Technical note from the Atlantic Arc Commission

20 February 2017

Consequences of “Brexit” for the Atlantic Arc Regions

Note for the Annual General Meeting of the Atlantic Arc Commission
1/3 March 2017 - Les Sables d’Olonne (Pays de la Loire-Fr)

Context:

The recent vote for “Brexit” has raised many questions and concerns in Europe. In its Final declaration of November 2016, the CPMR has called for European unity and cooperation for the UK’s withdrawal from the EU to have minimal impact on the outermost and maritime regions of Europe and the UK.

On 23 June 2016, British citizens voted in favour of the UK’s exit from the European Union (EU) by 51.9% of the votes.

On 31 January 2017, Theresa May, the new British Prime Minister, announced her desire to trigger Article 50 of the Treaty of the European Union, before the end of March 2017.

On 1 February 2017, the British Parliament authorised the triggering of Article 50, paving the way for two years of negotiations between the UK and the EU.

The opening of negotiations marks the beginning of a long period of uncertainty for our Atlantic regions that have been able to forge often complex and ingrained economic, financial, tourism-related, scientific, educational and cultural links with the UK.

This technical note is intended to share the data available in the regions of the Atlantic Arc, to try to anticipate the consequences of “Brexit” by business sector and build a common discourse. It has been produced using the data available and analyses provided by our Member Regions, as well as a review of the Atlantic regional press.
1. Financial and budgetary consequences of the UK’s exit from the European Union

1.1. Impact on the European Union budget

The United Kingdom’s exit from the European Union (EU) poses the risk of a mechanical reduction in the overall EU budget, with each member state contributing around 1% of its Gross National Product to the EU budget.

The Centre for European Policy Studies (CEPS) estimates the loss caused by the British withdrawal at 7 billion euros\(^1\) per year. The Jacques Delors Institute takes this estimate to 10 billion euros\(^2\) a year. On a total annual budget of the EU of 145 billion euros, this would represent a loss of 4.8 to 6.9%.

However, the magnitude of the reduction of the EU’s overall budget will depend on developments that remain uncertain at this time. Several factors could limit the loss of revenue linked to the United Kingdom’s contribution: an end to discounts granted to certain Member States following the model of the British rebate, the possible participation of the United Kingdom in the budget of certain European programmes, an increase in customs duties between the UK and the EU, etc.

Brexit could also encourage the Commission and Member States to consider new EU budget financing, via an increase in the EU’s own resources, for example

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The withdrawal of the United Kingdom is expected to lead to an automatic reduction in the EU budget. However, the magnitude of this reduction will depend on the outcome of negotiations between the UK and the EU-27, as well as any proposals for a possible increase of the EU’s own resources.

1.2. European territorial cohesion and cooperation policies

- The EU’s regional policy

The general decrease in the budget could lead to a decrease in grants from flagship policies for the Regions of the Atlantic Arc Commission, particularly the cohesion policy, which currently represents about 34% of the EU budget.

The UK now represents 16% of Europe’s Gross Domestic Product (GDP). Its exit will affect the calculation of the average European GDP. Currently, European GDP is used to calculate the envelopes of the European Regions Development Fund (ERDF) granted to regions. In 2016, the CPMR had produced a projection map based on the average regional GDP in 2013, 2014 and 2015 (see the map below).

According to the projections, among the Regions of the Atlantic Arc only Brittany would be impacted by the UK’s exit from the EU. Being mechanically richer, Brittany would move from the category of “transition regions” to that of “more developed regions”, thus losing part of its envelope. However, this simulation was carried out based on current calculation criteria. It is now possible that the method of calculation be reviewed in depth for the next post-2020 programming period.

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\(^1\) The Impact of Brexit on the EU budget: a non-catastrophic event, Jorge Nunez Ferrer and David Rinaldi, No. 347, 7 September 2016

The European Territorial Cooperation policy (ETC)

Although the ETC represents less than 3% of the cohesion budget, it is however a crucial policy for all the Atlantic Arc Commission Regions. Indeed, the “Interreg” programmes are essential starting points for the establishment of cross-border and transnational partnerships.

