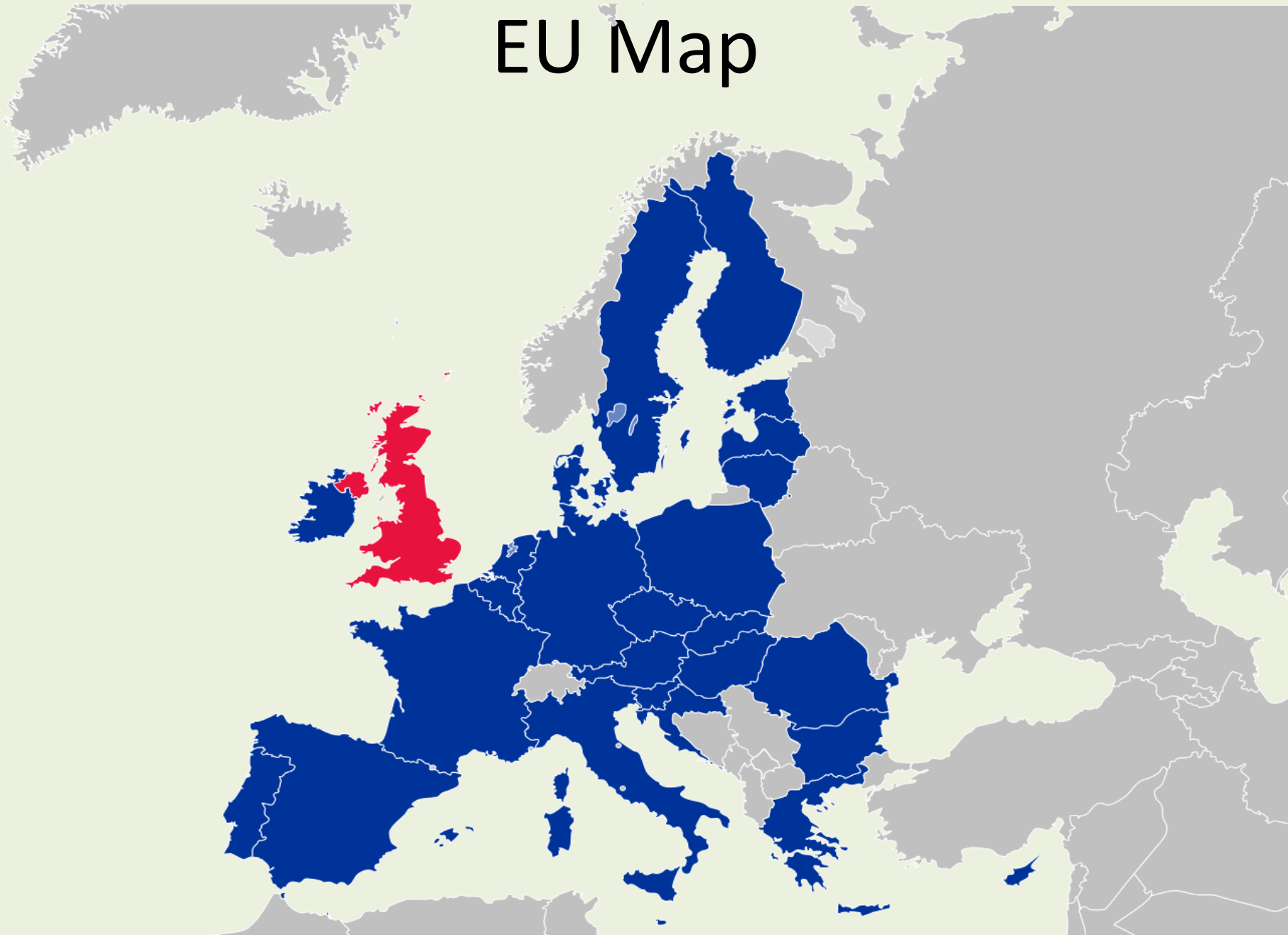


Brexit At 1

What is Brexit?

