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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN
CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE,
THE COMMITTEE OF THE REGIONS AND THE EUROPEAN INVESTMENT
BANK**

**Addressing the impact of a withdrawal of the United Kingdom from the Union without
an agreement: the Union's coordinated approach**

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INVESTMENT BANK**

**Addressing the impact of a withdrawal of the United Kingdom from the Union
without an agreement: the Union's coordinated approach**

1. INTRODUCTION

On 29 March 2017, the United Kingdom notified its intention to withdraw from the Union. The Commission continues to consider that an orderly withdrawal of the United Kingdom from the Union on the basis of the Withdrawal Agreement, which has been agreed by the United Kingdom Government and which the European Council (Article 50) endorsed on 25 November 2018, is the best outcome. The Commission continues to focus its efforts on that goal. It is nevertheless the case, that two days before the deadline of 12 April 2019, as extended by the European Council¹, the likelihood of a disorderly withdrawal has significantly increased. The purpose of the present communication is to take stock of the intense preparations for that scenario which have been underway since 2017.

The Commission has repeatedly drawn the attention of all stakeholders, including in the three Brexit Preparedness Communications of 19 July 2018², 13 November 2018³ and 19 December 2018⁴, to the fact that a no-deal scenario would create significant disruptions. This assessment has not changed. In a no-deal scenario, it will not be possible to replicate the orderly transition foreseen in the Withdrawal Agreement.

Consequently, EU institutions, Member States administrations at all levels and all stakeholders have worked together to mitigate the impact of a no-deal scenario. Today, as a result of this collective effort, the EU is prepared for a disorderly withdrawal.

The contingency measures which have been adopted at European and national levels are based on the general principles set out in the Communication of 13 November 2018. Contingency measures do not replicate the benefits of membership of the Union, nor the terms of any transition period, as provided for in the Withdrawal Agreement. They are temporary in nature, and were adopted unilaterally by the European Union in pursuit of its interests. They fully respect the division of competences that the Treaties lay out, as well as the principle of subsidiarity.

In a no-deal scenario, these temporary contingency measures provide the United Kingdom the space in which to address the three main separation issues, which are a precondition for discussions on the way forward with the United Kingdom. As stated by

¹ European Council Decision 2019/476 taken in agreement with the United Kingdom of 22 March 2019 extending the period under Article 50(3) TEU, OJ L 80I, 22.3.2019, p. 1.

² COM(2018) 556.

³ COM(2018) 880.

⁴ COM(2018) 890.

President Juncker to the European Parliament on 3 April 2019⁵, these issues are (i) that rights of EU27 and UK citizens who have exercised their right to free movement before withdrawal would still need to be upheld and protected, (ii) that the United Kingdom would still have to honour its financial commitments made as a Member State, and (iii) that a solution would still need to be found to preserve peace on the island of Ireland and the integrity of the internal market. The United Kingdom must fully respect the letter and spirit of the Good Friday Agreement.

2. THE CONTINGENCY PREPARATIONS ARE FINALISED

Preparing for the withdrawal of the United Kingdom has been a joint effort of EU institutions and bodies, national, regional and local authorities, as well as of economic operators. All these actors have been called upon to take their responsibilities to prepare for the withdrawal without an agreement and to mitigate its worst impacts.

The EU institutions and bodies and the EU27 Member States have been preparing actively for a no-deal scenario since December 2017. Beyond the three Communications which have provided political guidance on the approach to be followed, the Commission has published 92⁶ notices to help stakeholders and authorities to prepare. It has also made 19 legislative proposals, 18 of which have been adopted and will apply from the withdrawal date, and one, on the EU budget for 2019, which will apply retroactively from the withdrawal date, once finalised⁷. The Commission has also adopted 45 non-legislative acts across a number of policy areas⁸.

The Commission has held extensive technical discussions with the EU27 Member States both on general issues of preparedness and contingency work and on specific sectorial, legal and administrative issues. Commission representatives have visited the capitals of all EU27 Member States to provide clarity on the Commission's preparedness and contingency actions and to discuss national preparation and contingency plans. The visits showed a high degree of preparation by the Member States for all scenarios.

