



HM Government

The process for withdrawing from the European Union



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Presented to Parliament
by the Secretary of State for
Foreign and Commonwealth Affairs
by Command of Her Majesty

February 2016



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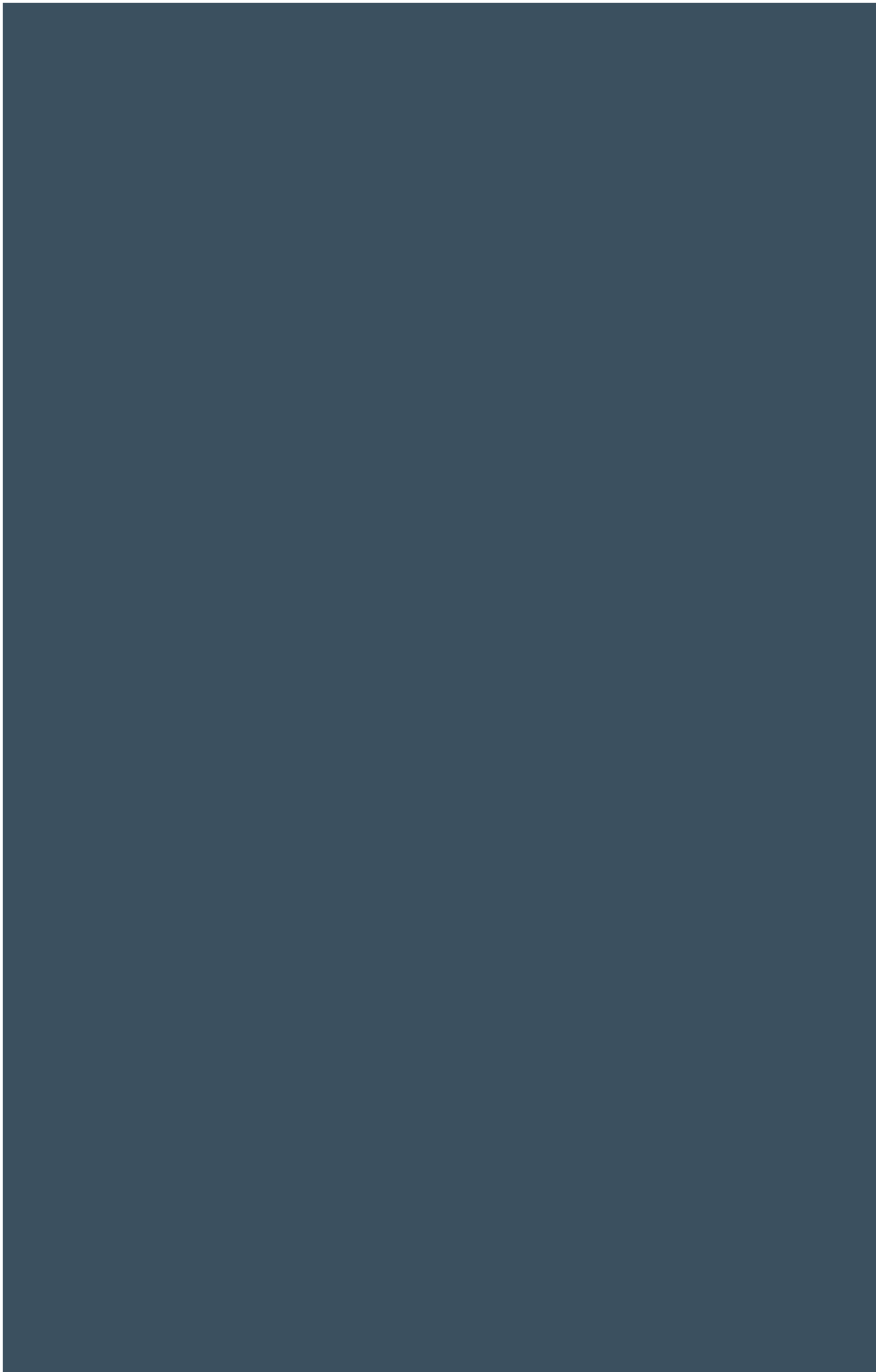
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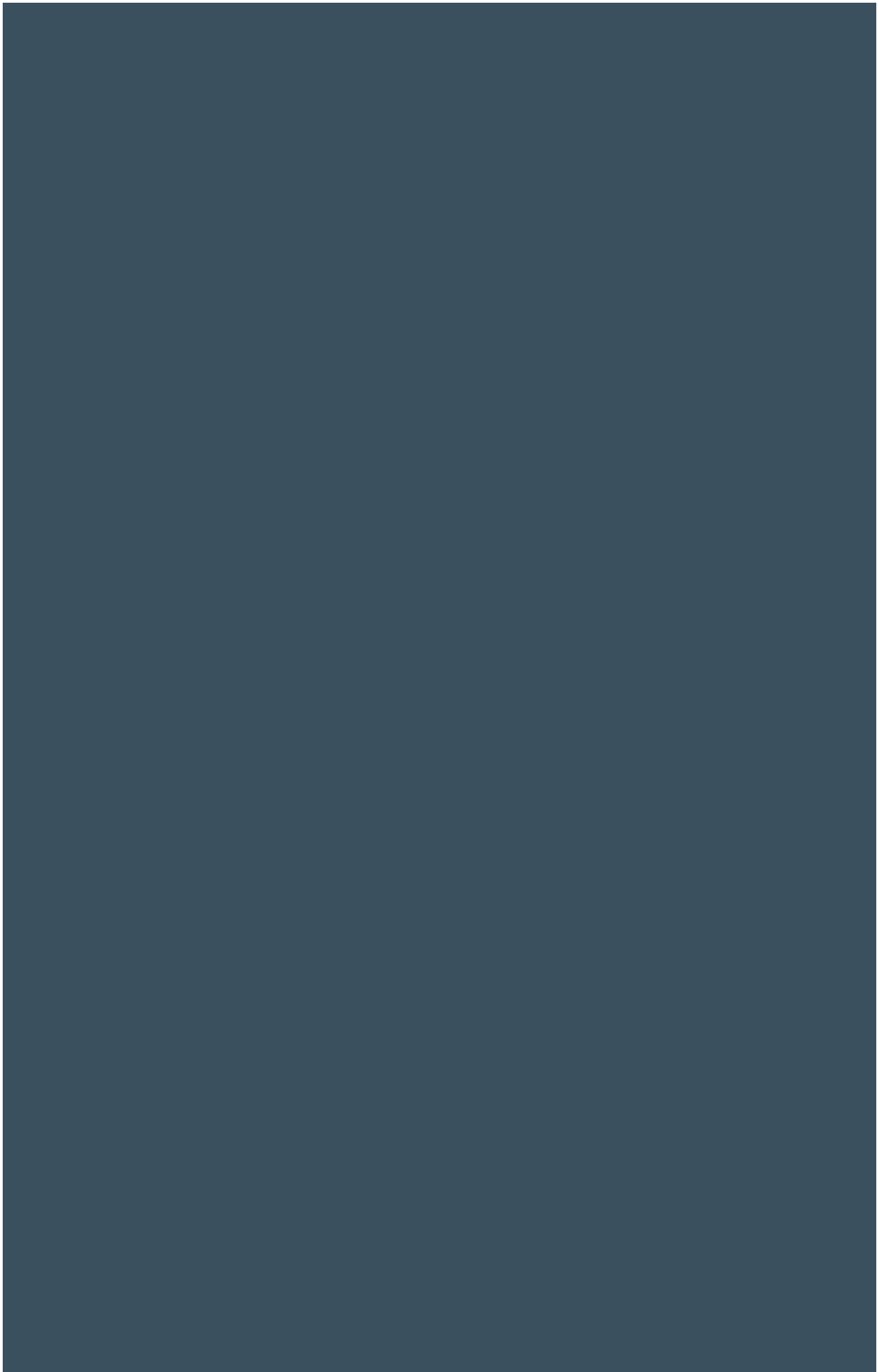
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Chapter 1 – introduction

