	38.0%	62.0%
Northern Ireland	44.2%	55.8%
National result	51.9%	48.1%

Source: Uberoi (2016).

The negotiations started in June 2017. They involve withdrawal treaty (covering a "divorce" settlement and a transitional arrangement) and a deal on the legal framework of UK-EU's long-term relationship. The EU and the UK are aware that they are facing the task of creating a framework of partnership that goes far beyond the trade agreement. Although negotiations on the shape of future relations started, the general framework – the target model – of the EU-UK treaty has not been agreed yet. After long disputes over whether negotiations on future relations should be started after agreeing on the conditions of the withdrawal or should be carried simultaneously, a compromise solution was adopted, i.e. the parties had first agreed what issues regarding the exit conditions were crucial for the EU. This opened parallel negotiations on future relations. The crucial issues for the EU are: ensuring rights of EU citizens in the UK, promise of no hard border in Ireland[2] and financial matters (Joint Report 2017).

The report of the negotiators of the EU and the UK on the progress made in the first phase of negotiations gave hope that "hard Brexit" (termination of membership without an agreement on the legal framework of the withdrawal) will not occur. The report indicates significant progress in achieving agreement in some issues (e.g. UK's financial obligations, immigrants' rights in the UK), but many matters remain to be settled. Even if the parties have agreed on what they want to achieve regarding, for example, Ireland and Northern Ireland (points 42-56 of the Joint Report[3]), it is not known how to translate the political will into the practice and how to please all parties (including the Democratic Unionist Party – the Irish allies of Prime Minister Theresa May).

On 19 March 2018 a Draft Agreement on the withdrawal of the UK from the EU was published (Draft Agreement 2018). According to this document, after Brexit a transitional period will apply until 31 December 2020, during which the UK will, in fact, remain in the customs union and in different EU policies, it will be able to negotiate trade agreements, the current legal regime will be extended to EU citizens arriving to the UK during the transition period, EU-UK disputes will be resolved by the Joint Committee (with the possibility of submitting them to the Tribunal).

The implementation of the will of British citizens will have far-reaching and difficult to predict effects in many areas and for many actors. For the UK, it means the need to define its new political and economic position within Europe and the world. For the EU, it is a chance to address potential issues and introduce some useful reforms. For Poland, Brexit is a challenge in terms of securing the interests of almost one million Poles living in the UK, finding the new sources of funds for Polish agriculture, dealing with the idea of two-tier Europe and marginalization of non-euro countries.

The effects of Brexit can be analysed in different time perspectives. We analyse them in the short and medium term only, as in the long run any scenario of UK-EU ties is possible, along with the re-admission. As a preliminary general premise, we reject both the "hard Brexit" and the absence of a new EU-UK treaty since the day of exit.

Brexit can also be analysed from the perspectives of different actors. The resulting analysis may have an internal (domestic), European (EU), or international scope. We deal with internal and European perspectives. We limit the internal perspective to the "cases" of the UK and Poland.

Presenting all areas that are going to be affected due to Brexit is not possible. The aim of our study[4] is to present the selected problems related to Brexit from the perspective of interests of the EU, the UK and Poland. We focus on geopolitical and geoeconomic consequences of Brexit.

The research is an interdisciplinary law and economics study. Many scientific teams carry out work on developing a complete catalogue of issues that need to be regulated due to Brexit and they use various research methods. This study – using one method and focused on the selected problems – is a part of a multi-aspect analysis. Conclusions are formulated on the basis of a synthesis of the results and approximations.

The British perspective of Brexit

The British perspective of Brexit has several dimensions. The first one relates to the decision-making. It refers to the politicians and the society who made the decision to leave the UK. We claim that the politicians did not expect the actual outcome of the referendum. Both the politicians calling for a vote in favour of remaining in the EU and those urging to vote against awaited benefits of the referendum resulting in the decision to stay in the EU (see more about the politics of Brexit in: Jensen, Snaith 2016). Just the announcement of the referendum has brought the UK improved membership conditions and secured some significant concessions from EU partners (EU Referendum 2016). The referendum was an opportunity to create new leaders. It was an attractive perspective for both *challengers*[5] and *old* leaders expecting to confirm their position (and, in fact, strengthen it, since the new competitors are less experienced[6]).

The second group of decision-makers, the British who voted for Brexit, did not really know what they were voting for. The Leave campaigners, apart from the need to "take back the control", did not clarify what the voters were voting for, just what they were voting against. This slogan remains Margaret Thatcher who, by saying "I want my money back", wanted to keep the money she had, but the difference is that what the British want today is the return of a UK which for decades was gone. Brexit is supposed to be a journey into the past. The problem is that the participants of this trip after reaching the destination, may be even more frustrated than at the beginning, because they will pay with real money for a mirage. Due to the fact that Brexit supporters based the campaign on the promise of financial benefits[7] (and aversion to strangers), this factor has a great weight in the British balance of Brexit.