In its report entitled “And after? The challenges of Brexit for Brittany”, the Region estimates that 80% of Brittany’s Interreg projects should be redirected to other partners as a consequence of Brexit. Following the results of the British referendum, the report also notes an overall decrease in the number of cooperation projects involving UK players, with the latter not knowing whether their project participation fees will be refunded.

For the Regions of the Atlantic Arc Commission, it is the future of the ETC Programme “Atlantic area” which raises the most questions. Remember that this programme was born out of an EU pilot project in 1989 following a proposal from the CPMR. It took shape as an “Atlantic Arc Network Programme” (1989-1992) and then an “Atlantis Programme” (1994-1996), both funded by the ERDF. A long-lasting link has therefore been forged between the Atlantic Arc Commission Regions and what is now a fully-fledged EU programme.

The UK’s exit from the EU could lead to a decrease in the already low budget for this programme: €140 million of European Regional Development Fund (ERDF) and €45 million of national contributions, making a total of €185 million over a period of 7 years.

However, in terms of governance, the UK’s exit could also facilitate the approval of projects by the four remaining Member States (Portugal, Spain, France, Ireland), with the United Kingdom not having been a fervent supporter of this programme up to this point.

Whatever path the UK’s exit from the EU takes, the Atlantic Arc Commission calls for a strong “Atlantic Area” programme of cooperation for the Atlantic Regions to be retained. British partners could continue to be involved in projects through a financial contribution from the United Kingdom to European Territorial Cooperation programmes.
2. Consequences of Brexit on maritime policies

2.1 Marine spatial planning and environmental management

The European Commission has shown a certain energy in recent years in relation to the planning and sound environmental management of the European marine space.

In Directive 2014/89/EU relating to Marine Spatial Planning (MSP), the EU has implemented a series of common minimum requirements to make local, regional and national planning in shared waters more compatible. The aim is to avoid conflicts of use between the fisheries, renewable energy, aquaculture, maritime transport and tourism sectors, etc.

The Marine Strategy Framework Directive (MSFD) 2008/56/EC defines the “good environmental status” of marine waters that Member States must attain. It also plays an important role in spatial and marine resources management.

However, in her “Great Repeal Bill”, Theresa May suggested that the UK rules on the application or not of each piece of European legislation. However, for some laws (agriculture, fisheries, environment, etc.), devolved parliaments will also decide.

The United Kingdom’s exit could then cause the non-transposition of these directives in the Atlantic area by the United Kingdom. This risk is particularly sensitive in the Channel area, where there is a very dense concentration of shipping activities.

More generally, the implementation of Brexit could cause legal instability making potential conflicts of usage more difficult to resolve in the Atlantic.

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Whatever the option chosen by the Parliament of the United Kingdom or its devolved parliaments, shared management of the British maritime space will remain a requirement to avoid conflicts of use.
The Atlantic Arc Commission therefore encourages further efforts to be made for the implementation of the two main Directives (MSP and MSFD) on this issue.
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2.2 Marine Renewable Energy (MRE)

Brexit opens the question of the United Kingdom’s compliance with the EU’s objectives in the energy and climate package adopted in 2014. This framework aims to bring the proportion of renewables in EU energy consumption to 27% by 2030.

The British position vis-à-vis these objectives could have significant implications for the MRE sector, which is of particular concern for the Atlantic Arc Commission Member Regions.

If the United Kingdom decides to strengthen this sector, this could benefit non-British companies (some of which are based in the Atlantic Regions) involved in the construction of technical equipment (off-shore wind turbines, marine power systems, tidal barrages, etc.).

This however may exacerbate competition between British and European players and reduce the cooperation efforts involved in projects supported by the EU or by the European Investment Bank.

⇒ For example, the Interreg North West Europe Programme co-fines the FORESEA project involving Atlantic partners in the creation of networks of European test sites (SEM-REV in Pays de la Loire, SmartBay in Ireland, EMEC in Scotland, in particular) in order to speed up the process of getting ocean energy technologies to market.
If, on the other hand, the United Kingdom’s interest in this sector decreases, this could slow down scientific and technological research, thus limiting progress in the sector and therefore slowing down the MRE industrialisation phase. This would be damaging both to British stakeholders and the entire European sector.