Key areas in which contingency efforts have been necessary include citizens' rights (social security, residence rights and travel), transport (basic connectivity and safety), police and judicial cooperation, the management of the new Union external borders with the United Kingdom, fisheries and the Union's budget. The Union and the Member States have adopted measures in other selected areas as well.

For citizens, Member States are providing continued (temporary or permanent) residence rights for UK nationals that are resident in the EU at the time of the withdrawal, inspired by the generous approach recommended by the Commission⁹.

⁵ Statement by President Juncker on the United Kingdom's withdrawal from the European Union at the European Parliament's plenary session, Brussels, 3 April 2019, http://europa.eu/rapid/press-release_SPEECH-19-1970_en.htm.

⁶ https://ec.europa.eu/info/brexit/brexit-preparedness/preparedness-notices_en.

⁷ The European Parliament is expected to give its consent to the proposal during its plenary meeting starting on 15 April 2019.

⁸ 19 additional non-legislative acts are in the process of being adopted, depending on submissions from the United Kingdom and other external actors.

⁹ A list of residence rights granted to UK nationals in the EU States is available on the Commission's website: https://ec.europa.eu/info/brexit/brexit-preparedness/residence-rights-uk-nationals-eu-member-states_en.

Citizens' social security entitlements in relation to the United Kingdom before the withdrawal are protected. The contingency Regulation will ensure for the persons covered, irrespective of their nationality, the principles of equality of treatment, assimilation and aggregation of facts or events that occurred, and of periods of residence, insurance or work that were completed prior to the withdrawal¹⁰. Member States are also implementing measures at national level to secure the protection of social security entitlements for these citizens after the withdrawal.

The Union has also agreed that United Kingdom nationals will not need a visa when travelling to the EU for short stays of 90 days in any 180-day period, for business and tourism, as long as the United Kingdom provides the same treatment for all citizens of the EU¹¹.

Contingency Regulations are also in place to maintain essential transport connections for the key modes of transport: aviation¹², rail¹³, and road both for passengers and for freight¹⁴.

Following the withdrawal of the United Kingdom from the Union, police and justice cooperation will take place on the basis of multilateral international conventions, rather than on the basis of EU law. EU institutions and Member States have together identified the appropriate instruments that can be used in that context. Member States have invested significant efforts in ensuring that these instruments are operational by the withdrawal date.

Member States have worked closely with the EU institutions to ensure that the integrity of the internal market is preserved by putting in place appropriate infrastructure and resources to apply custom formalities and controls as well as sanitary and phytosanitary checks of goods at the border.

In the financial sector, only a limited number of EU measures were considered necessary to minimise risks to financial stability in the European Union. This decision was based on a joint analysis of no-deal risks done by the Commission, the European Central Bank, the Single Resolution Board and the European Supervisory Authorities, and on the

¹⁰ Regulation (EU) 2019/500 of the European Parliament and of the Council of 25 March 2019 establishing contingency measures in the field of social security coordination following the withdrawal of the United Kingdom from the Union, OJ L 85I, 27.3.2019, p. 35.

¹¹ Amendment to Regulation (EU) 2018/1806 of the European Parliament and of the Council of 14 November 2018 listing the third countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement. The formal adoption will take place in the coming days.

¹² Regulation (EU) 2019/494 of the European Parliament and of the Council of 25 March 2019 on certain aspects of aviation safety with regard to the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the Union, OJ L 85I, 27.3.2019, p. 11; and Regulation (EU) 2019/502 of the European Parliament and of the Council of 25 March 2019 on common rules ensuring basic air connectivity with regard to the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the Union, OJ L 85I, 27.3.2019, p. 49.

¹³ Regulation (EU) 2019/503 of the European Parliament and of the Council of 25 March 2019 on certain aspects of railway safety and connectivity with regard to the withdrawal of the United Kingdom from the Union OJ L 85I, 27.3.2019, p. 60.

¹⁴ Regulation (EU) 2019/501 of the European Parliament and of the Council of 25 March 2019 on common rules ensuring basic road freight and road passenger connectivity with regard to the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the Union, OJ L 85I, 27.3.2019, p. 39.

analysis of a joint technical group between the European Central Bank and the Bank of England.