As for the essence of decision to leave the EU, we underline that the analysis of previous instances of exits from international organisations indicates the overriding value of the political factor of the decision. It also proves that decisions on exits were elements of searching for confrontation, not compromise. However, there is no doubt that further membership in the organisation may be considered by the state as an undesirable limitation of the choice of strategy or tactics. It should be remembered that the *raison d'état* is guided by the statement: "We have no eternal allies, and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests are our duty to follow"[8]. For the UK, Brexit seems like getting back control over regulations and policies now carried out at the EU level. It was an argument often raised during the referendum campaign. However, whether such benefit occurs, will depend on the future model of UK-EU relations. If it is going to be a model based on membership in EEA, then the UK will have to adopt the EU's economic regulations anyway. What is more, it will not have a vote on these regulations. Therefore, in fact by leaving the EU, the UK will reduce its control over the regulations. If the adopted model is based on WTO's most favoured nation clause then the UK would get back control over economic regulations. The question arises what would the net effect be, as there are substantial benefits of harmonisation of regulations (Baldwin 2016, p. 62). According to our opinion, what the UK will benefit from Brexit is the ability to assess its own political activities.

The second dimension for the UK is the issue of the legal framework of Brexit and creation of a new British legal order (i.e. preserving/changing the *acquis*). The EU Withdrawal Bill[9] proposed by the UK Parliament, which will transpose the already existing *acquis* into the UK law, will not only be a law unprecedented in terms of breadth, but also difficult to implement.

The third UK's dimension[10] includes the challenges related to creating a network of new economic and political relations of the UK in Europe, in the transatlantic Alliance, with Asian partners, within the Commonwealth, as well as with other actors[11].

First of all, the UK will become a new actor[12] in international economic relations that has to create a new legal framework (e.g. of bilateral agreements which will replace the current EU policies. The scale of challenges is difficult to imagine because the British expectations are far greater than the possibilities, and the "Norwegian model"[13] is a nebulous one (Honley 2017)[14]. Difficulties arise in political relations, too, as the UK will not formally become a new state – it will, for example, continue its status in the UN SC as a permanent member – but for many years British policy has been defined and implemented in the EU CFSP formula. Because the UK has co-created the EU's political position for many years, the UK's views on many issues in international relations are not fully known, nor is the ability to transform a national political position to decisions taken internationally or in international institutions.

Secondly, the UK will lose some of its power in international relations. The UK will not be a great power anymore. The role it played and the rank it had in international relations was the result of a synergy – a bonus for the EU's unity. The beneficiary of this bonus was the UK in all cases, in which it played a dual role, i.e. on behalf of itself and the EU. After Brexit, this state of double representation will be reduced. The importance of UK's voice in organisations will be determined by its individual economic, social and political potential (obviously strengthened by its membership in NATO).

The economic costs and benefits of Brexit for the UK

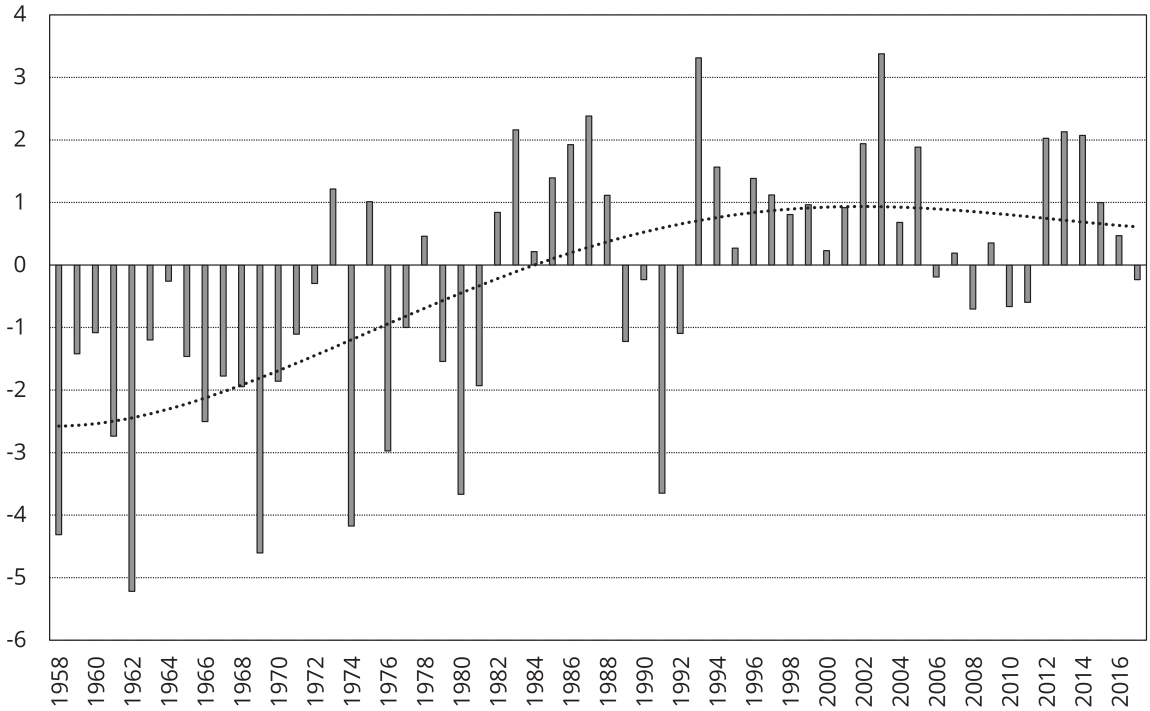
In order to analyse the economic effects of Brexit for the UK, let us first take a closer look at the economic benefits of UK's membership in the EU. They cannot be overestimated. Admittedly for the *Leave* campaigners it was not that obvious, but most economists agree that leaving the EU will hurt UK's economy and reduce its GDP. It is difficult to distinguish cause from correlation, but the fact is that the gap between UK's level of economic development (measured by GDP per capita) and the three then biggest EU members (Italy, France and Germany) started to increase since mid-1960s. After joining the EEC, the gap between the UK and these countries started to close down. While GDP per capita in these three countries rose by 95% between 1958 and 1973, it rose by only 50% in the UK at the same time. Between 1973 and 2017, UK's GDP *per capita* rose by 100%, while in the three countries – by 80% on average[15].

