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Measures to reduce the impact of Brexit

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Introduction

On 23rd of June 2016 the British people voted to leave the European Union at the Brexit referendum, setting of a complicated process in the field of international law and global politics. The results show a majority vote in favour of a British exit (51.9% in favour, 48.1% against and a 72.2% turnout). The in 2015 re-elected prime minister James Cameron announced a binding Brexit referendum. The exit was set in motion after former prime minister James Cameron resigned and current prime minister Theresa May triggered article 50 of the Lisbon Treaty. In a technical sense the vote means that the United Kingdom formally and legally leaves the political and economic unity of the EU. This has direct impact on the four freedoms that EU membership provides, free movement of capital goods, people, and services.

In the United Kingdom eurosceptic support was increasing for a longer period of time. The main motivation to leave the European Union was for many the 'negative' side effects of the four freedoms of an EU membership. The eurosceptics argued that free movement causes European immigrants to flood the market with cheap labour and take advantage of welfare. The power of the EU parliament is, in the eyes of the eurosceptics, dangerous for the independence of the UK. Certain regulations can be enforced through the EU parliament without passing through the UK parliament and the EU has certain officials who cannot be elected. Eurosceptics also fear further integration, such as a single European currency, army and passport. The eurosceptics doubt the economic motivations to remain in the EU and they argue that the UK economy can stand on its own. The eurosceptics pushed for an independent United Kingdom and convinced 52% of the British population to leave. Now the United Kingdom and the European Union have until the 29th of March 2019 to decide on which terms the UK leaves, after the 29th of March 2019 the EU and UK have agreed on a transition period.

Definition of Key Terms

Article 50

Article of the Lisbon Treaty. When a country triggers this article, it means that the country is formally and legally leaving the EU.

Canada model

A post-Brexit relation, modelled after the arrangements between Canada and the EU, in which the UK has a free trade agreement with the EU and abides EU single market rules, but doesn't have to allow free movement or contribute to the EU. However the trade barriers are higher than in the Norway model.

European Economic Area (EEA)

The 28 EU member states and Iceland, Liechtenstein and Norway, which are not part of the EU. Being part of the EEA allows a nation to be a part of the EU's single market. They abide EU market regulations and the Four Freedoms.

European Free Trade Association (EFTA)

An international trade organisation consisting of Iceland, Liechtenstein, Norway and Switzerland. They are able to trade with both third parties and the EU single market. In return the EFTA abides EU market regulations.

European Union (EU)

The political and economic union of 28 European nations.

European Union “single market”

The EU is regarded as a single economic territory, where money, goods, services and people (labour) can move freely. This means the EU’s single market consists of over 500 million consumers.

Euroscepticism

Political belief that the European Union becomes too influential at cost of national sovereignty. Eurosceptics oppose EU integration.

Four Freedoms

The four basic freedoms EU membership provides in their single market: free movement of capital goods, people, and services. It is one of the main economic motives for EU membership.

Free Trade Agreement (FTA)

An agreement between countries, which reduces trade barriers, such as import/export tariffs and quotas.

GDP (Gross Domestic Product)

The sum of the total value of produced goods and services in a country in a year.

"Hard" Brexit

A Brexit split with little to no ties between the EU and the UK. Critics oppose this possible situation because of the possible consequences to the UK economy.

Norway model

A post-Brexit relation, modeled after the arrangements between Norway and the EU, in which the UK would have to allow freedom of movement of people, make a contribution to the EU budget, that is smaller than it currently makes. The UK will also have to abide by the rulings of the European Court of Justice, in exchange for remaining in the single market.

Regulatory alignment

Enforcing and maintaining similar rules and regulations in both the UK and EU after the Brexit split.

"Soft" Brexit

A Brexit split where the EU and UK keep close ties. This could mean that UK remains in the EU market, free movement remains or the UK maintains EU regulations.

General Overview

There still is a lot of uncertainty on what the Brexit split is going to look like and what the possible consequences will be. Both parties have until 29th of March 2019 to come to an agreement. There's a lot at stake, both economically and politically, for the EU and the UK. The UK interests are to follow the voice of the British people; this can be interpreted in different ways such as a "hard" or "soft" Brexit. Currently the UK parliament is still split. Furthermore the UK wants to sustain their economic power within and outside of Europe. It is in the EU's interest to maintain good ties with the UK and hurt the economy of its member states as little as possible. At the same time the EU wants to prevent more member states from leaving, thus they do not want to be too easy on the UK.