1.1 This document sets out the process that would follow a vote to leave the European Union, and the prospects for negotiations. Alternative models for the UK's relationship with the EU after exit will be examined in a second document.



Chapter 2 – executive summary

2.1 The result of the referendum on the UK's membership of the European Union will be final. The Government would have a democratic duty to give effect to the electorate's decision. The Prime Minister made clear to the House of Commons that "if the British people vote to leave, there is only one way to bring that about, namely to trigger Article 50 of the Treaties and begin the process of exit, and the British people would rightly expect that to start straight away".¹

2.2 The rules for exit are set out in Article 50 of the Treaty on European Union. This is the only lawful route available to withdraw from the EU.

2.3 But the process is unprecedented. No country has ever used Article 50 – it is untested. There is a great deal of uncertainty about how it would work. It would be a complex negotiation requiring the involvement of all 27 remaining EU Member States and the European Commission. Before negotiations could even begin, the European Commission would need to seek a mandate from the European Council (without the UK present). The withdrawal agreement would also require the consent of the European Parliament. Uncertainty during the negotiating period could have an impact on financial markets, investment and the value of the pound, and as a consequence on the wider economy and jobs.

2.4 The UK's withdrawal from the EU would mean unravelling all the rights and obligations – from access to the Single Market, to structural funds for poorer regions, to joint action on sanctions – that the UK has acquired both during our accession to the EU and over our 40 year membership. As well as negotiating its withdrawal, the UK would also want to negotiate its post-exit arrangements with the EU.

2.5 The complexity of the negotiations, and the need for the UK to negotiate adequate access to the Single Market after it leaves the EU, would make it difficult to complete a successful negotiation before the two year deadline expired. Any extension to the two year period set out in the Treaty would require the agreement of all 27 remaining EU Member States.

2.6 If the UK was to reach the end of the two year period specified by Article 50 without having reached an agreement, and if any of the 27 other Member States vetoed an extension of this period, this would lead to the UK leaving the EU with no immediate replacement agreed, without any protection under EU law for the rights of UK business to trade on a

¹ Prime Minister's Statement on the European Council, Hansard, 22 February 2016, Column 24.
<http://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm160222/debtext/160222-0001.htm#16022210000001>

preferential basis with Europe or the EU's free trade agreement partners, UK citizens to live and work in Europe, or UK travellers to move about freely in Europe.

2.7 Regular EU decision-making would continue while we negotiated to leave. Our vote to leave, and the withdrawal negotiations themselves, would have an impact on our ability to affect the EU's decision-making. But we would be bound by new EU legislation up to the moment we left.

2.8 While these negotiations continued, we would be constrained in our ability to negotiate and conclude new trade agreements with countries outside the EU. The countries with which we currently have preferential trade agreements through the EU are likely to want to see the terms of our future relationship with the EU before negotiating any new trade agreements with the UK. In addition, many of our trading partners, including the United States, are already negotiating with the EU. Before they start negotiations with the UK they are likely to want those deals to conclude.

2.9 It is therefore probable that it would take an extended period to negotiate first our exit from the EU, secondly our future arrangements with the EU, and thirdly our trade deals with countries outside of the EU, on any terms that would be acceptable to the UK. In short, a vote to leave the EU would be the start, not the end, of a process. It could lead to up to a decade or more of uncertainty.

The Article 50 Withdrawal Procedure

2.10 Article 50 of the Treaty on European Union reads as follows:

Article 50

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.
2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.
3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.
4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it.

A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union.

5. If a State which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.

2.11 The process begins when the Member State that wishes to leave notifies the European Council. The European Council, minus the departing State, then agrees by consensus the guidelines for the Commission to negotiate the withdrawal agreement. Consensus requires every Member State (minus the departing State) to vote in favour.