As it is illustrated in Figure 1, the UK's membership in the EU was on average a better time for the British economy than for France, Italy and Germany, as the difference between growth in real GDP per capita in the UK and the average in these three countries after 1973 was more favourable for the UK.

It was also estimated what results would the UK have achieved had it not joined the common market. By comparing the pre-1973 UK's economic performance to that of New Zealand and Argentina, after 40 years of membership, the UK economy outperformed those two countries by 23%. Similar results were achieved for the majority of other countries that previously resembled the UK (Giles 2017).

Figure 1

Growth in real GDP *per capita*: UK minus the average of Italy, France and Germany, in % points



Source: own work based on The Conference Board Total Economy Database (2017).

Campos, Coricelli and Moretti (2014) used a synthetic counterfactuals method to estimate the benefits from joining the EU in terms of economic growth and productivity. They constructed a model based on a hypothetical situation that the UK did not join the EU in 1973 and compared the outcomes with the actual results achieved by the UK. They claimed that in case of richer countries (such as the UK), the benefits of EU membership were mainly in terms of productivity, not per capita incomes (as the difference between the level of GDP per capita in the candidate country and the existing EU members at the time of joining the EU is smaller in richer than poorer countries). The results suggest that per capita GDP would be considerably lower in the UK if it had not joined the EU. However, the dynamics of these benefits was changing over the entire period. The UK seems to benefit the most from the introduction of single market, as the difference between the actual GDP per capita and the hypothetical one is the largest at the beginning of 1990s. The net benefits have remained constant since then. On the other hand, labour productivity benefits (GDP per worker) was continually increasing on annual basis in that period (Campos, Coricelli 2017, pp. 62-63).

Obviously, the EU membership has been just one of the factors that have enabled positive changes, but along with the reforms undertaken by M. Thatcher and the economic policy of the UK's successive governments, the quality of life of British citizens has improved. It is reflected in some social indicators, such as the level of the Human Development Index (HDI). HDI is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. Therefore it offers a more comprehensive assessment of development than GDP per capita only. The UK has outperformed Italy and France in this respect but is behind Germany in terms of the HDI level (Figure 2).

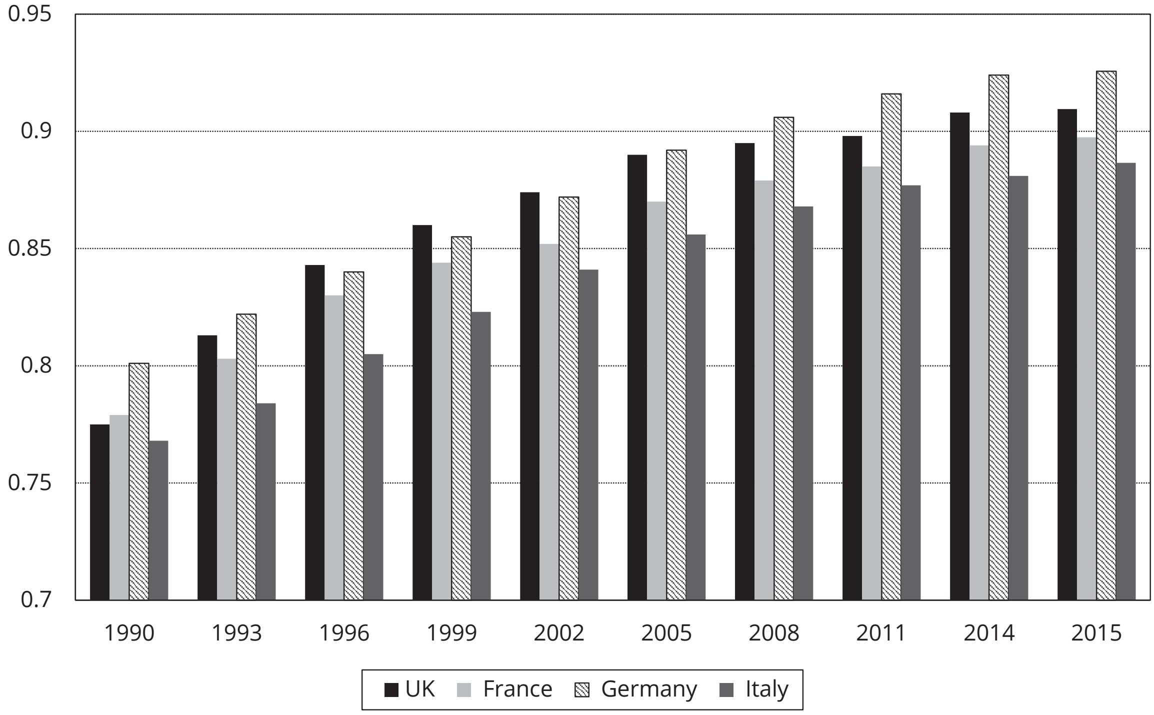
On the other hand, the United Kingdom achieved the best results among the four countries in terms of the growth of employment levels (Figure 3).