- Brexit is the process by which the UK left the EU
- Brexit was set in motion by a June 2016 referendum in which 52% of 70% of the British electorate voted to leave the EU
- The “Leave” vote seems to have been driven by concerns over EU mandates impinging on British laws and regulations, sovereignty issues in general, but most importantly immigration concerns

EU Map



Brexit Timeline To Date

- Jun 2016 – Referendum votes for UK to leave EU; David Cameron resigns as PM
- Mar 2017 – UK, under PM Theresa May, files formally to leave under Article 50
- Jun 2017 to Mar 2019 – Negotiations occur between EU and UK on the terms of the leaving; the UK stands up a 400-person Cabinet Department for the negotiations
- Mar 2019 – EU and UK reach a “leaving agreement”
- May 2019 – UK Parliament resoundingly rejects the agreement, in large part over the status of Northern Ireland; negotiation period is extended to Oct 31, 2019; Theresa May resigns as PM

Brexit Timeline To Date

- Boris Johnson becomes PM, renegotiates some of terms, notably with regard to Northern Ireland and tries to rush through approval of a Withdrawal Agreement, although is not entirely clear what agreement entails
- The brinkmanship by PM Johnson fails and while votes to do a Brexit are rising, there is not enough time to finish by October 31 deadline
- In last week in October 2019, the EU and UK agree to a negotiations extension until January 31, 2020, UK schedules a snap election
- Johnson wins election, and resoundingly pushes the Withdrawal Agreement Bill through Parliament, all but guaranteeing that the UK will leave EU by end of 2020
- UK finally left EU on January 1, 2021, but in an orderly fashion, with, in particular a Free Trade Agreement that keeps tariff-free flows of goods and services between UK and EU, but putting back in place various border checks of those goods and services; see next slides for details of leaving agreement

Details of Leaving Agreement

- Commerce
- There are no additional charges on goods (tariffs) or limits on the amount that can be traded (quotas) between the UK and the EU from 1 January.
- There are additional controls at the borders, such as security checks and customs declarations.
- For services, including financing (very important for the UK economy), the picture is still unclear. Services will lose their automatic right of access , but the UK said the agreement *"blocks market access in virtually all sectors ."*
- There is no longer be automatic recognition of certificates for professionals such as doctors, nurses and architects.

Details of Leaving Agreement

- Fishing
- The UK becomes an independent coastal state and can decide on access to its waters and fishing grounds. However, EU vessels will be able to fish in British waters for at least a few years.
- Twenty-five percent of the value of your current catch will now be available to UK fishing vessels. There will be a transition period of five and a half years for that to be phased in.
- After the transition period, the UK and the EU will periodically negotiate access to each other's waters.

Details of Leaving Agreement

- Travels
- UK citizens need a visa for stays of more than 90 days in the EU in a 180 day period and there are additional border controls for British travelers.
- European Union pet passports will no longer be valid.
- British travelers will still be able to access emergency medical care in the EU. European Health Insurance Cards (TSE) will remain valid until they expire. According to UK government, they will need to be replaced by a '*UK Global Health Insurance Card*' .
- In mobile telephony, both agreed to operate with "fair and transparent rates for *international roaming* ." However, nothing prevents charging British travelers more for using their phone in the EU and vice versa.

Details of Leaving Agreement

- Other Items
- Freedom to work and live between UK and EU also came to an end, and in 2021, UK nationals will need a visa if they want to stay in the EU more than 90 days in a 180-day period.
- UK new immigration rules are complex....to say the least....but as a bottom line have made it harder / less desirable for EU nationals to immigrate to UK.
 - Statistics indicate there were 1.3 fewer migrants in UK at end of 2020 than at end of 2019; a lot of the decline is Covid driven, but there are fears they may not all return.
 - This fall, UK government has had to relax migration barriers to try to get EU-national truckers and other occupations to return to fill labor shortages.
- Northern Ireland will continue to follow many of the EU's rules in order to avoid a hardening of its border with the Republic of Ireland. This will mean however that new checks will be introduced on goods entering Northern Ireland from the rest of the UK.
- Now that it's no longer in the EU, the UK is free to set its own trade policy and can negotiate deals with other countries. Talks are being held with the US, Australia and New Zealand - countries that currently don't have free trade deals with the EU.

Some Detail on Northern Ireland

How customs might work

What might happen when a firm in Northern Ireland orders goods from the rest of the UK deemed “at risk” of then entering the EU?



Goods produced in NI enter Ireland (EU) and, I am guessing, UK, barrier free...