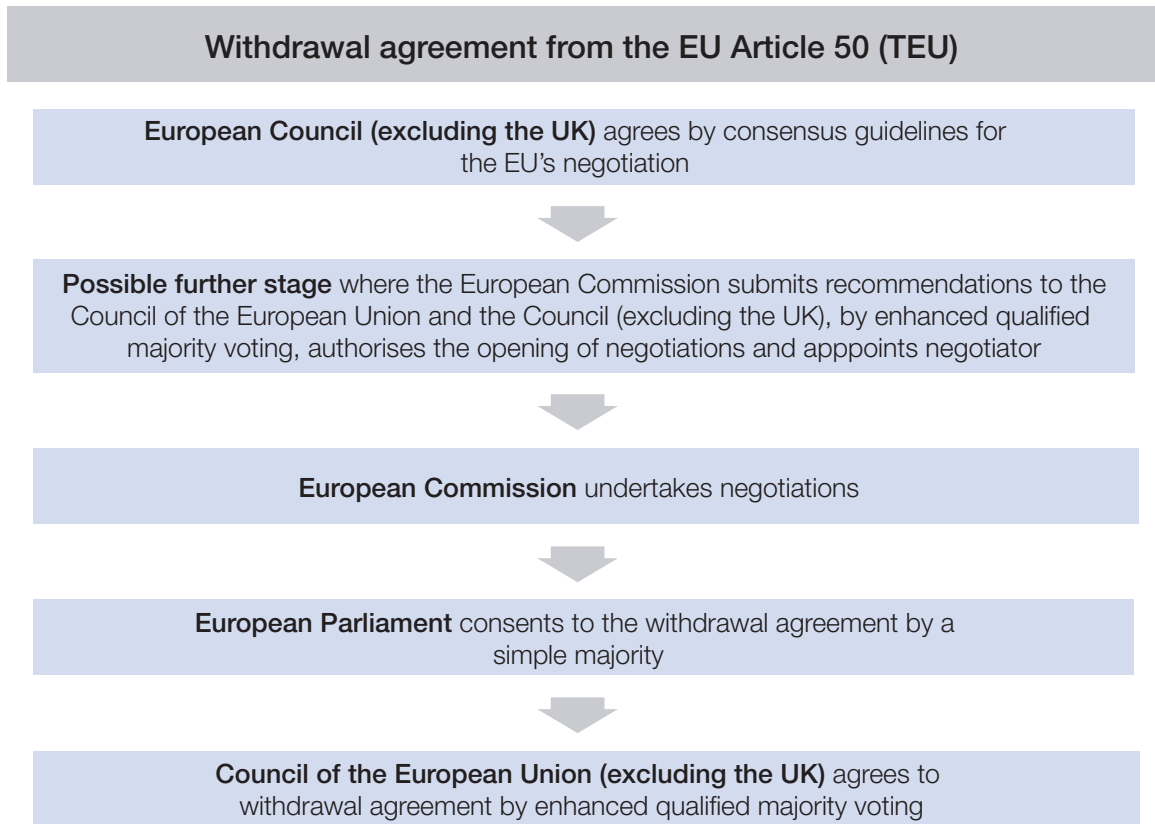
2.12 The final agreement would need to be agreed by both parties: the EU side and the departing Member State. On the EU side, this would require an enhanced qualified majority among the remaining Member States. This means that no single Member State could veto the deal, but that it would need to reach a critical level of support. (Specifically, it would need to be agreed by 20 out of 27 Member States, representing 65 per cent of the population).

2.13 The European Parliament would also need to approve the deal. This would require a simple majority of its 751 MEPs. (MEPs from the departing Member State would probably be allowed to vote, because at this stage it would still formally be part of the EU).

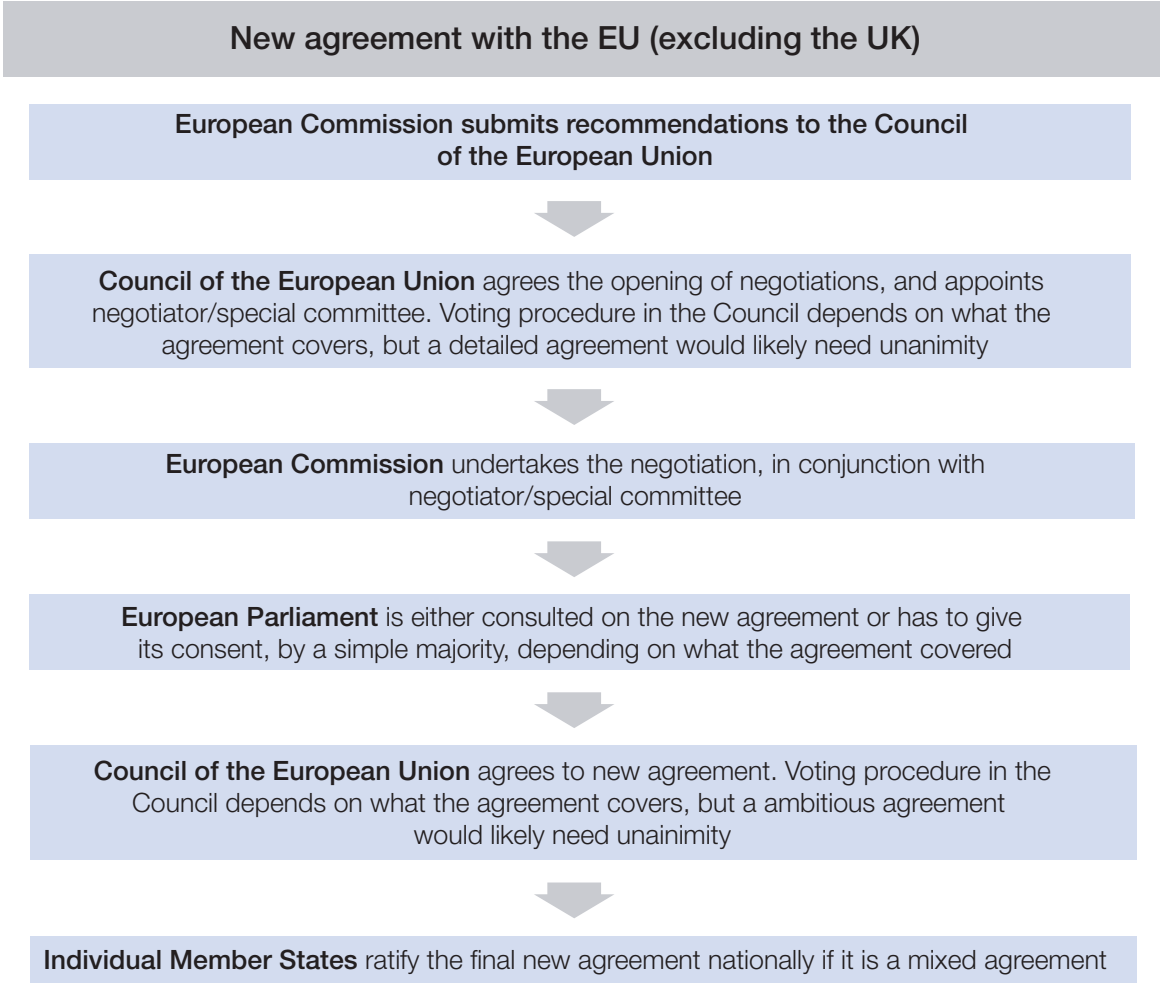
2.14 The EU Treaties would continue to apply to the departing Member State until the Article 50 agreement had entered into force, or for two years if no agreement had been reached and no extension to the two year period had been granted. A request for an extension could only be granted with the unanimous agreement of the remaining Member States.

