Group of Twenty (G20)

The question of Brexit with regards to the global economy

MODEL UNITED NATIONS
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Forum	Group of Twenty
Issue:	The question of Brexit with Regards to the global economy
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Introduction

On the 23rd of June 2016 the British public turned out in record numbers to vote on Brexit referendum to leave the European Union. The results showed that the majority of British voters voted in favour of an exit from the EU (51.9% in favour), the results were followed by the announcement of the resignation of the then prime minister David Cameroon. The legal process of the exit began when former prime minister (successor to David Cameroon) Theresa May triggered Article 50 of the Lisbon Treaty.

The “Eurosceptic” sentiment has been growing over the past few decades in the United Kingdom. Eurosceptics argued that the UK would be better on its own than with the EU, voicing disapproval of the cost and lack of freedom that is associated with being a member nation of the EU. They argued that the free movement of people allows for cheaper European migrants to flood the markets and take away jobs from hard working British citizens. Eurosceptics also believe that the EU parliament impedes on the regulatory independence of the UK, arguing that the EU parliament can enforce laws and regulations without having to discuss or pass it in the UK parliament. Over time the arguments of the Eurosceptics were big enough to convince 51.9% of the British public to leave the EU. After more than 3 years of negotiating the Brexit deal, the EU and the UK have until 31st of October 2019 to finalise the terms of the Brexit deal.

Definition of Key Terms

European Union (EU)

Formally coming into force on the 1st November 1993, the European Union is the political and economic union of 28 member states.

European Union- Single market

The economic ideal which regards all member states of the EU as a singular economic zone, in which capital (money), goods, services and people (labour) can move freely often referred to as the "four freedoms". The total size of the European single market currently stands at an estimated 510 million consumers.

European Economic Area (EEA)

The European economic area consists of the EU's 28 member states, Iceland, Norway and Liechtenstein and Norway. The EEA allows nations to be a part of the EU's single market, allowing for the free flow of goods, services, capital and labour between its member nations. Member nations also abide by the EU market regulation code.

Article 50

Article 50 is incorporated into the Lisbon Treaty, the terms of which form the constitutional basis of the EU. The article is triggered when a member nation wishes to formally and legally leave the EU.

Canada Model

The Canada model refers to the trade agreement between Canada and the EU. The agreement allows for tariff-free trade between Canada and the EU. In a post-Brexit relation modelled after the one between The EU and Canada, the UK would not have to follow the EU's single market laws such as the free movement of goods and services, it would also not need to contribute to the EU budget.

Norway Model

The Norway model refers to a post-Brexit relation modelled after the economic alliance between Norway and the EU. Following this model would mean that the UK would remain in the EEA after it has formally left the EU, allowing Britain to trade freely within the EEA whilst establishing trade deals with countries outside the EU. Following the Norway model would also mean that the UK would still have to allow for the free movement of goods, services, capital and people, and make contributions to the EU budget.

Euroscepticism

Euroscepticism, also known as EU-scepticism, is the political belief that the Eu has become to powerful and influential at the cost of national sovereignty. Eurosceptics range from those who oppose EU institutions and laws to those who oppose any form of EU membership or integration.

Transition period

The defined time period during which the UK and the EU negotiate future trade agreements between the UK and the EU “single market”.

Hard Brexit

The term “Hard Brexit” is often used to refer to the withdrawal of the UK from the EU, where the UK would leave the EU single market and customs union. In a hard Brexit situation, The UK would likely stop contributing to the EU budget and end the free movement of goods, services, etc between the UK and the EU single market. The hard Brexit approach is highly opposed because of its possible negative consequences on the UK economy

Soft Brexit

Although there is no strict definition for a “Soft Brexit”, it is often used to describe a withdrawal situation in which the UK remains a part of the EU single market, thereby abiding by the EU’s trade regulations like the freedom of movement of people.

General Overview

There is still a lot of uncertainty as to the effects of Brexit on the global economy. The EU and the UK have until 31st October 2019 to come to an agreement on the political and economic relations between the EU and the UK after its withdrawal. For the UK, its interest lies in serving the vote of the British public, which is to leave the EU; This can be interpreted in many ways, such as “hard” or “soft“ Brexit. The UK still intends on keeping its political and economical power both within and outside of Europe. The EU is in a position of conflict with regards to Brexit, given that it is within its best interests to keep good economic relations the UK in order to prevent any detriment to the economies of its member nations; but at the same time the EU does not want more of its member nations to see an exit as a viable option.