Basing on the results of the above analysis, we claim that the UK's decision to leave the EU did not have economic merits and was based mainly on political factors.

Since it was decided to leave the EU, now many further decisions with financial consequences have to be made. The subject of the dispute that lasted for several months, was the UK's financial obligations towards the EU. It is wrong that Art. 50 TEU does not regulate this issue, but the existing international standard in the situation of a state leaving the international organisation is clear – the UK is obliged to settle its obligations for the entire budget period (see more: Menkes, Wasilkowski 2017, pp. 288-292). Despite the initial position of the House of Lords that the UK could leave the EU without being liable for outstanding financial obligations (UK Parliament 2017), numerous statements made by British politicians that the UK does not owe the EU any money (Morris 2017), in December

Figure 2

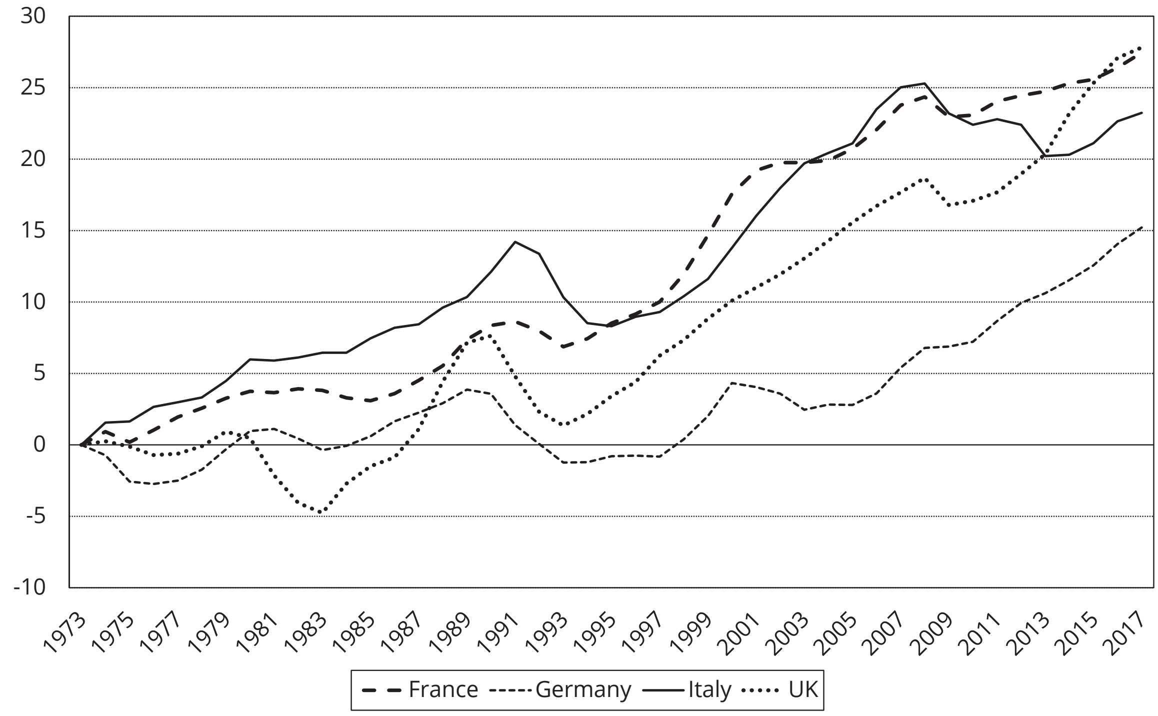
Human Development Index in the United Kingdom, Italy, France, and Germany, 1990-2015



Source: own work based on UNDP (2016).

Figure 3

Growth of employment in the United Kingdom, Italy, France, and Germany, 1973-2017, in %
(1973 as the base year)



Source: own work based on The Conference Board Total Economy Database (2017).