2.15 Article 50 does not specify how much the withdrawal agreement itself should say about the future relationship between the EU and the departing Member State. Any sort of detailed relationship would have to be put in a separate agreement that would have to be negotiated alongside the withdrawal agreement using the detailed processes set out in the EU Treaties. Article 50 does not specify whether these negotiations should be simultaneous or consecutive. This would be a matter for negotiation.

Processes for negotiating withdrawal from the EU (Article 50, TEU) and for negotiating a new agreement under the Treaty on European Union (TEU)²

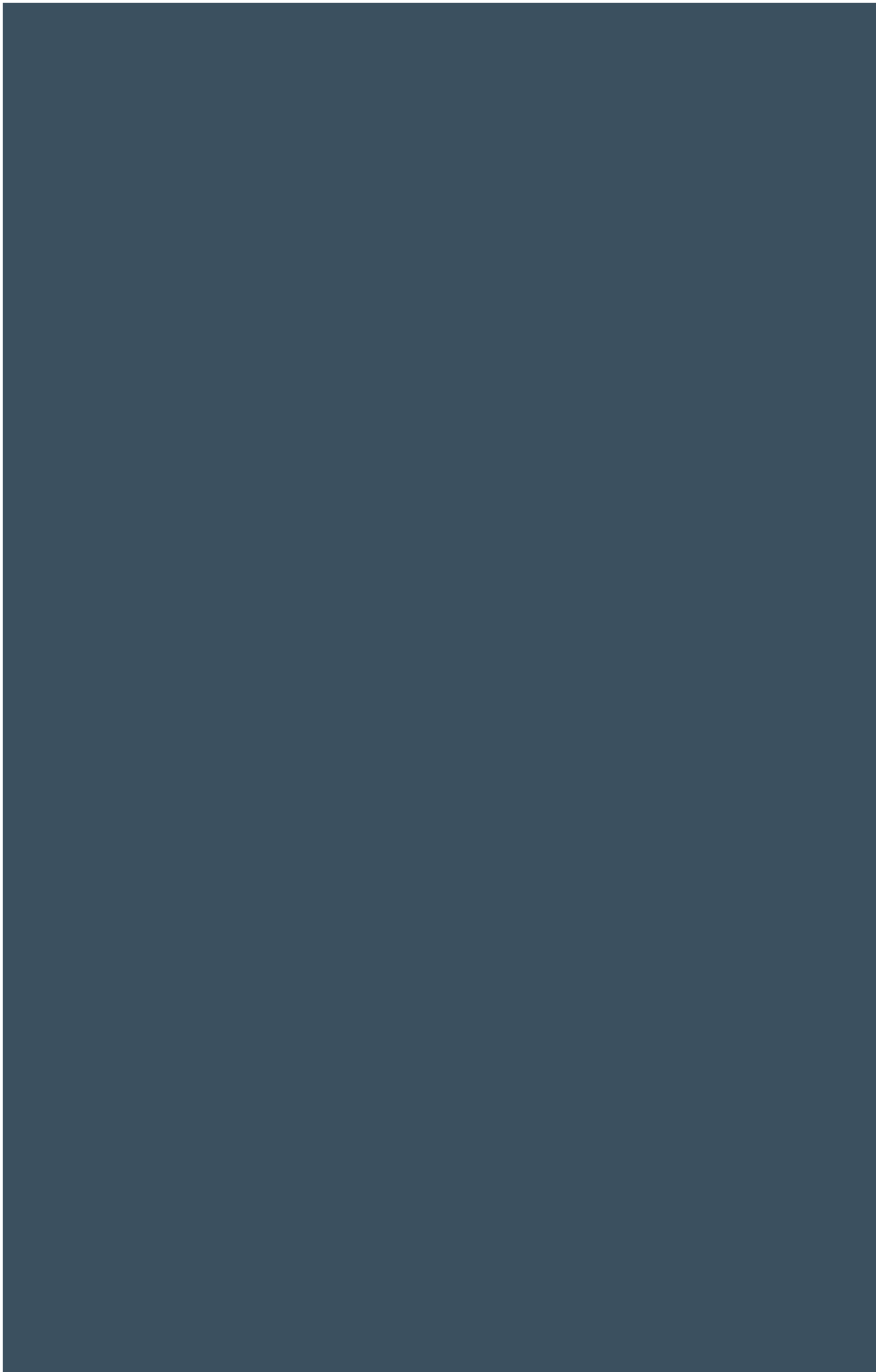


² Qualified majority voting is a system used for EU Member States to reach an agreed position. Under the Lisbon Treaty, a majority must include 55 per cent of countries, representing 65 per cent of the total EU population. But Article 50 of the Treaty on European Union stipulates that the voting rule to be used is that set out in Article 238.3(b) of the Treaty on the Functioning of the European Union, which requires 72 per cent of Member States (i.e. 20 out of the remaining 27 Member States) comprising 65 per cent of the EU population.