The MRE sector currently enjoys a strong commitment on the part of British players. The Atlantic Arc Commission calls for a strengthening of this good cooperation to work towards the development of MRE in the Atlantic, creating growth and jobs in the Atlantic Arc Commission Regions.

2.3. Fisheries and Aquaculture

French and Irish member regions of the Atlantic Arc Commission are particularly concerned about the UK’s exit from the EU and the impact of Brexit on the Common Fisheries Policy (CFP).

One of the principles of the CFP states that vessels registered with the EU fishing fleet register have equal access to EU waters and their resources. British waters are accessible to EU fishermen without any restrictions.

At present, Breton vessels conduct 50% of their activities in the UK’s Exclusive Economic Zone (EEZ). The Irish realize 30% of their catch in British waters.

If the United Kingdom were to choose to renationalise its territorial waters following Brexit, it would have a big impact on the fishing activity of French and Irish vessels. This would lead to reduced catches and make it difficult for certain vessels to continue to operate, with an impact on employment in an already fragile sector. Indeed, the clear majority of fishermen have no possible replacements for these work areas, therefore few alternatives in the short term.

In the UK, the loss of EU contributions through the European Fund for Maritime Affairs and Fisheries (EMFF) will also strongly impact coastal fishing.

In the White Paper by the Welsh Government “Securing the future transition of Wales in the European Union towards a new relationship with Europe”, Wales highlighted that the EMFF has helped it to maintain its small fishing fleet in recent years, representing 90% of its total fleet.

Moreover, the UK’s exit will result in the loss of a great maritime state in the EU. It is likely that this exit will lead to a reduced budget devoted to the CFP in the next programme period.

Beyond the budgetary issues, tensions could arise in relation to the conditions of the UK’s exit from the CFP. The Atlantic Arc regions fear distorted competition with British fishermen if they were no longer subject to European regulations such as catch quotas, discard bans, the maximum number of days at sea, the system of state aid or EU targets for maintaining biodiversity.

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3 CESER of Brittany, December 2016
4 POLITICO of 14 February 2017 - Kait Bolongaro
2.4. Marine research and training

The Atlantic Arc regions are paying close attention to marine research and training issues.

- For example, the project “A blue biotechnology Master for a Blue Career”, created as part of the Atlantic Arc Commission’s Innovation working group and supported by the University of La Rochelle, includes the University of Stirling in Scotland as a partner. Many other Atlantic projects or Erasmus agreements involve British research centres or universities.

The withdrawal of the British from this kind of cooperation would be detrimental for several reasons:

- UK research facilities are highly organised to receive EU funding, which on the one hand strengthens their influence at European level, and on the other, indirectly benefits research in the Atlantic Arc Regions;

- The teaching of English is prioritised in our Atlantic Arc regions. Young people typically take their first language course in the UK. The facilities for access to the UK employment market have also promoted student mobility: vocational training, apprenticeships or work placements;

- Exchanges with British people are mutually positive for the improvement of skills, but also from a cultural and economic perspective.

For these reasons, it is very difficult at present to imagine British universities and research centres being totally excluded from European cooperation or scientific projects (Erasmus, H2020, EMFF, etc.), especially in the marine domain.

The role of British players in the field of scientific research and training, particularly in the marine field, is now crucial.

The Atlantic Arc Commission is keen to continue to cooperate with these players for the benefit of young people in Europe and Britain.

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5 In Brittany, on the previous European research funding programme (FP7), Breton stakeholders participated in 256 projects amounting to €94.5 million. The UK was involved in 74% of collaborative projects involving partners in Brittany.
3. Consequences of Brexit on the transport sector

Transport links between the UK and the Atlantic Regions are dense and multimodal (boats, roads, air, trains). However, a decrease in British purchasing power coupled with new tariff and non-tariff barriers could affect the transport of people and freight between the Atlantic Regions.

These factors could cause congestion and incur additional costs related to the strengthening of order controls.

3.1. Consequences for growth and employment

This additional cost would affect the freight sector but also more widely the economic fabric of the Atlantic Arc regions which have significant economic ties with the UK.

Regional companies whose production represents a small added value would be particularly affected by these new barriers. In the short term, regional SMEs may face difficulties to redirect themselves towards new, more profitable markets.