NI residents could emigrate to both UK and Ireland (EU) barrier free

Goods produced in UK destined for NI could enter NI barrier free, but if destined for elsewhere in EU would have to account for EU barrier in Irish Sea

Goods produced in EU destined for NI could enter NI barrier free, but if then shipped onward to UK would have to account for UK barrier in Irish Sea

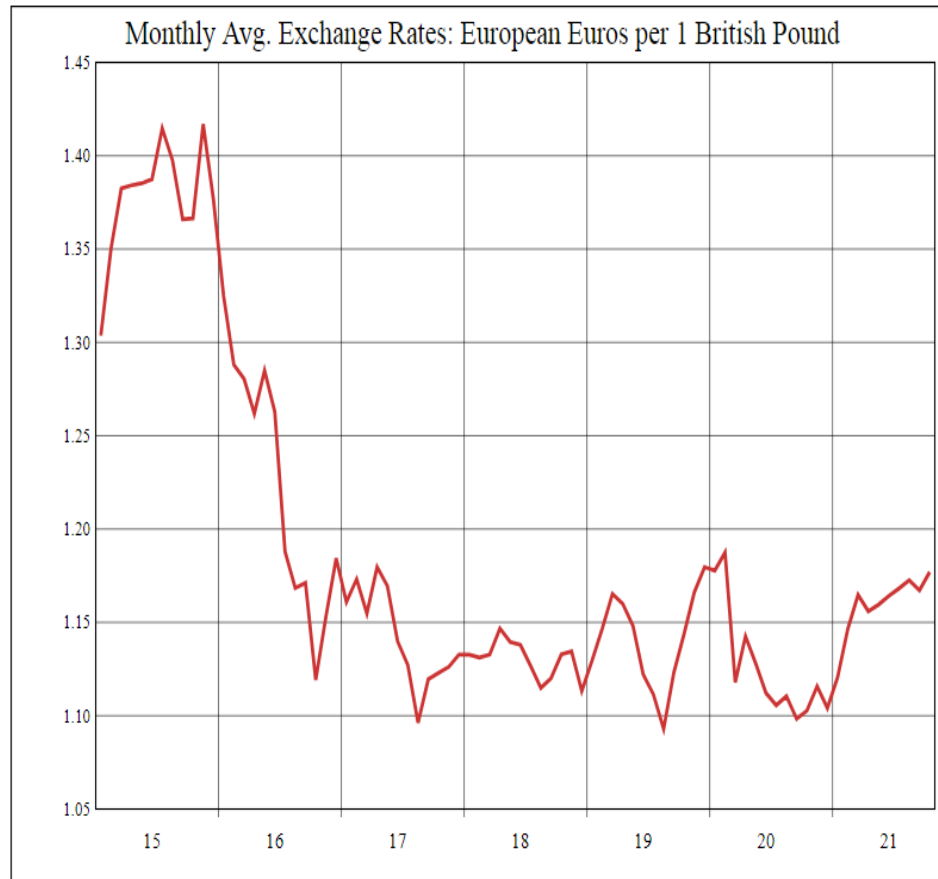
There will be no barriers – tariffs, quotas, checkpoints, immigration quotas, etc. – affecting economic flows between Ireland and NI

What Does Economic Theory Say About Brexit?

- Economic Theory has 2 main things to say about Brexit
- 1. Basic trade theory says, except in very special circumstances, when 2 countries open trade with each other, both benefit. However, Brexit causes this theory work in reverse, so the theory would say that both the UK and EU will be harmed by Brexit.
- 2. Trade theory also says that when trade does open between 2 countries, the smaller country benefits the most (imagine for example opening of trade between US and Cuba). However, Brexit also causes this to work in reverse, and would say that Brexit is going to hurt UK more than EU. At a data level, 65% of UK exports go to EU while something like 15% of EU exports go to UK
- The next 3 slides tend to support what trade theory says will occur, especially (2)