Timeline for possible Article 50 negotiations





Chapter 3 – Article 50: the route to withdrawal

3.1 As the Prime Minister has said, if the vote is to leave the EU, the British people would expect that process to start straight away. We would want to open a constructive negotiation with the rest of the EU in order to agree positive terms for the UK's exit and the future relationship.

3.2 The UK's membership of the EU is established by the EU Treaties, and Article 50 is the process set out in the Treaties for Member States to follow when leaving. It is the only lawful way to withdraw from the EU. It would be a breach of international and EU law to withdraw unilaterally from the EU (for example, by simply repealing the domestic legislation that gives the EU law effect in the UK). Such a breach would create a hostile environment in which to negotiate either a new relationship with the remaining EU Member States, or new trade agreements with non-EU countries.

3.3 Article 50 provides for a two year negotiation, which can only be extended by unanimity. There could be a trade off between speed and ambition. An extension request would provide opportunities for any Member State to try to extract a concession from the UK.

3.4 There is no precedent for a country withdrawing from the EU – Article 50 has never been tested.³ Trade negotiations are probably the closest equivalent in terms of complexity. Ambitious trade agreements can take up to a decade or more to agree from scoping to ratification, and sometimes take longer. For example, the EU-Mercosur Association Agreement was launched in 2000 and has yet to conclude, and the EU-Canada Trade Agreement (CETA) has taken seven years so far and still has to be ratified by the Council, the European Parliament and National Parliaments.⁴

3.5 Article 50 sets out several phases of negotiations involving the different actors on the EU side. Before talks with the EU can begin, the European Commission, which acts as the EU's negotiator, must seek the approval of the European Council (acting by consensus, minus the UK). The Commission would need to seek the approval of the Council and European Parliament at the final stage. It would need to consult both along the way. It should not be assumed that this would be straightforward given the experience of recent negotiations. For

³ Algeria seceded from France in 1962 to become an independent state outside the European Community. Greenland, an autonomous country within the state of Denmark, withdrew in 1985. These withdrawals took place before the Lisbon Treaty came into effect, and were therefore not conducted under Article 50. For Greenland, the issues were very limited, as the territory only sought Overseas Country and Territory status, rather than a full exit. Even so, withdrawal took three years: from a referendum decision in February 1982 to departure in February 1985.

⁴ Trade agreements can be applied provisionally, before national ratification.

example, the implementation of the agreed EU-South Korea deal was held up for six months because of concerns from Member States.

3.6 It is also unclear from the terms of Article 50 how far the arrangements for the UK's future relationship with the EU would be included in a withdrawal agreement. But it is likely that the scope of those arrangements would require the negotiation of a separate agreement with the EU. The precise process for negotiating that agreement would depend on its content, but an ambitious agreement could need the unanimous agreement of all 27 Member States in the Council.⁵ Any such process would clearly add to the complexity and hence, very probably, to the length of the overall negotiations. If the agreement needed unanimous agreement in the Council, it would be open to any Member State to seek to block it, or to extract a price for agreeing any element of the agreement.

3.7 A new agreement on trade and wider co-operation would require approval by each of the 27 Member States alongside the EU.⁶ If so, this would require ratification, in some cases by National Parliaments such as the French National Assembly, the German Bundestag and all seven Belgian Parliamentary Chambers.⁷ This would give every Member State a further opportunity to block the agreement for any reason.

3.8 The two year time limit could also have an impact on our ability to secure the best outcome. The China-Switzerland agreement, for example, took only three years to negotiate, but provides a relatively narrow coverage compared to the EU's new-style Trade Agreements (like EU-Canada).⁸ The UK would face a choice between seeking an extension to the two year time limit and leaving the EU without a proper arrangement in place, trying to rely on World Trade Organisation (WTO) rules until a new agreement could be reached. Only in a scenario where the UK did not seek any special access to the Single Market would negotiations be more straightforward and more easily concluded within a shorter time, but with greater economic cost.

⁵ For instance, an agreement focused solely on trade would need to be approved by the European Parliament and a qualified majority of the Council. A full association agreement that provided for trade and wider co-operation would need to be agreed by the European Parliament and unanimously by the Council.

⁶ Mixed agreements are agreements between the EU and third countries that contain matters of EU competence (for example, trade matters, which is an exclusive EU competence) and Member State competence (for example, foreign policy). Mixed agreements require ratification by both the European Union (in the Council of Ministers and the European Parliament) and by the 28 Member States in accordance with their national procedures for the ratification of such agreements. Some Member States, such as Belgium, have national rules for the ratification of such agreements that include both national parliaments and regional parliaments.

⁷ The seven chambers comprise unicameral chambers of the five parts of the federal system: French, Flemish, Walloon, German and Brussels-Capital region; plus the two chambers of the Belgian Federal Parliament.