2017 both parties agreed a methodology for working out what amount (and not if) the UK would pay. The exact number is not known, but British estimates indicate the amount of 35-39 billion GBP (Institute for Government 2017).

Another cost that the UK has to take into account, is the cost of negotiations on the withdrawal and (potential) negotiations on the future UK-EU framework treaty. This cost the UK can only calculate for itself. A point of reference could be the cost of accession negotiations incurred by the new members. However, they have not provided detailed data in this regard[16]. In addition, the UK will bear the costs of replacing the EU laws with its own regulations[17]. These costs will be higher than the cost of negotiations, and the cost of error risk is very high. Moreover, the candidate country receives substantial organisational and legal assistance from the EU, while the exiting country will be on its own.

However, the real UK's costs will start from the exit day. The forecast in this regard, due to the lack of legal framework for future relations, would have to either be multivariant (researched by a large team and costly), or it would have to adopt so many simplifying assumptions that it would lack scientific value[18]. However, it is possible to indicate certain elements of such balance. For example, the costs of certification of goods entering markets of the EU and the UK may be particularly high after Brexit. These matters should be dealt with in the withdrawal agreement and in the agreement on the new EU-UK relations. We assume that, as a continuation of the commitments, the existing certificates remain legally valid because it is difficult to imagine a situation where all certificates expire on the exit day. Of course, the fact that something is hard to imagine does not mean that it is impossible. If parties would not agree a common position on withdrawal and "hard Brexit" occurred, the day after exit, the British goods without certificates would not be allowed to cross the EU borders. However, in the future, a need to certify new goods would emerge and it would create new costs. Their balance will be a higher burden for the UK than for the EU because the EU's share in the UK's trade[19] is much higher than the reverse. Of course, in negotiations on the future UK-EU trade agreement, the parties will face more challenges (known to the EU from other negotiations such as the health security (GMO) and investment-state dispute settlement (ISDS), and issues related to the freedom to provide financial services[20], free movement of people, Northern Ireland.

In assessing the economic consequences of Brexit, in addition to the costs incurred, unrealised benefits should also be taken into account. From the EU perspective, for calculations of *lucrum cesans* the benefits of enlargement can be interpolated[21]; the EU will bear these costs of unrealised benefits in 100%. Calculating *lucrum cesans* for the UK is more difficult. However, it is not questionable that limiting them by Brexit supporters to non-membership costs, calculated by net contributions to the EU budget, is incorrect. Not even referring to the issue of long-term UK commitments continuing from the membership period (e.g. pension liabilities), it is essential to compare the UK net contributions to the EU budget with a net contribution of e.g. Norway. Only then the potential real difference may be indicated. This may be a point of reference, as in the UK debate, the relations within the EEA; especially the case of Norway is often pointed out as model relations.

And so, according to British data, the UK net contributions to the EU budget are as follows:

Table 2

UK's gross payments, rebate and public sector receipts and net public sector contributions to the EU Budget for calendar years 2010 to 2016, GBP billion

	2010	2011	2012	2013	2014	2015	2016[est]
Gross contribution[a]	15.2	15.4	15.7	18.1	18.8	19.6	17.0
Less: UK rebate	-3.0	-3.1	-3.1	-3.7	-4.4	-4.9	-3.9
Less: Public sector receipts	-4.8	-4.1	-4.2	-4.0	-4.6	-3.9	-4.5
Net public sector contribution[b]	7.4	8.1	8.5	10.5	9.8	10.8	8.6

[a] Gross payment figures include Traditional Own Resources payments at 75% up to September 2016 and 80% thereafter. The remainder is retained by the UK.

[b] Receipts figures for 2016 are based on the Office for Budget Responsibility Forecast. All other figures are outturn. Due to rounding, totals may not exactly correspond to the sum of individual items.

Source: HM Treasury, February 2017.

In 2016, the UK's "gross contribution" was estimated at GBP 17 billion. After a rebate of GBP 3.9 billion, the contribution is GBP 13.1 billion. Of this, around GBP 4.5 billion are public sector receipts which are either directly paid to or support the private sector (e.g. farmers and poorer regions in the UK) through government departments or agencies. After subtracting this money, the net contribution would be GBP 8.6 billion. That still is not what the UK will save by leaving the EU. The EU makes some payments directly to the private sector (not included in Table 2), for example to carry out research activities. These receipts are estimated to be worth GBP 1 billion in 2014. The UK is also committed to spend 0.7% of its GNI on official development assistance. Part of the UK's total spending is included in the EU aid – in 2014 it was GBP 816 million (Dixon 2017). That means that by leaving the EU, provided that the UK does not want a single market access and maintains its support for agriculture, science, less developed regions in the country and abroad, it would save around GBP 6.8 billion. That is around GBP 100 per person.

On the other hand, in 2016, Norway's payments related to its access to the EU single market and some EU programmes are estimated at about GBP 623 million, or GBP 119 a head. Norway receives some of its contribution back. There are no exact numbers, but some assumptions can be made that Norway receives about GBP 23 per person. It makes an estimated net contribution of GBP 96 per head (Ashworth-Hayes 2016). That means that in 2016 each UK citizen would save around GBP 4 more than a Norwegian if the British decided to leave the single market.