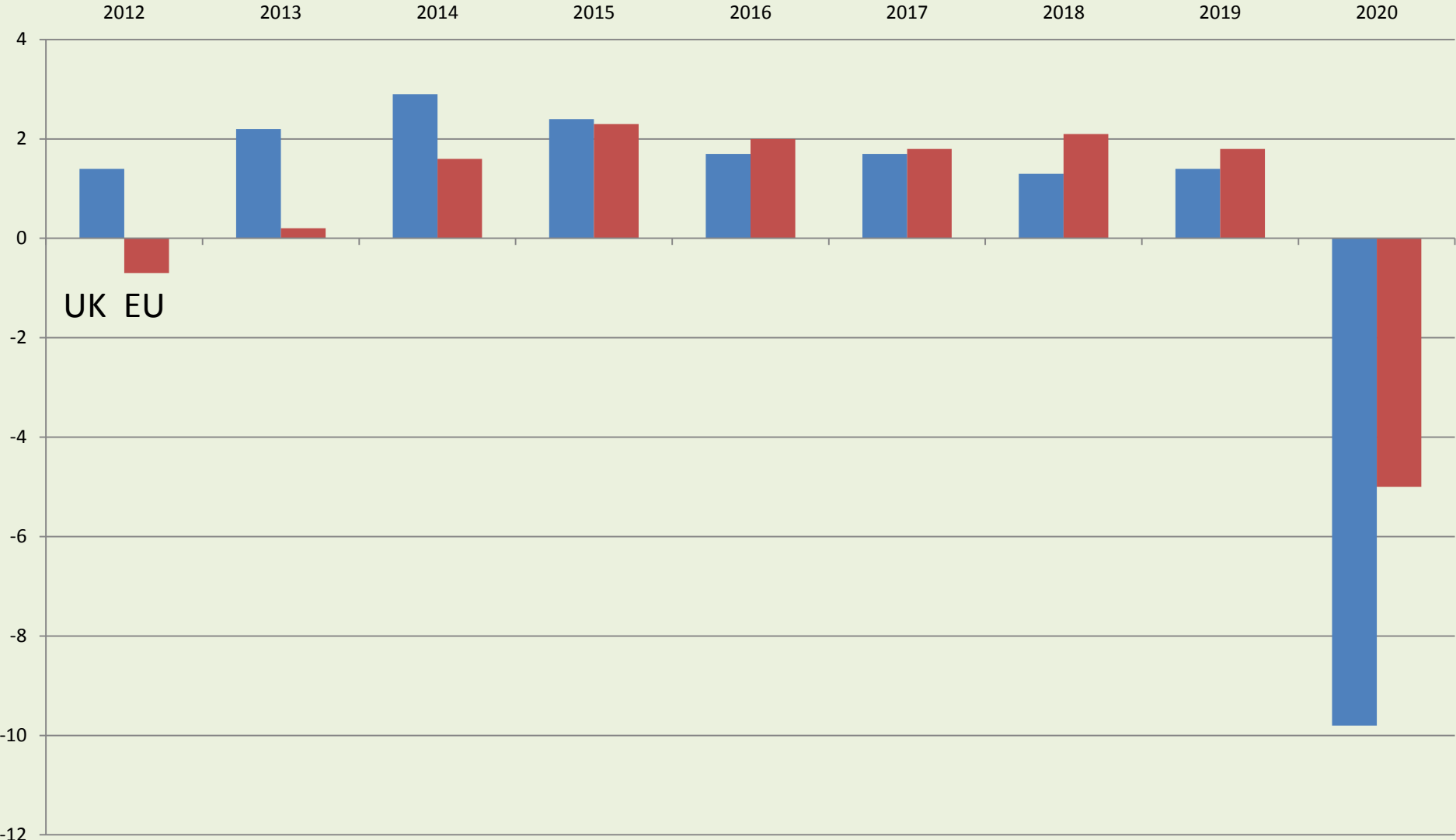
Value of Pound
vis a viz Euro

PACIFIC Exchange Rate Service



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Time period shown in diagram: 1/Jan/2015 - 15/Oct/2021,