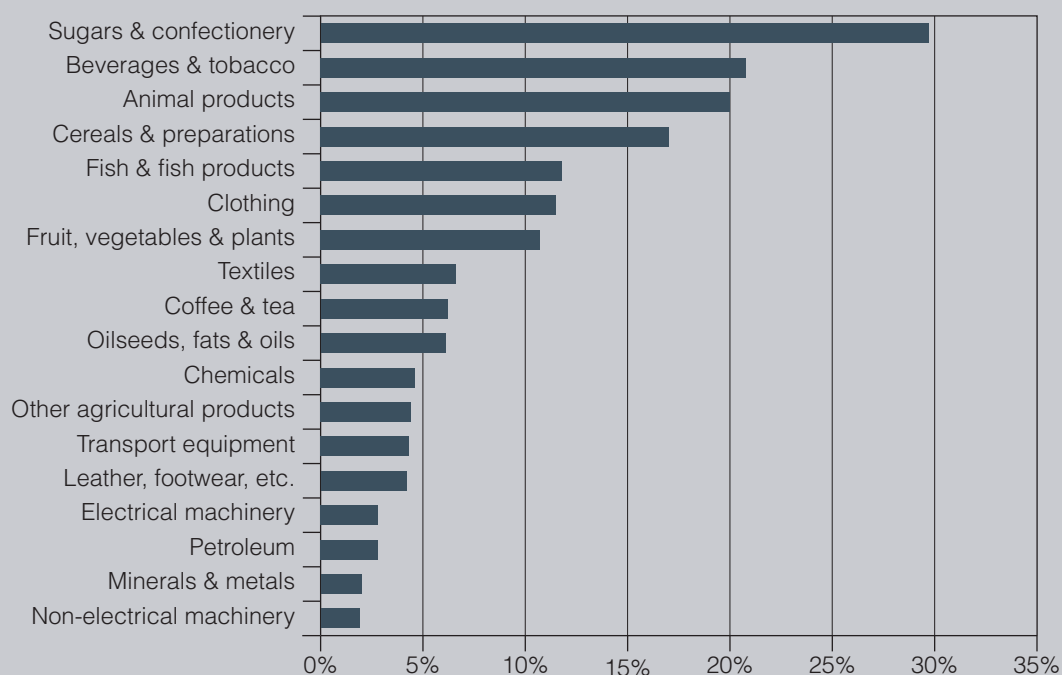
⁸ 99.7 per cent of current Chinese exports to Switzerland will immediately be exempt from tariffs, while 84.2 per cent of Swiss exports to China will eventually be exempt. It will take up to 15 years for the FTA for all tariff reductions to come into force. <http://www.seco.admin.ch/themen/00513/02655/02731/04118/index.html?lang=en>

The World Trade Organisation (WTO) route

The UK is a signatory to WTO Agreements and a WTO Member in its own right. If the UK left the EU without first securing an agreement on a new relationship, our trade relations would be governed by WTO rules. The EU would apply a range of tariffs to UK goods (these would be the ‘Most Favoured Nation’ (MFN) rates that the EU applies to all WTO members without a preferential scheme or agreement in place). Many are significant, in particular compared to the zero tariff all UK exports to the EU currently enjoy as part of the Single Market. The UK would also be bound by WTO MFN rules requiring the granting of equal market access to all WTO countries.

In the event that we leave the EU, we would need to update the terms of our WTO membership where the commitments taken have previously applied to the EU as a whole. This would not be a straightforward process as, if we leave the EU, then we would need all other WTO Members to agree how the UK will take on the rights and obligations which we have formerly taken as a part of the EU. This would mean negotiating and agreeing updated UK schedules of commitments with all 161 WTO members. And until our schedule of commitments was updated, there could be questions surrounding our rights to access WTO members’ markets, and our ability to enforce those rights.

Tariff rates applied by the EU, by broad category of goods



The EU's Most Favoured Nation applied tariff rates at Harmonised System 2-digit (aggregate) level, available at EU https://www.wto.org/english/thewto_e/countries_e/european_communities_e.htm

3.9 An extension of the two year period would require the unanimous approval of the European Council; one or more of the remaining 27 EU Member States might expect the UK to offer concessions in return. It would be an uncertain time for the UK economy and citizens, because failure to meet the deadline or agree an extension would have serious consequences for the UK – an exit without an agreement would leave a large number of important questions unresolved.

3.10 The UK would want to start negotiations as soon as possible with non-EU trade partners in particular, in order to preserve any existing level of preferential access UK companies currently get to their markets. But many of our non-EU trading partners are already negotiating with the EU, and before they started negotiations with the UK they would be likely to want those deals to conclude. Even the countries which already have a deal in place with the EU are likely to want to see the terms of our future relationship before negotiating any new trade agreements with the UK. This would make it hard to negotiate our post-withdrawal arrangement with the EU in parallel with negotiating a new set of trade deals with countries outside of the EU. And it means that lengthening the Article 50 process to secure a good outcome with the EU could delay new trade deals with countries outside of the EU.⁹

3.11 It is therefore probable that it would take up to decade or more to negotiate firstly our exit from the EU, secondly our future arrangements with the EU, and thirdly our trade deals with countries outside of the EU, on any terms that would be acceptable to the UK. This would be a long period of uncertainty, which would have consequences for UK businesses, trade and inward investment.

3.12 A considerably larger proportion of the UK economy is dependent on the EU than vice versa. This would have an impact on the dynamic of the negotiations. The EU is by a wide margin the UK's biggest trading partner. Some 44 per cent of our exports go to the EU. The UK is more reliant on exports to the EU than the rest of the EU is reliant on exports to the UK. Taken as a share of the economy, only 3.1 per cent of GDP among the other 27 Member States is linked to exports to the UK, while 12.6 per cent of UK GDP is linked to exports to the EU.¹⁰

3.13 Just as the Government would be driven by our wish to secure the best possible outcome for the UK, we should expect the remaining 27 Member States to be driven by their own national political and economic interests, and would fight for them as hard as we would for the UK's position.

⁹ The UK would need to rapidly to build up the expertise and resources to negotiate FTAs and deal with trade defence cases, having not negotiated a trade deal in 40 years. Australia and Canada employ around 200-250 people each to work on trade negotiations.

¹⁰ ONS Pink Book (November 2015), GDP data from Eurostat.

Chapter 4 – implications of withdrawal

4.1 The withdrawal negotiation would need to address a wide range of difficult issues related to withdrawal itself, and also to our future relationship with the EU. Article 50 does not set out explicitly what issues would need to be resolved and there is no precedent to draw on. The UK's relationship with the EU has built up over 40 years of membership and affects many aspects of life in the UK, and of UK citizens living across the EU; the terms of exit would have to cover the full extent of that relationship.

4.2 This would include the status and entitlements of the approximately 2 million UK citizens living, working and travelling in the other 27 Member States of the EU. They all currently enjoy a range of specific rights to live, to work and access to pensions, health care and public services that are only guaranteed because of EU law. There would be no requirement under EU law for these rights to be maintained if the UK left the EU. Should an agreement be reached to maintain these rights, the expectation must be that this would have to be reciprocated for EU citizens in the UK.