As regards fishing activities, the measures taken will allow continued reciprocal access by Union and United Kingdom vessels to each other's waters throughout 2019¹⁵, if the United Kingdom grants access to Union vessels and respects the Fishing Opportunities Regulation 2019¹⁶. If this is not the case, financial support will be available for EU fishermen if there is a temporary cessation of their activities¹⁷.

All these measures will mitigate for a period of time the biggest disruptions resulting from a disorderly withdrawal of the United Kingdom, as depicted in the chart in Annex 1 to this Communication.

3. THE 2019 BUDGET AND ADDITIONAL FINANCIAL SUPPORT

The Commission has adopted a proposal for a contingency Regulation providing that the payment of funds from the EU general budget to UK recipients can continue during 2019 if the United Kingdom continues to pay its budget contributions for 2019 and allows the required audits and controls to take place¹⁸. If the United Kingdom does not agree to contribute to the financing of the 2019 budget as set out in the proposed contingency Regulation, the Commission will present a Draft Amending Budget in due time in order to deal with the resulting financing gap. In this context, the Commission calls upon the Parliament and the Council to formally adopt the proposal.

Even in the absence of these contributions, the Union has decided that certain activities should continue in any case. The PEACE IV Programme and the United Kingdom-Ireland cooperation programme will continue as they provide essential support for peace in Northern Ireland and Ireland¹⁹. All ongoing Erasmus+ learning mobility activities involving the United Kingdom that have started by the withdrawal date can also be concluded, to avoid disruption for students as well as for their sending and hosting institutions²⁰.

¹⁵ Regulation (EU) 2019/498 of the European Parliament and of the Council of 25 March 2019 amending Regulation (EU) 2017/2403 as regards fishing authorisations for Union fishing vessels in United Kingdom waters and fishing operations of United Kingdom fishing vessels in Union waters, OJ L 85I, 27.3.2019, p. 25.

¹⁶ Council Regulation (EU) 2019/124 of 30 January 2019 fixing for 2019 the fishing opportunities for certain fish stocks and groups of fish stocks, OJ L 29, 31.1.2019, p. 1; and Council Regulation (EU) 2018/2025 of 17 December 2018 fixing for 2019 and 2020 the fishing opportunities for Union vessels for certain deep-sea fish stocks, OJ L 325, 20.12.2018, p. 7.

¹⁷ Regulation (EU) 2019/497 of the European Parliament and of the Council of 25 March 2019 amending Regulation (EU) No 508/2014 as regards certain rules relating to the European Maritime and Fisheries Fund following the withdrawal of the United Kingdom from the Union, OJ L 85I, 27.3.2019, p. 22.

¹⁸ Proposal for a Council Regulation on measures concerning the implementation and financing of the general budget of the Union in 2019 in relation to the withdrawal of the United Kingdom from the Union COM/2019/64 final. The proposal has been endorsed by the Council.

¹⁹ Regulation (EU) 2019/491 of the European Parliament and of the Council of 25 March 2019 in order to allow for the continuation of the territorial cooperation programmes PEACE IV (Ireland-United Kingdom) and United Kingdom-Ireland (Ireland-Northern Ireland-Scotland) in the context of the withdrawal of the United Kingdom from the Union, OJ L 85I, 27.3.2019, p. 1.

²⁰ Regulation (EU) 2019/499 of the European Parliament and of the Council of 25 March 2019 laying down provisions for the continuation of ongoing learning mobility activities under the Erasmus+

In addition, business organisations and stakeholders have argued that financial support from the Union may be necessary to mitigate the economic effects of a disorderly withdrawal of the United Kingdom from the Union. The impact of a no-deal withdrawal will be felt throughout the European Union, but it is clear that some regions and economic sectors will be affected more significantly.

First, significant costs will be borne by the Member States neighbouring the United Kingdom. Although all Member States will have to perform checks and controls linked to customs rules, sanitary and phytosanitary regulations and other security and safety standards, for some Member States the volumes will be particularly high. For this reason, they had to build new border control posts or upgraded existing ones. Second, the economic cost will be particularly high for sectors that are most exposed to the United Kingdom. This is the case, for example, for agri-food exporters targeting the UK market, fishing businesses who depend on access to UK waters, and tourist businesses in regions that are popular with UK tourists. Third, it has become clear in the course of the Commission's preparedness work that small and medium-sized enterprises (SMEs) trading with the United Kingdom have been less equipped to prepare than large companies. SMEs sometimes lack the administrative and legal capacity to implement a full contingency plan.

