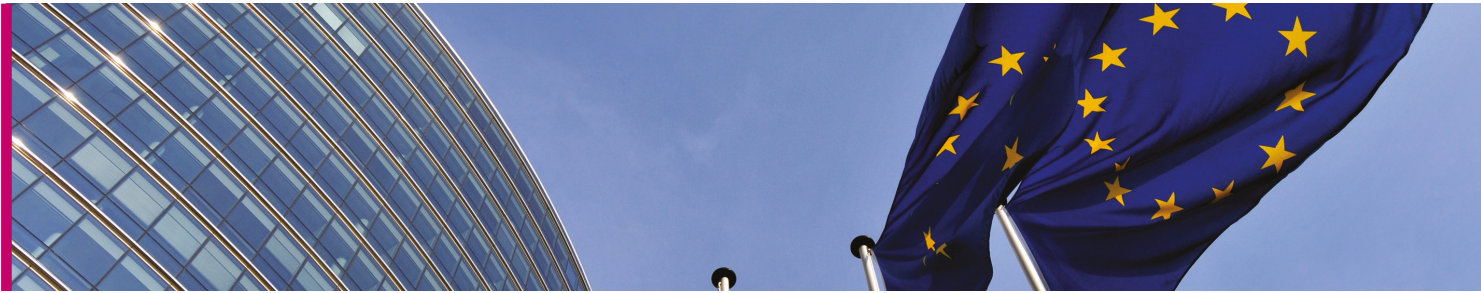
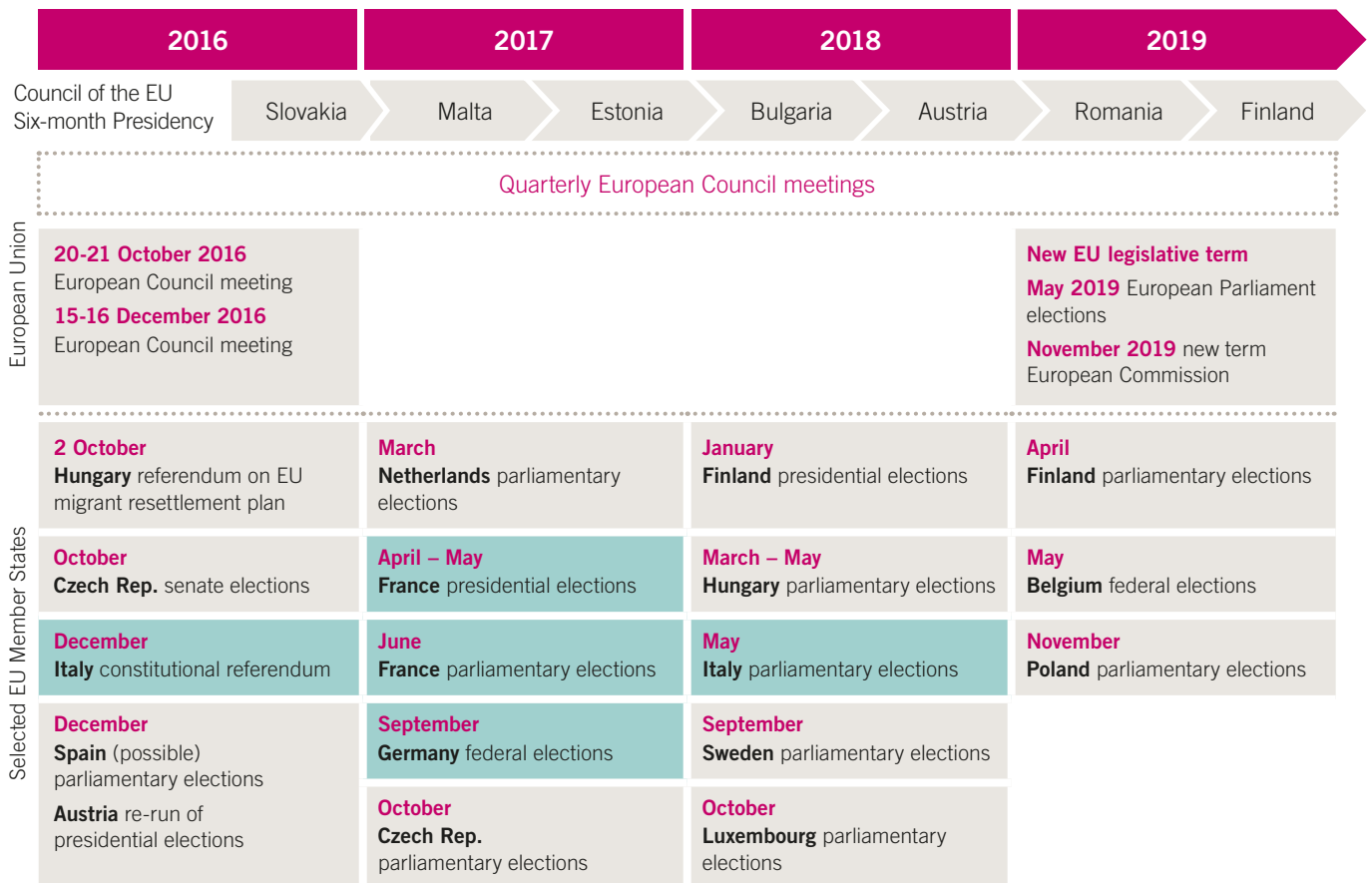