4.3 The negotiations would also have to cover the UK's access to the EU's Single Market, which currently rests on our membership of the EU, and related to that, the free movement of people.¹¹ These negotiations would be complicated: the UK would want to disentangle regulatory frameworks and establish transitional arrangements across a wide number of areas; and secure preferential access to the EU market including in sectors like financial services and car manufacturing where the UK enjoys a trading surplus.

4.4 The impact of these negotiations would have a wide and profound impact across the UK and its economy. For instance, the UK's current access to the Single Market is important for the UK's manufacturing sector. Last year, the UK exported a record number of cars (1.23 million), with more than half going to the EU market.¹² The industry directly employs 147,000 people¹³ and supports a further 300,000 jobs in the wider supply chain.¹⁴ The North-East of England has one of the highest shares of EU exports in the UK's regional

¹¹ The Council of the European Union made its view on this issue clear in December 2014: 'the free movement of persons is a fundamental pillar of EU policy... the internal market and its four freedoms are indivisible'. The full statement can be found here: <http://www.consilium.europa.eu/en/meetings/gac/2014/12/16/>

¹² Annual figures from Society of Motor Manufacturers and Traders <http://www.smmmt.co.uk/2015/12/new-car-registrations-return-to-growth-in-november/>

¹³ ONS Workforce Jobs

¹⁴ BIS analysis using ONS job multiplier estimates from Analytical Input-Output tables.

economy,¹⁵ and attracts high levels of foreign investment. Unless preferential access was agreed with the EU as part of the exit negotiations, UK car manufacturers would face a 10 per cent tariff when exporting to the EU. Moreover, over 40 per cent of components purchased by UK vehicle manufacturers are from the EU.¹⁶ These parts would become more expensive if the UK were forced to raise tariffs under WTO rules.

Case Study: The effect of an EU withdrawal on the financial services sector

If the UK were to leave the EU then the UK government would need to disentangle the regulatory framework from EU law for the financial sector. Regardless of the exit negotiations outcome this would be a large and complex task.

For most types of financial services, EU law amounts to the substantial majority of the UK's legislative framework, whether directly applicable or EU Directives transposed into UK law. EU Directives and Regulations govern the regulation – both prudential and conduct of business of all major sectors, including banking, insurance, wholesale and retail investments, provision of market infrastructure, payment, clearing and settlement systems and a host of other activities.

One consideration for the UK Government would be how to avoid regulatory gaps in the UK's domestic legislative framework once the EU Treaties ceased to apply. This would involve questions over how existing EU law could or should be adopted into domestic law.

Another consideration would be the status of UK firms whose existing business operations in other EU Member States were authorised under EU law, and of firms based in other EU Member States with operations in the UK.

Inside the EU, thanks to “passporting”, UK financial firms – including banks, insurers and asset managers – generally have the right to sell financial services and establish branches anywhere in the EU without other countries being able to impose different or additional requirements.

4.5 The UK's withdrawal from the EU would have a serious impact on UK farmers. In addition to the impact of withdrawing from the EU's Common Agricultural Policy and associated subsidy schemes, they would also lose their preferential access to the European market if the UK left the EU without a successor arrangement in place. The EU imposes an average tariff of 14 per cent agricultural imports¹⁷ from non-EU countries (including countries that have their own special trading deals with the EU, like Norway and Switzerland), with higher rates on individual items, such as dairy products (average of 36 per cent).¹⁸ UK farmers would also no longer be able to benefit from preferential access to non-EU countries secured by the EU under trade agreements.

4.6 If the UK left the EU without an agreement in place, we would lose the security benefits of our participation in a range of EU Justice and Home Affairs measures that help the fight against crime and terrorism. For example, since 2004 the European Arrest Warrant has allowed 7000 people to be extradited from the UK to face trial and has resulted in just over 1000 people being returned to the UK to face justice here. The European Criminal Records

¹⁵ HMRC Regional Trade Statistics

¹⁶ 2014 KPMG report for the Society of Motor Manufacturers and Traders: “The UK Automotive Industry and the EU”. Available online at: <http://www.smmmt.co.uk/wp-content/uploads/sites/2/SMMT-KPMG-EU-Report.pdf>

¹⁷ WTO calculated figure 2014.

¹⁸ WTO calculated tariff figures for 2014.

Information System enables us to secure information about criminal records. The Schengen Information System II operates as a ‘watch list’ through which we have access to operational data on terrorist suspects and criminals. And from 2017 we will be part of the Prüm Decisions relating to information on fingerprints and DNA.

4.7 If we were outside the EU, this co-operation would be curtailed. Aside from those States that are not in the EU but are in the Schengen border-free area, there are no precedents for non-Members being able to cooperate within these mechanisms. Even Switzerland, for example, does not have an equivalent to the European Arrest Warrant. We would also lose our status as a full member of Europol, an agency that coordinates the fight against serious and organised crime among EU countries.

There would be serious implications for Gibraltar were the UK to withdraw from the EU. Inside the EU, Gibraltarians have the right to move freely to Spain, and the right to establish a business and provide services there. But, before Spain joined the EU in 1986, the border was closed from 1969–85. If the UK left the EU, there would be no certainty that the border would remain open. The Chief Minister of Gibraltar has said that this would pose “an existential threat in economic terms” to the territory.¹⁹ The Channel Islands and the Isle of Man, which enjoy special arrangements for access to the EU, would face similar uncertainties.

Northern Ireland would be confronted with difficult issues about the relationship with Ireland. Outside the EU’s Customs Union, it would be necessary to impose customs checks on the movement of goods across the border. Questions would also need to be answered about the Common Travel Area which covers the movement of people. This could have an impact on cross-border co-operation and trade. The withdrawal of structural funds, which have helped address economic challenges, would also have an impact.