While the need for financial support is clear, the constraints stemming from a withdrawal without an agreement must be taken into account. The Commission has consistently argued that the United Kingdom remains bound by its financial obligations towards the European Union in all scenarios, and the European Union will similarly uphold its own financial obligations towards the United Kingdom, including in case of a no-deal withdrawal.

Against this background, the Commission has explored how existing programmes and instruments of the Union budget, after any necessary adjustment, could be mobilised in case of no deal. This is meant to mitigate the impact in the areas where it would be most strongly felt, within the available funds. These measures will be proposed with due consideration of the adjustments on the expenditure and revenue side of the EU budget which might result from a disorderly withdrawal and with full use made of existing budgetary instruments and available resources. By reprogramming certain structural funds, activating measures against disturbance of agricultural markets on the basis of the Common Markets Organisation Regulation²¹, including use of all possible financial sources, and using specific instruments such as the programme for Competitiveness of Small and Medium-Sized Enterprises (COSME), the European Globalisation Adjustment Fund (EGF), the Solidarity Fund and the European Fund for Strategic Investment (EFSI), additional dedicated funding could be made available under the EU budget in case of a no-deal withdrawal.

For more immediate support to affected stakeholders, for example small and medium-sized companies with a significant exposure to the United Kingdom, EU State aid rules offer flexible solutions for national support measures.

programme established by Regulation (EU) No 1288/2013, in the context of the withdrawal of the United Kingdom from the Union, OJ L 85I , 27.3.2019, p. 32.

²¹ Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) 1037/2001 and (EC) No 1234/2007, OJ L 347, 20.12.2013, p. 671.

4. GUIDANCE ON A COORDINATED APPROACH FOLLOWING A DISORDERLY WITHDRAWAL

The unity and solidarity displayed by the EU27 Member States during the negotiations with the United Kingdom and the preparations for the withdrawal have served a common purpose, despite the different levels of economic exposure to the United Kingdom across the Union. It is crucial that the steps taken following a disorderly withdrawal remain coordinated and consistent. This unity strengthens the effectiveness of any remedial action, safeguards our common rules and a level playing field, increases the predictability for those worst affected, and preserves the Union's negotiating objectives for discussions on a future relationship with the United Kingdom. For these reasons, bilateral agreements between Member States and the United Kingdom must be avoided.

To provide additional support to Member States implementing contingency measure, the Commission is today providing additional guidance in five key areas. These will help to ensure that the contingency measures are implemented smoothly, and will also help to achieve and maintain a coordinated approach:

- Citizens' residence and social security entitlements;
- police and judicial cooperation in criminal matters;
- medical products and medical devices;
- Fishing activities; and
- data protection.

The Commission will provide additional guidance, should the need emerge. The Commission remains at the disposal of the EU27 Member States to discuss issues concerning the impact of a no-deal withdrawal, continuing the transparent and intense cooperation that has characterised the period of negotiations. In the period following the withdrawal, Member States are encouraged to report to the Commission and to each other problems that arise, foreseen and unforeseen, and best practices identified for handling them, for the benefit of all Member States. For the period immediately after the withdrawal, the Commission has established a call centre for Member State administrations, giving them access to the Commission's expertise. EU citizens, businesses and other stakeholders can contact Europe Direct for any questions (Freephone 00 800 6 7 8 9 10 11 from anywhere in the EU).

5. CONCLUSION

Since the UK referendum on 23 June 2016, the Union has consistently expressed its regret and respect for the United Kingdom's decision to leave the Union. The Commission continues to hold the view that an orderly withdrawal in accordance with the Withdrawal Agreement is the best possible option. However, a disorderly withdrawal can only be avoided if the United Kingdom ratifies the Withdrawal Agreement.

The EU has therefore taken the necessary measures to be prepared for a withdrawal without an agreement, whilst remaining determined to avoid such an outcome. Unity and solidarity between Member States will continue to be necessary, to respond to the challenges that will arise and to continue to uphold the Union's core values.