Other costs, which have to be calculated in future, are the difference between UK benefits as a member of the EU and its future non-member status. For example, Norway is influencing the European law in the form of decision shaping (in creating the *acquis* and in all negotiations with non-EU members). This option will certainly be much more difficult to use by the UK in comparison with Norway as this country participates in the Nordic Community[22].

There are some claims made that freeing from the EU decisions and undertaking necessary economic policy reforms will benefit UK in faster economic growth. But nearly all estimates of the long-run impact on British GDP of Brexit indicate the negative effects (Baldwin 2016, p. 30). The results which show positive impact, tend to suffer from the poor methodological transparency and poor quality of assumptions (Baldwin 2016, p. 39). It justifies our statement, that from an economic perspective, Brexit's balance is clearly negative for the UK[23].

In addition, attention should be paid to the UK not achieving the benefits which are difficult to measure. The UK is among the leaders in acquiring scientific projects within the EU[24]. The benefits of such projects include the transfer of tacit knowledge from UK's partners, knowledge of crucial importance for an economy (see more: Kuźnar 2017). Another source of these benefits is educational exchange. The UK bears the cost of admitting students from the EU, but in exchange it gets the priority in the pre-selection process of recruiting the best among them – it is the beneficiary of the brain drain. These students also share tacit knowledge. They form the pro-British lobby after returning to their home countries. These benefits are not easily measured in money terms, so they will not be included in the cost-benefit analysis of Brexit, even though their financial value for both the state and businesses is not questioned.

The Polish perspective of Brexit

Another actor which is going to be affected by Brexit that we analyse is Poland. We believe that Brexit poses a real threat to the vital economic, social and political interests of Poland. In many cases it is more dangerous for Poland than for members of the "old" Europe. Poland is much more sensitive to any turbulence in the EU than the "old" Europe and has significant interests in UK membership. Due to its size, the labour emigration of Poles' to the EU and financial transfers resulting from it are of great importance. Brexit threatens the EU-US ties – important from the point of view of Poland's security. It also changes – in favour of Germany – the weights of countries in the EU and deprives Poland of an ally in discussions on the integration model (Fr. *L'Europe des patries* or *La patrie de l'Europe*).

From Poland's point of view, especially undesirable is the change of powers within the EU after Brexit. The UK has always been "slowing down" the deepening of social and economic integration within the EU, while Germany and France usually held an opposite position. Poland is particularly interested in a moderate pace of deepening integration (as Poland's real ability to rapidly integrate into deepened integration is limited), and the UK's restraint in this regard has served Polish interests (the UK's position inhibited the EU from being divided into a hard core and the rest). Despite the fast pace and successes in "Poland's long road to the West", there are significant differences between us and the "Carolingian core" European countries. The presence of the UK among EU members has been limiting the institution's homogeneity.

Another dimension of Brexit's possible influence on Poland is that it will make the EU change the treaties with regard to the number of bodies and the number of votes attributed to individual members. Regardless of the final arrangements, the weight of Poland's voice will be relatively weakened (it was easier to find a yes/no coalition in a triangle situation than in a duopoly).

Poland can also be put at a disadvantage due to the shifts in the EU budget. As the UK is one of the biggest contributors to the budget, there is going to be a gap of around 10-13 billion euros after 2021. In other words to fill that hole, either EU spending has to be reduced or budget commitments have to increase. Both of these solutions will affect Poland negatively. In the first case, reductions will most certainly affect the current biggest recipients (such as Poland) due to lower amount of money available, but also due to different policy goals. As it is forecasted, the EU spending on agriculture and cohesion will be decreasing (or at best – in Juncker's words: "modernised and made more flexible") with priorities moving to overcoming such challenges as migration crisis, protecting the eurozone against economic crises and climate change (Khan 2018).

More spending is also predicted on research and development of new technologies (and Poland still does not have capacity to use them). In the second case, Poland, along with other Central and Eastern European countries, has already declared increasing its budget contribution (Herszenhorn 2018).

Equally important and undesirable for Poland may be changes in the EU foreign and security policy due to Brexit. The temperance of "old Europe" in supporting U.S. policy may be strengthened, especially now in response to President Trump's neo-isolationism, in the absence of a strong U.S. ally within the EU, which is the UK. Poland, with its security more dependent on the U.S. than on its western neighbours and with its pro-American policy, may be in a situation of deepening its isolation in the EU.

The European perspective of Brexit

The European perspective, similarly to British and Polish ones, also has several dimensions.

Obviously, future relations with the UK have to be regulated. The EU has to bear the costs of negotiations on the withdrawal and on the future UK-EU framework treaty.