Impact of upcoming political developments in the EU on Brexit



It is becoming increasingly clear that negotiations on the UK's future relationship with the EU will be difficult to resolve quickly. Businesses considering their longer-term plans should take account of the fact that the UK's withdrawal from the EU is not likely to take effect until at least 2019. The negotiating parties are reluctant to disclose their position on the negotiations and these will be made more complex by political developments in Europe. In particular, over the next 18 months, elections are expected in EU Member States which are likely to be key players in the negotiations, including Germany, France and Italy.



Please note that these dates are estimates and that they are subject to change.

EU Member States will play a crucial role in the EU-UK negotiations on Brexit and the new relationship between the EU and the UK.

Heads of State and Government within the European Council will provide guidelines for the EU negotiating position, and will also likely hold bilateral meetings and talks with their UK counterparts. Ministers and civil servants in the Council of the EU are responsible for concluding the withdrawal agreement on behalf of the EU and are expected to be involved in technical discussions on the EU side, together with the European Commission. If the Brexit negotiations were to be prolonged beyond the two-year negotiating period envisaged in Article 50 of the Treaty on the European Union (TEU), this would need unanimous agreement of UK and each of the Member States within the European Council.

The Presidency of the Council of the EU will matter too.

The country holding the six-month rotating Presidency in the Council of the EU during the different stages of the Brexit negotiations will likely play an important role in setting the agenda of internal discussions and technical meetings.

Article 50 TEU notice and the new EU legislative term

Article 50 TEU sets a two-year period to agree upon withdrawal terms for the UK exiting the EU. The time is measured from the moment the European Council is notified of the intention of a Member State to withdraw from the EU. The current position of the UK government is that it will serve the Article 50 notice in 2017.

2019 marks a beginning of the new legislative term in the EU. European Parliament elections will be held around May 2019, followed by an appointment of a new College of Commissioners. Given the expected two-year negotiation period, serving the Article 50 notice later in the second half of 2017 would create uncertainty as to the participation of UK representatives in the European Parliament and the European Commission in the new legislative term.

Developments in Germany, France and Italy

Franco-German-Italian axis. The German Chancellor Angela Merkel, the French President François Hollande and the Italian Prime Minister Matteo Renzi are the European national leaders who are expected to drive Brexit negotiations from the side of EU Member States. Popular votes in their countries could impact the discussions on the UK withdrawal from the EU.

Germany

Presidential elections: February 2017

Federal elections: September 2017

The newly elected members of the German federal Parliament (Bundestag) appoint Germany's new Chancellor. It is not certain whether Angela Merkel will keep her position after 12 years (3 mandates).

Angela Merkel's party suffered losses in several states during the regional elections in 2016, further weakening the power of her party in the second chamber (Bundesrat). Further regional elections are expected in March and May 2017. Germany's president, holding a mostly representative role, will be elected in February 2017.

France

Presidential elections: April – May 2017

Parliamentary elections: June 2017

The French presidential elections are expected to have the country's EU membership at the centre of the debate. Marine Le Pen, the far-right candidate and currently a member of the European Parliament, is an explicit advocate of "Frexit". According to opinion polls, the far-right party may well make it to the second round of the presidential elections.

The presidential elections in France are expected to impact the result of the parliamentary elections taking place later in 2017.

Italy

Constitutional referendum:

December 2016

Parliamentary elections: May 2018

In the upcoming constitutional referendum, the Italians will vote on whether to reduce the number of senators from 315 to 100 and limit the upper chamber's power to bring down governments.

Matteo Renzi has repeatedly said that he would resign as Italian prime minister, if the reform is rejected in the referendum. His resignation would likely bring high political and economic uncertainty. Additionally, Beppe Grillo, the leader of the anti-establishment Five Star Movement, may call for a referendum on Italy's membership of the Eurozone.



Abu Dhabi | Amsterdam | Antwerp | Bangkok | Beijing | Berlin | Brisbane* | Brussels | Cape Town*** | Delhi^Δ | Dubai
Düsseldorf | Frankfurt | Hanoi* | Ho Chi Minh City* | Hong Kong | Jakarta** | Johannesburg*** | Lisbon | London
Luxembourg | Madrid | Melbourne* | Milan | Moscow | Mumbai^Δ | Munich | New York | Paris | Perth* | Port Moresby*
Rome | São Paulo | Seoul | Shanghai | Singapore | Stockholm | Sydney* | Tokyo | Ulaanbaatar* | Warsaw | Washington, D.C.

* Office of integrated alliance partner Allens

** Office of formally associated firm Widyawan & Partners

*** Office of collaborative alliance partner Webber Wentzel

^Δ Office of best friend firm TT&A