A few figures:

**Wales**: two-thirds of exports from Wales go to the European market.

**Normandy**: the UK is Normandy’s 3rd biggest importer of food-processing products and petro-chemicals.

**Brittany**: the UK is Brittany’s 3rd biggest export market and its 8th biggest import market.

**The Basque Country**: the UK is the Basque Country’s 4th biggest export market. The Basque Country is the 3rd importer to the United Kingdom among the Spanish regions. Major export markets are rail, energy, aerospace and automotive.

**Andalusia**: the UK is the 4th biggest export market. The Junta de Andalucía has estimated that the region’s GDP could be reduced by 0.3% to 0.6% per year in the short and medium term.

**Navarra**: Navarra is one of Spain’s biggest exporting provinces to the British Isles (9th place). The sectors with high added value such as automotive, food processing and machine production are those that benefit most from these economic ties.

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The Channel Tunnel is an asset for the Atlantic Regions

In its study “The economic impact of the Fixed Channel Link”, the Ernst & Young consultancy agency (EY) estimates that a quarter of trade between the UK and the continent passes through the Channel Tunnel, equal to **115 billion euros** of trade per year. Between them, exports passing through the tunnel help support **220,000 jobs** in the UK. EY notes that around a third of trade depends on the speed and reliability of the Channel Tunnel (the automotive sector, express delivery to logistics companies and the fresh produce sector).

Every year, the tunnel enables more than **21 million travellers** to cross the Channel on board passenger shuttles, Le Shuttle or the Eurostar trains. EY estimates the economic impact generated by tourists through the tunnel at **2.1 billion euros**, contributing to **45,000 additional jobs** in the UK. In Normandy, **2 million** passengers use the Channel link from the region every year, equalling 1/10 of total cross-channel traffic.
3.2. Impacts on tourism

The economic impact of passenger transport links is significant on both sides of the Channel. These links play a part in the high tourist levels of the Atlantic Arc regions. Indeed, the British customer base is very important in all the Atlantic Arc regions, as confirmed by the data provided by some of our member regions:

- **Andalusia**: in 2015, it welcomed more than 2 million British tourists, (1/4 of all foreign tourists), equal to 10% of the region’s tourists. In general, they stay for 10.5 nights which is twice the average for foreign tourists. They spend about €65.6 per day, 4.5% more than the average.

- **Normandy**: British people represent the 1st customer base for tourism and the 1st customer base for the purchase of second homes.

- **Irish regions**: 3 million British tourists visited Ireland in 2013, bringing financial benefits of €819 million.

The eventual re-establishment of more cumbersome administrative procedures at borders (especially between Northern Ireland and Ireland) and the fall in value of the pound will have a direct impact on tourism in terms of economic benefits and jobs for the regions.

The increase in airline prices due to the United Kingdom’s withdrawal from the common aviation area, or changing train passenger rights will impact negatively on tourism.

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The decrease in the purchasing power of the British combined with more restrictive border control measures could lead to the weakening of many sectors of the economy dependent on transport, including tourism.

*The Atlantic Arc Commission hopes that the tourism sector can be involved in the discussions in order not to impede the flow of travellers to and from the UK.*

3.3. The European policy of the Trans-European Network of Transport (TEN-T):

Within the TEN-T policy, the United Kingdom is specifically affected by the North Sea-Mediterranean Corridor.

The British withdrawal from the TEN-T raises questions about current and future funding on this corridor, particularly in its connection with Ireland.

Brexit could also move the focus of the EU further East and cause greater isolation of the Atlantic regions.

If the UK decides not to apply the European Directives in the Transport sector, the UK will no longer be subject to certain obligations. For example, the fate of the Directive on the deployment of LNG refuelling stations for all ports in the core network of the TEN-T remains uncertain.

This isolation could result in a competitive advantage for UK ports to the detriment of other Atlantic ports.

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6 [The impact of Brexit on Andalucía](http://geopolis.francetvinfo.fr/brexit-et-l-irlande-dans-tout-ca-115653)

In the context of the TEN-T policy, the Atlantic Arc Commission wants the UK to be involved in the governance of the TEN-T in order to promote the development of a coherent European transport network, particularly along the whole Atlantic coast. The Atlantic Arc Commission also calls for greater transparency in negotiations so that the most affected sectors can adapt to future British regulations in the transport sector.