4.8 Examples of other issues that negotiations would also need to cover in the context of managing the transition, fixing the terms of exit and, fixing any future arrangement, include:

- unspent EU funds due to UK regions and farmers;
- cross-border security arrangements including access to EU databases;
- co-operation on foreign policy, including sanctions;
- transfer of regulatory responsibilities;
- arrangements for contracts drawn up in accordance with EU law;
- access to EU agencies that play a role in UK domestic law, such as the European Medicines Agency;
- transition arrangements for UK exit from EU Free Trade Agreements with third countries;
- arrangements for the closure of EU agencies headquartered in the UK;
- departure from the Single European Sky arrangement;
- access for UK citizens to the European Health Insurance Card;
- the rights of UK fishermen to fish in traditional non-UK waters, including those in the North Sea;

¹⁹ See article <http://www.politico.eu/article/brexit-would-destroy-gibraltar/>

- continued access to the EU's single energy and aviation markets; and
- the status of the UK's environmental commitments made as party to various UN environmental conventions and currently implemented through EU legislation.

4.9 Withdrawal would involve considerable implications for UK domestic legislation. The UK Parliament and the devolved administrations would need to consider how to replace EU laws, including how to maintain a robust legal and regulatory framework where that had previously depended on EU laws. Sanctions against countries such as North Korea, and for some terrorist groups or individuals, are generally adopted at the EU level rather than domestically. Many financial regulations, such as those governing prudential requirements for banks and investment funds, have direct effect from EU law.

4.10 Wider EU decision-making would not stop during the UK's exit negotiations. The current Commission has agreed a programme, which will continue through the Commission's mandate, until the middle of 2019. Key areas include issues of importance to the UK like the Single Market in services and the EU-US Trade Agreement. Europe would also continue to face challenges from outside its borders, including in the Middle East, and in Russia and Ukraine. A decision to leave would affect the UK's influence over EU decision-making, as would on-going withdrawal negotiations. But any legislation that the EU adopted would continue to apply to the UK until the moment of our withdrawal.

4.11 Some have argued that the UK could negotiate a better deal after a vote to leave after the referendum. However, the February European Council agreed that, should the result of the referendum be a vote to leave the EU, the new settlement for the UK negotiated by the Prime Minister would cease to exist. Moreover, were the UK to want to re-join the EU once it had left, Article 50 sets out that we would have to follow the regular, lengthy accession process. Entry would require agreement from all existing EU Member States. Renewed membership would be highly unlikely to replicate our current special status. This special status includes our rebate on payments to the EU budget, our opt-outs from the euro and the Schengen border-free area, our right to choose which Justice and Home Affairs arrangements we join. EU policy is to require all new Member States to commit to joining all of these.

Chapter 5 – conclusion

5.1 A vote to leave the EU would be the start, not the end, of a process. It would begin a period of uncertainty, of unknown length, and an unpredictable outcome. The broad procedural route is set out in Article 50 of the Treaty on European Union, ensuring exit is possible. But beyond procedure, nothing is agreed and nothing has been tested.

5.2 It is important, as the people of the United Kingdom prepare to make their choice, that the complexities of the steps that would follow a vote to leave are understood. There are three parts to this.

5.3 The first is the Article 50 process itself. This is the only lawful route for the United Kingdom to leave the EU and it is the one that the UK Government would follow.

5.4 As the Prime Minister has said, if the vote is to leave the EU, the British people would expect the UK Government to notify the European Council straight away that it wished to leave under the terms of Article 50.

5.5 An extension to the two year deadline would also require the unanimous agreement of all 27 remaining Member States. Without such an extension, if after two years no deal were reached, or the UK were not able to accept the deal that was offered, exit would take place automatically and without any protection for the rights of UK business to trade on a preferential basis with Europe, UK citizens to live in Europe, or UK travellers to move about freely in Europe.

5.6 The second issue at stake is the nature of the negotiations that would follow an exit vote. The UK would, at the moment Article 50 is triggered, be excluded from EU discussions on the nature of the exit negotiations. These would be settled by the remaining EU Member States.

5.7 A third consideration is the range of issues that would be affected by a vote for exit and which would be subject to negotiation with the rest of the EU during the exit process. Reaching agreement on such a wide range of issues, with a large number of negotiating partners, each of whom would seek to defend their interests, should be expected to be difficult and involve potentially unpalatable trade-offs.

5.8 Moreover, the implications are not confined to our dealings with Europe. The UK's trading relationship with countries around the world, for instance, is bound up in agreements

reached by the EU which would cease to apply to the UK on our departure from the EU. Replacements for these too would have to be negotiated.

5.9 Many UK citizens would want any negotiations to secure their continued right to work, reside and own property in other EU states, and to access public services such as medical treatment in those states. UK citizens resident abroad, among them those who have retired to Spain, would not be able to assume that these rights will be guaranteed. At the very least, any terms which the UK seeks for its own citizens would have to be offered to EU citizens wishing to come to or stay in this country.

5.10 The terms of exit would be significant for the people of Northern Ireland, and citizens of Ireland who live in, visit or work in the UK. There could be implications for the border and for cross-border trade and co-operation, which has helped strengthen relations between Northern Ireland and Ireland in recent years.

5.11 The process of withdrawing from the EU is untested, and would contain numerous elements, including the outcome of the negotiations, about which there is currently little clarity. It could lead to up to a decade or more of uncertainty.

5.12 It is important that the risk this presents is understood. It adds, in the Government's view, to the compelling case for staying in a reformed EU on the secure new terms on offer. These offer the UK a special status and the best of both worlds.

How these negotiations might affect UK citizens

UK citizens get a range of rights from our membership of the EU. If the UK were to leave the EU, all of these rights would have to be covered in a successor arrangement. If we left the EU without agreeing what would happen to these rights, it would at the least bring them into serious question, creating difficulty for UK citizens who relied on them. A selection of these rights includes:

- the right to live, work and own property in all 28 countries of the EU;
- the ability to retire to another EU country;
- the right to receive healthcare that is free at the point of use and paid for by the NHS, using the European Health Insurance Card;
- the right to vote in local elections in other EU countries;
- mutual recognition of child custody decisions across the EU;
- the use of the European Small Claims Procedure to reclaim up to €2,000 from individuals in other EU countries; and
- the right to use public services in other EU countries.



HM Government

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