The impact of Brexit on the European integration process is another dimension. The spectrum of possibilities here is wide: from deepening of integration to disintegration of the EU (the least probable is the implementation of any of the extreme scenarios). In the longterm, Brexit may deepen the integration, as it will no more be slowed down by the eurosceptic UK. British abstinence towards the European integration project (non-accession to the ECSC and the creation of the EEC as a French response to UK's disloyalty in the Suez War), the humiliation accompanying accession and the frustration caused by financial burdens favoured the creation of strong Euroscepticism in the UK. This was the foundation on which the political project of Brexit was put. The end of the period when an EU member contested the EU and everyone (i.e. the EU and the member states) recognized that integration is a road with no return also cannot be overestimated. Brexit can help the nations of Europe find a lost will to build a European unity (the one that accompanied the establishment of ECSC, EEC and Euratom).

Another dimension includes implications for the EU's place in the world: the economic and military power of the EU will be reduced. In the sphere of power, the EU will lose the benefits derived from the UK membership such as e.g. one permanent member of the UN Security Council.

Last but not least, the internal structure of powers in the EU will change. At the beginning of the European integration project, Europe had been politically dominated by France. The situation changed in the 1970s. After EFTA appeared a failure, the UK finally obtained the French approval for the ECs membership and was admitted to the Communities in 1973. The UK later paid a political price for this consent, accepting the unequal status. Germans supported the UK and paid the price, too, because they had vital security, economic and political interests in supporting the British. The accession of the UK to the Communities has changed them. The bilateral relations ("France-Germany") within the European Communities have been transformed into a triangle ("France-Germany-United Kingdom"). Brexit ends this triumvirate. In the new reality, it will be much more difficult to build coalitions blocking German-French decisions. After Brexit, Germany and France will have more opportunities to dominate other EU members. Such a situation always tempts some to abuse power and arrogance, while others – to free ride, and it frustrates.

The catalogue of challenges that the EU faces due to Brexit seems to be endless. For example, the EU has to solve the problem of economic and political imbalances in favour of Eurozone countries which are striking and without the UK they will increase. Brexit raises the relative weight of Eurozone member states in the EU due to the fact that the UK is outside the Eurozone[25]. Decision-making procedures in the EU and Eurozone make the members of Eurozone have a greater impact on making the EMU and EU policies than the rest of the EU member states.

Conclusions

The results of the UK referendum on membership of the EU are hard to imagine and predict. We find out that the balance of Brexit for all the actors: the UK, Poland and the EU will be negative.

From the perspective of the UK, we consider the consequences of Brexit not only in money terms, but also in a wider, geopolitical perspective. Brexit will weaken the UK's position in the world and its internal integrity, even if Scotland does not become independent. In the case of a breakup of the UK, the consequences will be more far-reaching and difficult to predict.

From the perspective of Poland, which in 1989 began a long road to the West, the stability and strength of European and transatlantic institutions is a guarantee of full respect for common values. These values are inherent to Poland's strategic interests. Poland, which is in dispute with the EU both in relation to constitutional issues[26] and those related to the implementation of the *acquis,* removes itself from Europe (both its institutions and values) and from the Atlantic security community. Poland's membership in the EU is currently more questionable than the UK's membership.

From the EU perspective, the UK's decision to leave the EU affects the strength of the European identity and perception of European integration. Even though Brexit is in line with the letter of European's treaties, it is contrary to their spirit. The attractiveness of integration is also lowered. The UK rejects the paradigm that the *security community* is a source of prosperity and security.

[1] From the UK's perspective, the choice of a chief EU negotiator could not be less favourable. Barnier combines excellent education with knowledge of the EU (between 1999-2004 and 2010-2014 he served as European Commissioner, in 2009 was elected as a Member of the European Parliament) with political position and connections (Minister of Foreign Affairs 2004–2005, Minister of State for European Affairs 1995–1997, Minister of the Environment and Way of Life 1993-1995). He was a member of the "Group Amato" which prepared the Constitution for Europe.

[2] This issue is also crucial for the UK. Additionally, it determines the stability of the current British government.

[3] Maintaining *the status quo* has been declared "The United Kingdom remains committed to protecting North-South cooperation and to its guarantee of avoiding a hard border. Any future arrangements must be compatible with these overarching requirements. The United Kingdom's intention is to achieve these objectives through the overall EU-UK relationship. Should this not be possible, the United Kingdom will propose specific solutions to address the unique circumstances of the island of Ireland. In the absence of agreed solutions, the United Kingdom will maintain full alignment with those rules of the Internal Market and the Customs Union which, now or in the future, support North-South cooperation, the all-island economy and the protection of the 1998 Agreement".

[4] The paper is a result of a statutory research carried out in the Collegium of World Economy, SGH Warsaw School of Economics.

[5] Such as B. Johnson (Secretary of State for Foreign and Commonwealth Affairs) whose promotions for years had been blocked by the petrified political system.

[6] D. Cameron could count on it. His position in both the (conservative) party and nationwide would have strengthened in case of the failure of Brexit. He would become the Prime Minister who not only was successful in renegotiating the terms of the EU membership (like M. Thatcher), but who also respects citizens by asking the public for their opinion.

