

Brexit

History of the European Union and the Economic
Implications of the Withdrawal

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Agenda

- History of the European Union
- Overview of Brexit
 - For Brexit
 - Against Brexit
 - Hard versus Soft Brexit
- Assessment of Brexit prior to the Vote
- Economic Consequences after July 2016

History of European Union

- After WWII – Europe was devastated and thus, laid the foundations and need for the European Union
- Founding Fathers of the EU:



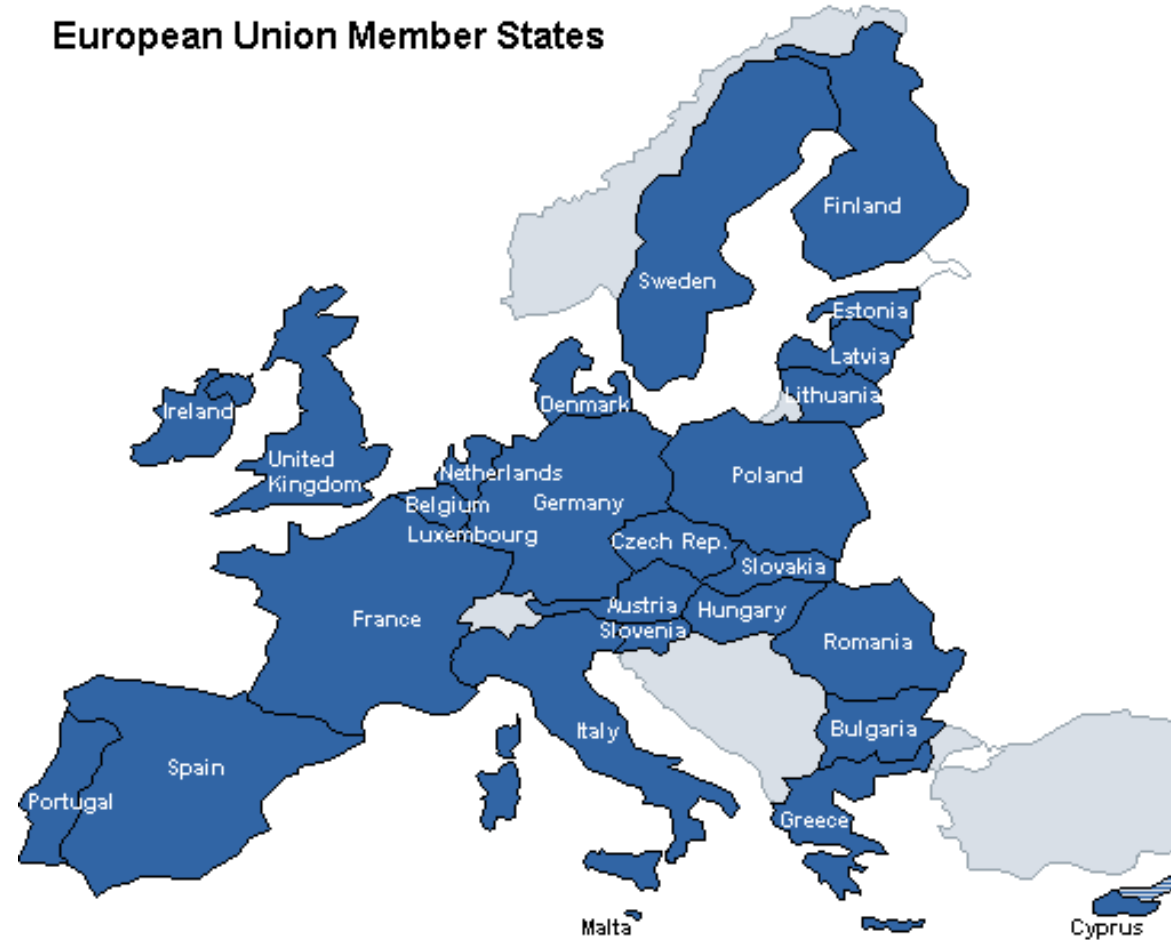
- Six Founding Countries: Belgium, France, Germany, Italy, Luxembourg and the Netherlands
- Established under its current name in 1993 following the Maastricht Treaty
- Awarded the Nobel Prize for Peace in 2012 to recognize the organization's efforts to promote peace and democracy