Economic consequences

The United Kingdom's economy relies heavily on trade with the EU for an estimated 50% of the UK's international trade is with the European Union and in an EU assessment the trade accounts for 19.1% of the UK GDP (*Emerson, Micheal)*. Experts are still in heated debate about if the Brexit split will negatively impact the UK economy and if so how badly. In the economic assessment, conducted by the EU parliament, a Brexit split without FTA's would inflict losses to both sides, but it also states the UK economy would suffer more than the EU 27. Up until now the grave risk and uncertainty has not yet really impacted the UK economy in the long term. The Pound Sterling (£) is recovering in value, after a major dip in the aftermath of the referendum results. The UK GDP increased, to the surprise of many economists, by 0.7%. However the Pound Sterling is still not back at full strength, the Bank of England raised interest rates in November of 2017 for the first time in decades and the amount of foreign investments is steadily decreasing ever since the Brexit vote. The UK will have to increase their fidelity.

"Hard" Brexit defenders argue that the UK can fill the trade gap by trading with the commonwealth and other third parties such as China. After leaving in a hard Brexit, the UK won't have to abide many market regulations, which in the eyes of Brexit hardliners can result in economic growth. Furthermore Brexit hardliners are convinced that the UK will no longer have to contribute to the EU and that this can instead be invested in the UK economy. The UK net contribution to the EU budget totals 9.4 billion pounds in 2016. The "soft" Brexit camp pushes for trade deals with top EU member states, such as Ireland, Germany, France, Belgium and the Netherlands or joining the EEA.

Free movement consequences

Brexit can directly or indirectly impact the lives of many. The UK stepping out of the EU inflicts consequences on EU nationals living in the UK and UK migrants living in the EU 27. An estimated 2.4 million people born in the EU live and work in the UK and another 1.3 million people born in the UK live and work in the EU. Prime minister May has expressed that after Brexit free movement to the UK is to end. Experts fear a brain drain caused by the possible outflow of EU nationals, such as entrepreneurs and researchers. According to research conducted by KPMG in July 2017 50% of individuals with a PhD and 39% of the post-graduates think about leaving the UK after Brexit. Certain people, who are of younger age and higher salary, were more likely to leave. This in turn would impact the UK economy in a bad way. For business and the financial sector Brexit comes with major uncertainty as well. Up until Brexit the UK was amongst the countries to start a business, according to the

World Bank. Furthermore many big companies now consider moving their capitals to continental Europe.

Geopolitical consequences

The EU and UK splitting will impact the geopolitical field. Brexit brings back the issue of the Northern Ireland border. Many want to prevent a hard border between Northern Ireland and the UK and wish to maintain peace in the region. A hard border has the potential to reignite tensions in the region and obstruct frictionless border crossing. On international stage the EU forms a powerblock and unity on geopolitical issues. The UK stepping out of this unity shifts the political landscape. Moreover, can the UK become more vulnerable to large market players. The EU fines and police big companies for wrong doing. The UK not being part of the unity will lose this privilege.

Major Parties Involved

European Union

The EU has until 29 March 2019 to negotiate the terms on which the UK will leave the European Union. In short-term the EU wants the UK to compensate for the loss by making financial contributions. The EU has financial and political motives to 'hinder' Brexit progress as much as possible. In reports on the economic impact of Brexit on the EU and UK, they conclude that Brexit has an impact on both parties, however more on the UK than on the EU. The EU seeks to maintain a good post-Brexit relation, but wants to prevent other member states from seeing an 'exit' as a viable option.

Ireland

The outcome of Brexit will be important for Ireland, because it is the largest EU 27 trade partner and has Northern Ireland border dispute. It would be in Ireland's best interest if the UK would decide to remain in the EU's single market. This way the Irish border becomes obsolete.

United Kingdom

The UK, with David Davis as top negotiator, wants Brexit to have a positive effect on the UK economy and fulfil what the British people have voted for. Up until now the positive effect has been questionable in the eyes of many. Either a "hard" or "soft" Brexit, the UK will have to make compromises with the EU. Reducing the inflow of EU migrants, not having to abide EU rules and regulations and contributing less or not at all to the EU are points May wants to get out of Brexit.

United States

The UK plays a significant role for the US, as up until now the UK provided access to the EU single market for the US. Brexit threatens to undermine this position. As of now Theresa May and US president Donald Trump have pushed for a free trade agreement between the two countries. It is in US interest that Brexit is soft enough to allow the UK on the EU single market but hard enough for increased opportunities for third party players.