[7] These promises were often based on lies. The day after the referendum, Nigel Farage admitted that the promise of extra "£350m a week" for NHS due to Brexit was a "mistake" (Media Mole 2017).

[8] This is a travesty of the statement about the foreign policy of Lord Palmerston (served twice as British Prime Minister in 1859-1865) included in the speech to the House of Commons on 1.03.1848 (Hansard's Parliamentary Debates).

[9] The Bill will repeal the European Communities Act 1972 so as not to allow gaps in the law.

[10] We include relations with third countries in this dimension as their effects are internal.

[11] For example, the Australian government rejects the possibility of negotiating a bilateral trade treaty before the Brexit. See: Babin (25.10.2016).

[12] For years the UK has not participated in decision-making as an independent entity so it did not perform some attributes of the state.

[13] Norway is a member of the European Economic Area (EEA), with full access to the single market, including free movement of EU migrants. The agriculture and fisheries products are excluded from the EEA, which questions the continued access of British farm products to the EU market. Norway is obliged to observe all the EU's single-market regulations, make a financial contribution to the EU budget and accept majority of *acquis*. As a part of Nordic cooperation, Norway participates in the EU decisions shaping. In essence, it is a member of the EU *de facto* not being *de jure*. The rationale of Norway's decision to keep strong relations with the EU was expressed by a Norwegian minister, "if you want to run Europe, you must be in Europe. If you want to be run by Europe, feel free to join Norway." (The Economist 2016).

[14] Other models of relations with the EU include Swiss (member of the European Free Trade Association but not the EEA; a partial access to the Single Market), Turkish (a customs union with the EU), Canadian (a CETA-type agreement), and Asian (state cities of Singapore and Hong Kong) ones (a unilateral free trade approach), WTO rules (MFN relationship with the EU). See more: (BBC News 2016; Alternatives to membership 2016).

[15] Own calculations based on The Conference Board Total Economy Database (2017).

[16] Of course, basing on analyses of budgets from the negotiation period, it is possible to reproduce them with some approximation. However, some positions for many countries will not be reproduced because, for example, lobbying spending is hidden in other titles and budget positions.

[17] The "European Union (Withdrawal Bill)" (commonly known as The Great Repeal Bill) was introduced by the UK's Government on 13 July 2017. According to it, thousands of European laws shall be transposed into UK law before Brexit is completed. However, there are concerns that the Bill, if implemented in this form, will give the Government powers to change the existing laws without Parliament's full approval (Hughes 2017).

[18] Recently, RAND research team has prepared a report on economic implications of Brexit for the UK, the EU and the U.S. under eight different scenarios (Ries et al. 2017) and an on-line calculator presenting the results (https://www.rand.org/randeurope/research/projects/brexit-economic-implications/calculator.html#notes-on-differences-in-data-b-). It is worth to mention that RAND corporation has 1775 staff members, located in 49 countries (https://www.rand.org/about/glance.html).

[19] In 2016, about 43% of UK exports in goods and services went to other EU countries. About 8% of the total EU's goods and services exports went to the UK in 2015 (EU data is only available until 2015) (Full Fact 2017).

[20] After Brexit becomes effective, the UK financial service providers will lose their EU passport, which so far enables financial firms in the UK to sell their services across the EU. Also foreign financial firms based in the UK (e.g. London City) will no longer be able to operate these services out of the UK unless they establish subsidiaries. This is the essence of the single market in financial services. According to some estimations, almost 5500 UK firms use the financial services passport to provide services across the EU. There are more than 8000 firms from across the European Economic Area (EEA) that use the passport to provide financial services in the UK (FCA letter 2016). Half the world's financial firms have chosen to base their European headquarters in the UK.

[21] This would amount to a negative value for admission of the UK to the EU-27.

[22] In September 2017, the UK proposed a transition period of around two years, during which the UK would continue to enjoy unfettered access to the single market, but it would no longer participate in the EU institutions and in the decision-making of the Union bodies, offices and agencies (EC Guidelines 2017).

[23] Obviously, the British voters had a right to decide that the price of getting rid of EU's decisions is worth paying.

[24] Over the period 2007-2013, the UK received 8.8 billion euros out of a total of 107 billion euros expenditure on research, development and innovation in EU Member States, associated and third countries. This represents the fourth largest share in the EU. Adjusting these figures for GDP shows that the UK performs well for the size of its economy, second only to the Netherlands. In

contrast, Germany, France and Italy perform less well (The Royal Society 2015).

[25] The Eurozone includes, in addition to the 19 EU Member States, miniature states and those that have introduced the euro unilaterally. Outside the Eurozone are the countries that have committed themselves to the euro and those that are not obliged to do so – Denmark (and the UK).

[26] The process taking place in Poland can also be described in descriptive terms as the overthrow of the regime through effective attacks on the Constitution and constitutional values made by the elite of power. However, this is recognised as one of the *coup d'état* formulas (see: Powell, Thyne 2011, pp. 249-259). The nestor of the democratic opposition in Poland, K. Modzelewski states that rules of PiS have transformed Poland into a police state (Modzelewski 2017).

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