History of European Union

- Growth of European Union
 - Strong desire to expand, thus taking in countries like Greece



History of European Union



Prime Ministers

David Cameron



- Believed in the benefits of continued EU membership



- Prime Minister after David Cameron's resignation
- Supporter of Brexit

Arguments *against* Brexit

- All countries within the EU have a vote or a say within negotiations
- Limiting - A real world example of this would be CETA
 - Trade agreement between Canada and the European Union
 - Wallonia – a region in Belgium rejected the deal
- If Britain were to leave the EU – difficulties with European trade
 - Inter-industry Trading
 - Intra-industry Trading
 - Possible reduction in consumer choices

Hard Brexit versus Soft Brexit

Hard Brexit

- Immediate departure from the EU
- Viewed as a unilateral act against the interests of other constituent nations (and London)
- Prioritizes borders and immigration policies as other factors are secondary

Soft Brexit

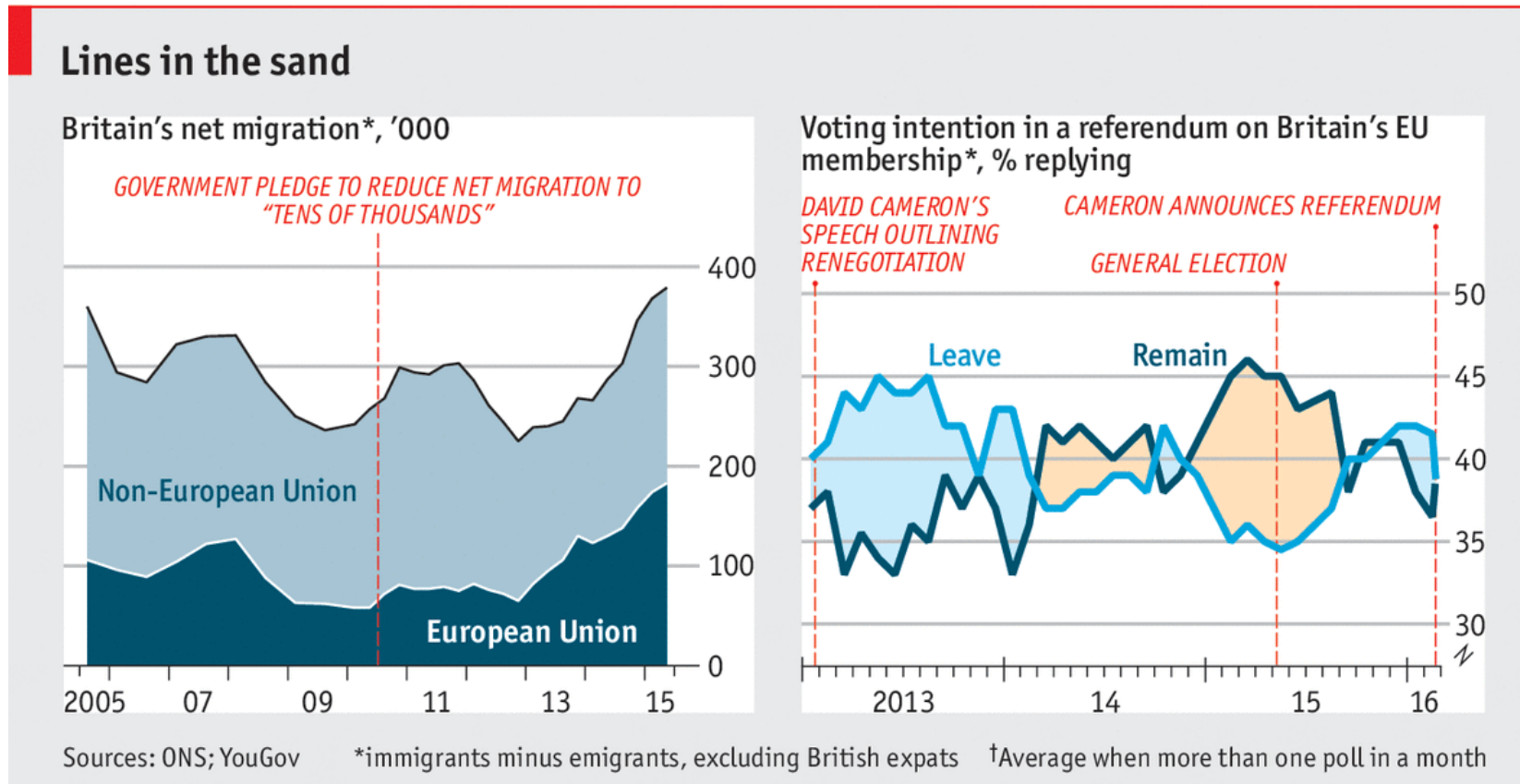
- Multiple stage process
- Allow time for both the UK and EU to determine what kind of long-term relationship would serve the interests of both sides

