

The geographically asymmetric impact of Brexit

Prof Dr Alexander Mattelaer – *Vice Dean for Research of the Institute for European Studies, Vrije Universiteit Brussel*

Much has been made of the economic disruption that Brexit will entail. Whenever the transition period comes to an end, the economic pain that has thus far been mostly hypothetical will become a reality. However, what is not as widely understood is that this pain will be distributed highly asymmetrically, both across and within EU member states.

This asymmetry will likely affect the bargaining dynamics on the future EU-UK relationship amongst the EU27, as well as their domestic politics and evolving perceptions of European integration. Furthermore, the disruptive consequences of Brexit will be compounded by the economic shock triggered by the COVID-19 outbreak. This toxic combination sets the stage for intense political turbulence.

This chapter aims to shed clarity on how the political and economic fallout from Brexit will settle within the EU. Firstly, it maps out the existing asymmetries across different member states. Secondly, it dissects how geographical asymmetries can play out at the regional level within individual member states. Finally, it argues that Brexit will reverberate differently across political constituencies at the national and European levels, fuelling polarisation in terms of political agenda-setting.

This may strike many as a bleak outlook, with sobering prospects for the EU-UK relationship. However, this situation also offers an opportunity to foster policy renewal and rebuild economic and societal resilience.

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Asymmetries across member states

The prolonged debate about the actual meaning of Brexit has made it clear that the UK is formally leaving the European Single Market, accepting friction to trade as the price of regaining legal autonomy in decision-making. The EU27 currently account for 45% and 53% of all UK exports and imports respectively.¹ Logic dictates that the ensuing disruption must be equal on both sides of the Channel, with the caveat that it will be dispersed amongst the 27 EU member states and concentrated – and more keenly felt – in the UK.

However, while all 27 member states will be affected by Brexit, this will not be to the same extent, nor in the same way. Even within a tightly integrated Single Market, trade and investment flows are distributed in distinct geographical patterns that vary per sector. This is also the case for labour flows, remittances and other patterns in the market structure. While one may quibble about the ranking of the ‘most exposed’ member states, it is important to appreciate the political dynamics that this factual asymmetry will entail in the EU decision-making on its new partnership with the UK.

Individual member states have analysed how their bilateral trade balance with the UK will be affected by Brexit, and how the consequences for their economic tissue will look.² Unsurprisingly, these analyses yield different results in function of factors like geographical proximity, historical links, export strengths and cultural ties.

Being the only country that shares a land border with the UK, Ireland is particularly exposed to Brexit. Due to their position as maritime gateways to the European continent, the Netherlands and Belgium stand to be strongly affected by the reintroduction of custom controls and regulatory barriers. Malta may be located

further away from the UK than other member states but will still experience Brexit more acutely than most due to its historical links and economic integration with the UK. Given its status as the EU’s export powerhouse, the German economy is also expected to take a hit that is disproportionate to its already prominent economic and demographic size. Other member states to be mentioned include the Czech Republic, France and Slovakia.

Depending on which economic indicator one prefers, and which economic sector one focuses on, the impact assessment and ranking will vary. Nevertheless, the bottom line remains the same: the economic fallout will be distributed across the EU27 unevenly.

The principal consequence of this asymmetry is that the EU27 will approach the trade negotiations with the UK with their relative national and sectoral exposure in mind. At the same time, they will keep an eye out for the opportunities Brexit will engender for their respective companies.

This is why trade policy has historically become an EU-exclusive competence. By putting the European Commission in charge of negotiating on behalf of the Single Market, the EU has robbed its negotiation counterparts of the opportunity to exploit such asymmetry strategically. This also explains why the EU’s negotiating team, led by Michel Barnier, has placed a premium on fostering consensus among the 27 and keeping all the capitals informed as much as possible. This was done knowing full well that EU unity will become more precarious once negotiations turn to particularly sensitive topics, like fisheries. In turn, the UK is likely to find allies in member states that realise that any ‘no trade deal’ scenario will hurt their respective economies severely.

In combination, these factors explain why the prospect of unwinding the UK's integration in the European economy looks distinctly unappealing from both sides of the English Channel. If economic interdependence is to be maintained, the challenge is to identify an alternative legal foundation to maintain a deep economic relationship.

Asymmetry within member states

Similar dynamics of asymmetry are also at play within individual member states. As the European Committee of the Regions has assessed, the impact of the UK's withdrawal varies dramatically from one region to another within any member state.³ While federal political systems make such patterns more visible, these dynamics also generate political pressure in more centralised systems of domestic governance. The UK may face the toughest challenge in this regard, in having to maintain cohesion amongst its four constituent countries – but it is far from unique, as, for example, the case study of Belgium shows.

It comes as no surprise that the German state of Baden-Württemberg stands to be particularly affected as far as the European automobile and machinery sectors are concerned; as are Western Slovakia, and Central Moravia in the Czech Republic for electronics. Similarly, the textile industry is strongly concentrated in different Italian and Portuguese regions. The French Auvergne, the German state Rhineland-Palatinate, the Belgian province of Walloon Brabant and the Dutch province of Zeeland are most exposed when it comes to chemicals and plastics. Some economic impact may manifest itself distinctly locally – think of the Channel ports in the Hauts-de-France region and the related fisheries conundrum – but reverberate strongly at the political level.