4. Migration and other topics

4.1. Intra-European Migration

The UK and Ireland have a special status within the Schengen area as they only participate in some of the Schengen provisions ("opting-in" clause). Both states retain the right to control people at their borders and not to integrate measures concerning visas, asylum and immigration when these are adopted.

With regard to migration between the United Kingdom and our Atlantic Regions, about 1.3 million British people live and work in Europe, particularly in Spain, Ireland and France. They will probably see their lives change, in terms of taxes, inheritance rights and pension plans.

Between Ireland and the UK, however, the treaty allows citizens to enjoy freedom of movement between the two entities in the context of a "Common travel area". Theresa May announced in January 2017 that this will remain in place after Brexit.

In Great Britain, many economic sectors depend on a European workforce: higher education, pharmaceuticals, construction, the creative industry, the health and social sector and the tourism industry.

→ In Scotland, the government has estimated the number of European citizens settled in the area to stand at 181,000. They contribute about 2.5 billion pounds to the UK's public finances. A quarter of university research employees come from EU member countries.

In Europe, a report from the Higher Education Policy Institute (Hepi) estimated the number of students from the European Union who might give up further education in the UK due to the increase in tuition fees at over 30,000. The Hepi report estimates that the shortfall for the country's economy could reach £2 billion per year (or €2.35 billion) out of the total of £7 billion (more than 8 billion euros) generated at present by international students.

It is anticipated that Brexit will fundamentally change the current dynamics of intra-European migration. Both for the European students and the British people settled in Europe, the UK’s exit from the EU will have a significant economic and cultural impact. The UK’s exit negotiations will need to consider these groups of people that generate resources both for the United Kingdom and for the Atlantic Regions.

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8 http://geopolis.francetvinfo.fr/brexit-et-l-irlande-dans-tout-ca-115653
10 Securing Wales’ Future Transition from the European Union to a new relationship with Europe, White Paper developed jointly by the Welsh Government and Plaid Cymru
11 Ibid.
12 Scotland’s place in Europe, The Scottish government, Jan 2017
13 Brexit. Fewer student visas ... and billions sacrificed, Courrier International, 14 February 2017
RECOMMENDATIONS:
Given this preliminary analysis of the consequences of Brexit for its member Regions, the Atlantic Arc Commission calls on EU negotiators and policymakers to:

- Maintain a strong budget for the EU for the end of the current period and the next post-2020 programme period,
- Strengthen the Transnational Cooperation Programme “Atlantic Area” through a specific financial commitment by the UK to enable British stakeholders to take part in it,
- Continue the efforts that have begun within the scope of implementing the two Marine Spatial Planning Directives and the Marine Strategy Framework Directive,
- Deepen the good cooperation between British and European stakeholders in the development of marine renewable energy to create growth and jobs in the Atlantic Regions,
- Support a strong Common Fisheries Policy in the future EU-27, in liaison with future British regulations for the sector,
- Carefully consider the existing balance in the fisheries sector in order not to open the way for a new European crisis in an already vulnerable sector,
- Continue cooperation with the UK in the field of training and research, particularly regarding marine issues,
- High levels of transparency in negotiations for the UK’s exit from the EU to facilitate the anticipation and adaptation of economic sectors such as transport and tourism,
- Carefully consider the exchange of populations between the UK and the EU: students, workers, pensioners, etc. who generate significant cultural exchanges but also economic benefits for the UK and for the EU.

The Atlantic Arc Commission hopes that the Atlantic Marine Strategy continues to be the preferred framework for implementing coordinated actions between the United Kingdom, Ireland, France, Portugal and Spain to create growth and jobs in the Atlantic Regions.
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The Conference of the Peripheral Maritime Regions of Europe (CPMR) brings together 160 Regions from 25 States of the European Union and beyond.

Representing nearly 200 million citizens, the CPMR works to promote a more balanced development of the European territory.

It operates both as a *think tank* and a lobby for the Regions. Its main objective is focused on social, economic and territorial cohesion, maritime policy and accessibility.

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