Global Economic Consequences

In 2017, the UK imported $617 billon worth of goods and services, with the advent of a possible “hard” Brexit, there is a lot at stake for the global economy. There is still an ongoing debate on whether Brexit will negatively impact the world economy, a Brexit without any agreements regarding the UK remaining in the EU single market would have an economic ripple effect throughout Europe and the global economy as a whole. The negative impact on the European economy would be caused by the fact that imports from any of the EU member nations would now have to face UK tariffs (taxes) thus making those goods and services less competitive (reducing demand).

Yet some people argue that a “hard” Brexit could positively impact the economy of Great Britain. They argue that the UK economy could replace imports from EU nations with imports from the commonwealth nations, suggesting that it may even build stronger trade relations with other large economies such China and Japan. A way of softening the negative impacts of Brexit would be to ensure a free trade agreement between the UK and its largest European trading partners before the October deadline.

Freedom of Movement Consequences

In the case of a hard Brexit, the UK would no longer need to follow EU regulations; one of these regulations being the freedom of movement of people between the member nations. With an estimated 2.37 million EU nationals living and working in the UK and around

1.8 million UK citizens living and working within the EU, there are questions as to how any Brexit deal would affect these immigrants. As former prime minister Theresa May already stated, the UK is to end free movement into Britain after Brexit. Economic analyst fear that this will lead to drain of talented and skilled European workers out of the UK's economy. An exit on EU nationals on this scale would lead to significant negative impacts on the UK's financial and business sectors which hire a large number of EU nationals. Companies are also more likely to consider moving their capital, intellectual property and European headquarters into continental Europe, which would result in a significant boost in the GDP of the EU, creating new jobs and opportunities within the region.

Major Parties Involved

United Kingdom

The intention of Brexit was to positively benefit the UK economy and to fulfil the outcome that the British public voted for. Economist and political experts have long questioned the validity of the claims made about the "positive effects "of Brexit, they claim that regardless of a "hard" or "soft" Brexit, the UK economy will be negatively impacted. Factors such as the reduced number of skilled/un-skilled worker immigrating from the EU and the possible tariffs placed on UK goods in a hard Brexit scenario could adversely impact the UK economy.

European Union

The EU has its own financial and political motives behind the outcome of Brexit. The extension of the 29th March deadline to 31st October 2019, allows the EU to further negotiate on the terms of Brexit. One of the EU's main goals for Brexit is to receive suitable financial compensation for the lost monetary compensation to the EU Budget (a term of contention between the EU and UK negotiators). The EU seeks to maintain a good post-Brexit trade and political relation with the UK, whilst also ensuring that other member states do not see an EU exit as a viable option.

Republic of Ireland

Ireland is stuck in the middle of the UK and EU trade border dispute, given that Ireland shares a land border with Northern Ireland. If the UK were to leave the EU in a "hard" Brexit scenario, the border between Ireland and Northern Ireland would become a hard border meaning that any goods being imported from Ireland into the UK (through Northern Ireland) would face the same tariffs as any product that is internationally imported, which is problematic given that Ireland exports $18.7 billion worth of goods and services to the UK.

Timeline of Key Events

Date	Description of event
June 23rd, 2016	The UK holds the Brexit Referendum On whether the UK should remain in the EU
June 24th, 2016	Referendum results show that British voters have 52% in favour of leaving the EU. Followed by the resignation of David Cameron
July 13th, 2016	Theresa May succeeds David Cameron as prime minister
December 7th, 2016	The House of Commons votes 461 to 89 in favour of Theresa May's Plan to trigger Article 50
March 29th, 2017	Theresa May hands in a letter to the European Council invoking Article 50.
June 19th, 2017	Brexit Negotiations commence between the European Commission and the UK.
March 19th, 2018	The EU and the UK agree terms for the Brexit transition period. The Time period set will last between 29 March 2019 to 31 December 2020
June 12th, 2018	House of Commons votes on amendments to the withdrawal bill
November 14th, 2018	The Brexit withdrawal agreement is published to the general public