Belgium constitutes a multifaceted case in point.⁴ At the aggregate level, the UK is the fourth-largest customer of the Belgian economy and fifth-most important source of Belgian imports. However, the lion's share of the bilateral trade balance relates to the region of Flanders in the north. This fuels competition between the federal and regional layers of Belgian government, especially when government coalitions are composed differently.⁵

Similarly, at the subregional level, West Flanders and Antwerp are more vulnerable than other Belgian provinces due to their main ports and the geography of local supply chains. With

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key local political leaders hailing from Ypres – home to the proverbial Flanders Fields – and Antwerp – the city which boasts a port that is one of the UK’s largest maritime trading partners –, these dynamics acquire high salience rapidly, confirming the maxim that all politics is local. These facets will all play a critical role in the Belgian regional parliaments’ necessary ratification of a ‘mixed’ agreement, pertaining to those areas of EU-UK cooperation falling within the competence of member states.

Fragmentation across the political spectrum

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Geographical asymmetries across and within the EU27 member states are fuelling political fragmentation. The zero-sum logic that correlates with economic turmoil and the partial unravelling of trade relationships pits member states against one another, just as it does in regions, provinces and cities. In that sense, the economic fallout due to Brexit risks latching on to the political turmoil caused by the eurozone and migration crises. Furthermore, the socioeconomic shock triggered by COVID-19 is likely to compound these dynamics. At the most fundamental level, EU decision-makers must confront the most challenging asymmetry of all: the fragmentation and growing polarisation of the European political spectrum itself.

Across the EU, citizens and policymakers find themselves confronting similar governance challenges. These relate, among others, to the interplay between economic and environmental policy, the management of migration pressures and societal cohesion, and the challenge of securing societies while maintaining civil liberties and the rule of law. What these challenges have in common, when looking beyond their technocratic details, is that they beg the question to what extent national governments will be in the lead, and what the role of European institutions and subnational levels of government is to be.

These are matters which have deeply divided opinions in most member states, allowing populist movements to draw on the growing number of voters alienated from mainstream politics – especially as far as the EU elite’s policy consensus is concerned.⁶ Rather than framing this as an all-or-nothing battle between ‘globalists’ and ‘(sub)nationalists’, the EU framework requires a more sober assessment of how European, national and local levels of government and accountability can complement and mutually reinforce one another.

Conclusion

The prospect of deepening political fragmentation in and amongst the EU27 may strike one as bleak. It does not bode well for the EU-UK relationship either, as both sides must devote substantial attention and resources to managing their internal affairs. Growing disunity amongst the EU27 could be what results in a ‘no deal’ outcome at the end of the year, compounding the severe socioeconomic shock the COVID-19 outbreak has already engendered.

In fact, Brexit may only be the proverbial tip of the iceberg of what is yet to come. Polarised debate on whether supranational or intergovernmental dynamics will triumph in shaping the future of the EU may well continue long after Brexit has become a distant memory. Similarly, the tension between federal and centralised approaches

to government at the national level will continue to exist.

Nevertheless, there is good reason not to lose hope. Such political tension is set to produce higher standards of government, simply because this is what the situation will require and what citizens are entitled to. In particular, the deepening crisis of governance will puncture the lazy illusion that the matter of national government can be safely neglected, because of the (often imaginary) safety net provided by European institutions. Responsible statecraft requires carefully managing expectations of what different levels of government can adequately plan and provide for. This demands gravity, accountability and persistence. If Brexit has made this abundantly clear, it will paradoxically have done everyone a great service.

¹ See Ward, Matthew (2019), “[Statistics on UK-EU trade](#)”, London: House of Commons Library.

² Useful statistics can be found inter alia in Vandenbussche, Hylke (2019), “[Sector-Level Analysis of the Impact of Brexit on the EU-28](#)”; Flemish Department of Foreign Affairs. See also Chen, Wen; Bart Los; Philip McCann; Raquel Ortega-Argilés; Mark Thissen and Frank van Oort (2018), “[The continental divide? Economic exposure to Brexit in regions and countries on both sides of The Channel!](#)”, *Papers in Regional Science*, Volume 97, Issue 1, pp.25-54.

³ Levarlet, François; Paolo Seri; Chiara Zingaretti; Dea Hrelja; Elodie Lorgeoux (2018), [Assessing the impact of the UK's withdrawal from the EU on regions and cities in EU27](#), Brussels: European Committee of the Regions.

⁴ For in-depth analysis, see Mattelaer, Alexander (2017), “[Towards a Belgian Position on Brexit: Actively Reconciling National and European Interests](#)”, Brussels: The Royal Institute for International Relations.

⁵ Cf. Vandenbussche, Hylke; William Connell and Wouters Simons (2017), “[De impact van Brexit op de Vlaamse economie: Een analyse van het output- en jobverlies](#)”, Leuven: Katholieke Universiteit Leuven.

⁶ Cf. Eatwell, Roger and Matthew Goodwin (2018), *National Populism: The Revolt Against Liberal Democracy*, London: Pelican Books.