Timeline of Key Events

Date	Description of Event
23rd of June	The UK holds the Brexit referendum, in which voters decide to

2016	‘Remain’ or ‘Leave’ the EU
24th of June 2016	The referendum results show a 52% to 48% vote to ‘Leave’ the EU and prime minister David Cameron resigns.
13th of July 2016	Theresa May succeeds David Cameron as prime minister.
1st of December 2016	The UK provides additional financial contribution in order to remain in the EU single market
7th of December 2016	The House of Commons votes in favour of triggering article 50 of the Lisbon Treaty.
29th of March 2017	Theresa May triggers article 50 of the Lisbon Treaty setting of
19th of March 2018	The EU and UK agree on the majority of the terms on the ‘Brexit transition period’. The transition period, meant for the implementation of the real agreement, is from 29 March 2019 until 31 December 2020.
12th of June 2018	House of Commons votes on amendments to the European Union (Withdrawal) Bill.
18 October 2018	The key EU summit meant to outline the future relations between the EU and the UK. After coming to an agreement and signing, the following months both parties have time to ratify until 29 March 2019.
29 March 2019	The end-date of Brexit. The UK will leave the European Union, with or without an agreement.

UN Involvement, Relevant Resolutions, Treaties and Events

- Lisbon Treaty, signed 13 December 2007, entering into force 1 December 2009
- EEA agreement, signed 2 May 1992, entering into force 1 January 1994
- EFTA Convention (Vaduz Convention), signed 21 June 2001, entering into force 1 June 2002 (EFTA, n.d.)
- EU summit, 18 October 2018 (planned)

Previous Attempts to Resolve the Issue

The United Kingdom pulling out of the European Union causes a completely new political situation for the EU. The only preparatory framework was the Lisbon Treaty, but there is still a void to be filled after its triggering and no further precautions were taken since the referendum came as a surprise to many. Thus we cannot quite speak of a previous attempt to solve the issue.

During the two year long negotiating period the EU and UK have tried to agree on how much the UK owes the EU, what happens to the Northern Ireland border and what happens to UK citizens living elsewhere in the EU and EU citizens living in the UK (commonly referred to as 'the three divorce issues' of the EU and UK). There have been no long term agreements on these issues. Up to now the EU and UK have agreed on the Brexit transition period. Furthermore both parties have agreed on a large EU summit on the 18th of

October 2018. At the EU summit the EU and UK will hopefully agree on the outline of the three divorce issues.

Article 50 of the Lisbon Treaty has been triggered, thus setting of the EU-UK negotiations. However the EU and UK have provisionally agreed to a two year transition period after 29 March 2019, future relations are still gravely uncertain. This means that the future of trade, movement and the border with Northern Ireland is still up for debate.

Possible Solutions

Even though the Brexit negotiations are still taking place and its outcome is far from secured, there are measures that can be implemented to keep the impact of Brexit at a minimum. The UK plays a key role with the London stock exchange, as the bridge between third parties and the European Union.

First of, member states can push the EU and the UK to ensure UK access to the EU single market. Both parties will have to make compromises, for example UK contributions to the EU. However this can gravely reduce the economic impact on world trade and have a positive effect on the economy of both parties. Delegates may also resort to the Norway or Canada model, if a different type of agreement isn't realised.

Member states might also pursue a good border relationship in Northern Ireland and the UK maintaining the rights of EU nationals settled in the UK for a longer period of time. This can for instance be ensured by the UK stepping out of a free movement agreement in return. It would reduce the impact on many lives in the UK and on continental Europe.

The G20 can establish a framework for future trade deals between the UK and other nations (inside or outside the EU), for when a trade deal with the EU as a whole isn't achieved. This can, in addition, prevent the possibility of sanctions or unfair trade deals to punish the UK's democratic decision, as this will negatively impact international trade as a whole.

As a delegate it is especially important to keep track of the turn of events as the Brexit negotiations have a tendency to change in content. A major planned event is on 18 October 2018 when a key EU summit is to be held that should outline the future relations between the EU and the UK.

Appendices

Article 50 of the Lisbon Treaty <http://www.lisbon-treaty.org/wcm/the-lisbon-treaty/treaty-on-European-union-and-comments/title-6-final-provisions/137-article-50.html >.

The Brexit effect on EU nationals <https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2017/08/the-brexit-effect-on-eu-nationals.pdf>.

An Assessment of the Economic Impact of Brexit on the EU27 *<http://www.europarl.europa.eu/RegData/etudes/STUD/2017/595374/IPOL_STU(2017)595374_EN.pdf>.*

The Question of Brexit with regards to the global economy <http://www.munish.nl/pages/downloader?code=g201&comcode=g20&year=2017>.

The economic impact of Brexit: jobs, growth and the public finances <https://www.lse.ac.uk/europeanInstitute/LSE-Commission/Hearing-11---The-impact-of-Brexit-on-jobs-and-economic-growth-sumary.pdf>.

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