Arguments *for* Brexit

- All countries within the EU have a vote or a say within negotiations
 - Limitations for Britain as other countries have a vote
 - Same CETA example can be applied in this situation
- Bank of England Structure
 - Able to print own money and perform monetary policies if necessary

Arguments *against* Brexit

- Border and Immigration control



In Summary

The debate

Arguments for and against Brexit, according to the main campaigns

IN



TRADE

Britain avoids exporter tariffs and red tape, important as 45% of British exports go to the EU. As a member, Britain can obtain better trade terms because of the EU's size.



OUT

Britain will negotiate a new EU relationship without being bound by EU law. It can secure trade deals with other important countries such as China, India and America.

EU BUDGET

Britain pays the EU £340 a year per household, compared with an estimated £3,000 yearly benefit of membership. In or out, payment is needed to access the single market.



Britain can stop sending £350m, equivalent to half England's schools budget, to Brussels every week. This money could be spent on scientific research and new industries.

In Summary

REGULATION

Most EU regulation collapses 28 national standards into one European standard, reducing red tape and benefiting business. In, Britain can fight for better regulation.



Leaving will return control over areas like employment law and health and safety, measures that a recent Business for Britain poll found businesses favoured.

IMMIGRATION

Leaving doesn't mean reduced immigration. Countries that trade with the EU from outside have higher rates of immigration, including from EU countries, than Britain.



Britain can change the "expensive and out-of-control" system that offers an open door to the EU and blocks non-EU immigrants who could contribute to the UK.

INFLUENCE

At international summits, Britain is represented twice – by the foreign secretary and the EU high representative. Co-operation has helped fight Ebola and piracy in Africa.



Britain has little influence within the EU. From outside, it can retake seats on international institutions and be a stronger influence for free trade and co-operation.

Sources: Britain Stronger in Europe; Vote Leave

Consequences of Brexit

- Argued that UK's main strategy in joining EU in 1973 was to prevent the union from becoming too strong.
- Global trade patterns for the EU
- Consequences for Immigration and Labor Market

Assessment prior to the Vote

- Chancellor of the Exchequer – George Osborne
 - April 2016

Annual impact of leaving the EU on the UK after 15 years (difference from being in the EU)

	EEA	Negotiated bilateral agreement	WTO
GDP level (%) – central	-3.8	-6.2	-7.5
GDP level (%)	-3.4 to -4.3	-4.6 to -7.8	-5.4 to -9.5
GDP per capita – central ^a	-£1,100	-£1,800	-£2,100
GDP per capita ^a	-£1,000 to -£1,200	-£1,300 to -£2,200	-£1,500 to -£2,700
GDP per household – central ^a	-£2,600	-£4,300	-£5,200
GDP per household ^a	-£2,400 to -£2,900	-£3,200 to -£5,400	-£3,700 to -£6,600
Net impact on receipts	-£20 billion	-£36 billion	-£45 billion

^a Expressed in terms of 2015 GDP in 2015 prices, rounded to the nearest £100.