March 14th, 2019	The UK government motion to extend the Article 50 period passes in The House of Commons
March 29th, 2019	The original date of withdrawal for the UK from the EU
April 5th, 2019	Theresa May requests the Eu to extend the Article 50 period until 30th June 2019
April 10th, 2019	European Council grants an extension of the Article 50 period until 31st October 2019
May 24th, 2019	Theresa May announces her resignation as leader of the Conservative Party
July 4th, 2019	Boris Johnson succeeds Theresa May to become prime minister of the UK. The third prime minister to ascend to office since the referendum.
October 31st, 2019	The current scheduled Brexit date, the deadline is set at 23:00 GMT

UN involvement, Relevant Resolutions, Treaties and Events

- Treaty of Lisbon, signed in 13th December 2007, went into effect on 1st December 2007 (unanimously approved by the EU members)
- Brexit-EU summit, 18th October 2019, discussing possible Brexit deal between EU leaders and the UK

Previous Attempts to solve the Issue

When the United Kingdom voted to leave the European Union on the 23rd June 2016, it was the first time any member nation of the EU had taken steps towards triggering article 50 and officially leaving the EU trading bloc. This chain of events has led to a political situation that has not been witnessed or solved before. Although the Lisbon treaty sets guidelines as to how an EU nation may begin to leave the EU, there is a significant gap in knowledge between the moment a country triggers article 50 and the actual exit of the nation from the EU.

In the negotiated two year time period, the EU and the UK have discussed and tried to agree on how much the UK would need to pay towards the EU budget, what happens to the border between Northern Ireland and the Republic of Ireland and the futures of UK citizens living in the EU and EU citizens living in the UK. Other problems such as the future of trade and capital are still yet to be fully negotiated as well.

Possible Solutions

The majority of the global economic issues which may rise as a result of Brexit stem from a no-deal Brexit situation, which as explained before, would see the United Kingdom leaving both the Customs Union and the Single Market. Importantly, any trade between the UK and the European Union would be acted out on terms set by the World Trade Organisation. Economists argue that this, while not causing global recession, will see the UK and likely the EU to enter a period of economic recession due to the Britain's importance to the union's economy, with a possibility of further knock on effects.

To avoid this, the first and most evident solution to the issue would be to stop a no-deal Brexit from happening. This, however, is in the hands of the UK parliament and thus does not fall under the United Nations' jurisdiction without infringing upon state sovereignty. The Group of Twenty can encourage talks to continue in an effort to reach a deal that satisfies the UK while still meets the demands of the EU seeing as both actors are members of the committee. It is important to note that the Brexit deal is not an innately economic issue, with political problems such as the Irish border playing a large role in the success of the deal or rather the lack of it.

Equally, there are economic measures that can be put into place as well as suggestions that can be made in order to combat and lessen the wider economic impact of Brexit on Europe, UK and the rest of the world. The first of which could be to create clear transparency of what the possible relationship between the European Union and the United Kingdom in the case of a No-Deal Brexit would look like. Importantly, the consequences and subsequent impact on all member states would need to be fully explored in order for further solutions to be made by the UN or necessary precautionary actions to be taken by the states themselves. Aspects or perspectives that would need to be considered are the state of state economies, employment both in the EU and UK, effect on corporations, demographic changes within the UK. This would then be conducted by an independent body consisting of a panel of experts funded by the United Nations in order to reach a holistic report that would take into consideration all possible consequences to relevant parties in an unbiased manner.

To minimise the immediate economic impact of Brexit on both the EU and the UK, the group of twenty could encourage trade negotiations with other states to commence once Brexit happens in order to reach trade deals that would replace the existing one with the EU. The United States have already expressed interest to extend their close relationship with the UK and form an extensive trade deal with particular focus on the pharmaceutical industry in relation to the UK's national health service. While no formal negotiations can take place while the UK is in the customs union and single market, a possibility of future negotiations should be considered, prepared for and encouraged in the case of a no-deal Brexit.

Judging by the wider impact of Brexit and the clear lack of agreement between the two parties, it is clear that a future framework to reach future trade deals that covers the relationship between the individual member states of the European Union and the UK should be established. Although this may prove to be difficult due to the nature of the single market, it would, if the EU agreed, solve the economic difficulties that the UK will face as part of their trade with the EU will be maintained even if they do not manage to agree a deal.

It is important to consider that Brexit is still a relevant subject that is ever changing as we approach the UK's deadline to leave, the 31st of October. Therefore, all delegates should keep up to date on the subject as things may stand differently by the time of the MUNISH.

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Appendix or Appendices

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