UK and EU Real GDP Growth, 2012-2020, Percent Per Year

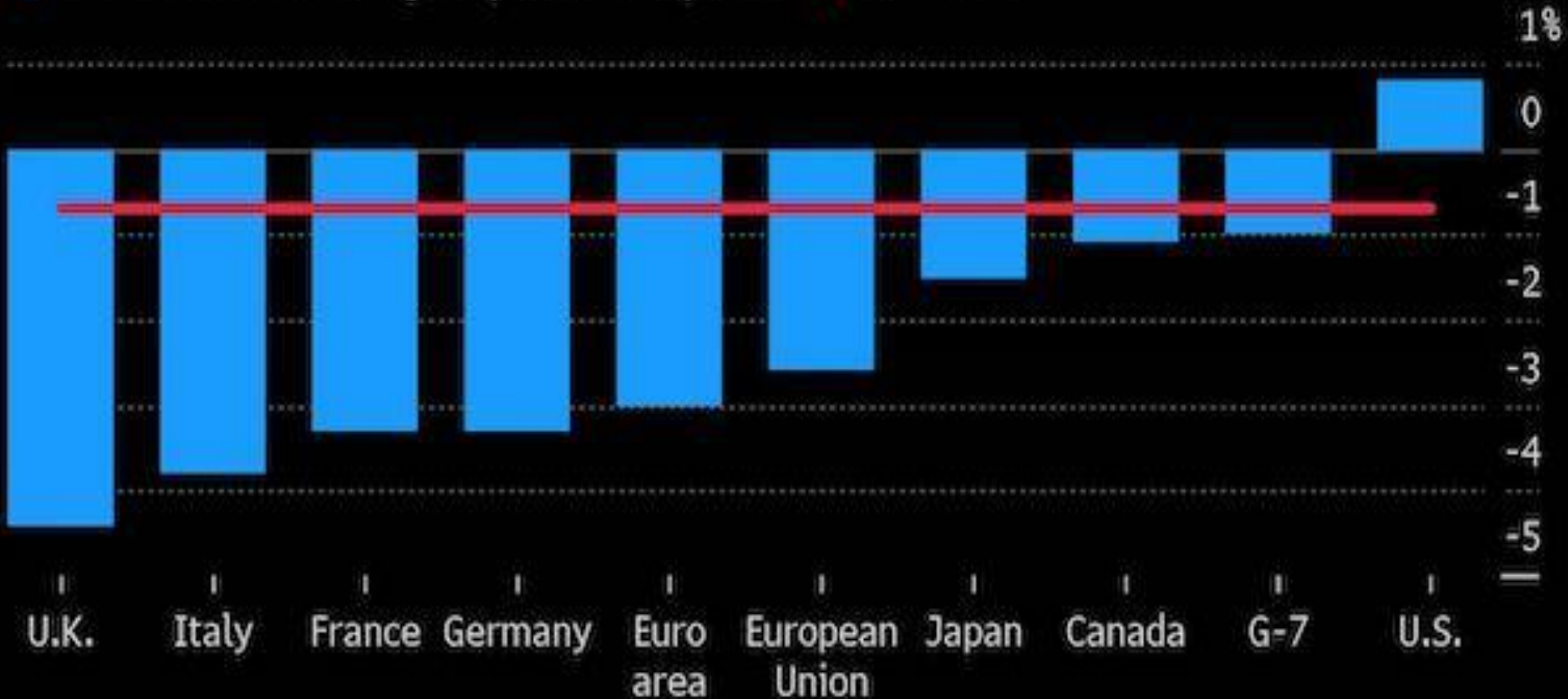


UK EU

Pandemic Recovery

The U.K. lags in the G-7 race to return to economic growth normal

■ Cumulative GDP change 4Q 2019 to 2Q 2021 / OECD total



Source: Organization for Economic Cooperation and Development

Bloomberg

Internet Readings

- https://www.bbc.com/news/politics/uk_leaves_the_eu (BBC portal to variety of articles on Brexit; updates regularly)
- https://www.business-standard.com/article/international/why-brexit-britain-is-isolated-vulnerable-and-running-on-fumes-121100400405_1.html
- <https://abcnews.go.com/International/wireStory/christmas-early-eu-uk-back-brexit-wrangling-80531854>
- <https://www.usnews.com/news/business/articles/2021-10-12/christmas-comes-early-eu-uk-back-to-brexit-wrangling>
- <https://www.expatsfocus.com/general/expat-focus-brexit-news-update-july-2021/>
- <https://www.mirror.co.uk/news/politics/10-real-life-brexit-consequences-23482214>
- <https://www.thecaterer.com/news/more-than-92000-european-union-eu-workers-estimated-left-uk-hospitality-sector>
- <https://www.theguardian.com/commentisfree/2021/mar/08/million-people-left-britain-pandemic-exodus-brexit>