Assessment prior to the Vote

- Compared continued membership of the EU against alternative models
 - Membership of the European Economic Area (EEA)
 - Negotiated bilateral agreement
 - Examples include European Union and Switzerland, Turkey, or Canada
 - World Trade Organization (WTO) membership without any specific agreement with the European Union

Labor Forces

- Since 2004, thousands of workers from eastern Europe (e.g. Poland) flocked to Britain
- With Brexit, labor force will be greatly affected as immigrants make up a large portion of the labor market

The Brexit Negotiations: An Italian Perspective

- Stefano Micossi and Riccardo Perissich
- Wrote for CEPS, a think tank and forum for debate on EU affairs

Table 1. UK trade with the EU and the world, 2015

	Total trade			Trade in goods			Trade in services		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
World									
£ million	508,767	547,441	-38,674	283,282	409,719	-126,437	225,485	137,722	87,763
% of GDP	27.2	29.3	-2.1	15.2	21.9	-6.8	12.1	7.4	4.7
EU									
£ million	222,433	290,969	-68,536	133,524	222,992	-89,468	88,909	67,977	20,932
% of GDP	11.9	15.6	-3.7	7.1	11.9	-4.8	4.8	3.6	1.1

Source: Office for National Statistics.

The Brexit Negotiations: An Italian Perspective

Table 2. Trading and financial relationships between the UK and main EU countries (% of GDP)

	Trade (goods and services, 2014)		Portfolio investment (stocks, end of 2015-Q2)		Direct investment (stocks, end of 2014)	
	Exports	Imports	Assets	Liabilities	Assets	Liabilities
Italy	1.7	1.1	3.9	6.8	1.3	2.2
France	2.5	1.9	11.1	12.7	4.9	2.2
Germany	3.4	2.1	6.5	8.8	2.8	0.7
Spain	2.9	1.8	3.2	7.2	6.0	1.7

Source: Banca d'Italia Economic Bulletin No. 3, July 2016.

The Brexit Negotiations: An Italian Perspective

Table 3. Total contributions and net balances to the EU budget for selected countries, 2014 (billion euros)

	Total contributions	Net balance*	□□ contributions with UK out**
Austria	2,9	-1,3	0,5
France	21,0	-7,5	1,5
Germany	29,1	-17,7	2,6
Italy	15,9	-5,2	0,8
Netherlands	8,4	-6,4	-0,1
Sweden	4,3	-2,6	0,4
United Kingdom	14,1	-7,1	-
EU-28	133,0	-4,4	7,1

*computed as the difference between total EU expenditure in the member states and total contribution to the EU budget by member state, including adjustment for the UK rebate and for Justice and Home affairs.

Source: European Commission and ** Nùñez Ferrer and Rinaldi (2016).

Recent News

- November 3, 2016 - High Court ruled that 'Brexit' will require a vote from the Parliament
 - Main take-away: invoking *Article 50* of the Lisbon Treaty

EUROPE

'Brexit' Will Require a Vote in Parliament, U.K. Court Rules

By STEPHEN CASTLE and STEVEN ERLANGER NOV. 3, 2016



Prospect of early general election increases after High Court rules Government cannot trigger Article 50 without parliamentary approval



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Comments



Owen Bowcott and Jessica Elgot

Brexit plans in disarray as high court rules parliament must have its say

Government to appeal after judges say article 50 cannot be triggered without MPs' backing - a major blow to Theresa May

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