WHEN “FEDERALISM” FAILED: BREXIT AND THE END OF THE UNITED STATES OF EUROPE

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DID THE BUS CAUSE BREXIT?
“THE UNITED KINGDOM WILL LEAVE THE EUROPEAN UNION ON 29 MARCH 2019 AND BEGIN TO CHART A NEW COURSE IN THE WORLD.”

The Brexit White Paper from the Department for Exiting the European Union, July 12, 2018
BREXIT IS TRIGGERED

On March 29, 2017, UK Prime Minister Theresa May signs Article 50 of the Treaty on European Union, declaring the UK’s decision to leave the European Union.

(picture is of Lord Walpole, first PM of Great Britain)
“THE DAYS OF BRITAIN MAKING VAST CONTRIBUTIONS TO THE EUROPEAN UNION EVERY YEAR WILL END”

In 2017, the UK had a net £8.9 billion contribution to the EU. This amount includes £13.0 billion in gross contributions (£18.6 billion VAT and CNI contributions and a £5.6 billion rebate) and £4.1 billion in public sector receipts.
WHAT HAPPENS ON MARCH 30, 2019?

IF THE WITHDRAWAL AGREEMENT HAS BEEN RATIFIED

• EU law will cease to apply to and in the UK on 1 January 2021, i.e. after a transition period of 21 months.

IF THE WITHDRAWAL AGREEMENT HAS NOT BEEN RATIFIED

• There will be no transition period and EU law will cease to apply to and in the UK as of 30 March 2019.

• This is the "no deal" or "cliff-edge" scenario.
THE UK’S DILEMMA – HAVE YOUR CAKE AND EAT IT

SINCE THE REFERENDUM

• UK wants to be “out” with many “opt ins”

SINCE JOINING THE EU

• UK wants to be “in” with many “opt outs”
UK-EU TRADE IS MASSIVE

**UK exports: EU versus non-EU**
UK share of exports of goods and services to other EU countries and to countries outside the EU, rolling annual figures

**Trade with other EU countries**
Balance of trade in goods and services with other EU countries, 2016

*Source: ONS balance of payments datasets "Exports: European Union" (L707) and "Exports: Total Trade in Goods & Services" (KTMW) *

*Source: Office for National Statistics, The Pink Book 2017, Table 9.3*
THE OPTIONS

• Norway - EEA
• Turkey – customs union
• Switzerland – bilateral deals
• Ukraine – Association Agreement

• Canada - CETA
• Jersey – Single Market for goods
• Irish backstop
• No deal
WHAT TO DO ABOUT IRELAND?

• UK PM Theresa May is committed to avoiding a “hard” border between Northern Ireland and the Irish Republic. No border checks is a key result of the Good Friday Agreement of April 10, 1998

• EU insists that UK agree to a “backstop” that guarantees an invisible border until new trade agreements are in place

• EU says keep Northern Ireland inside the EU’s customs union

• PM May says that to keep the backstop, the entire UK must remain in a customs union and a close alignment with EU regulations
LET’S JUST LEAVE!

• Take Back Control! (code for limiting immigration)

• 39% of voters favor “no deal”

• European Commission has prepared 68 “Doomsday” notes telling business what happens if UK crashes out of the EU without a deal, e.g., UK can’t use .eu domain name

• IMF forecast: 1.5% fall in GDP for EU27

• UK’s Exit Department forecast: 8% fall in UK GDP
THE COST OF BREXIT – UK WILL PAY UNTIL 2064

<table>
<thead>
<tr>
<th>Option</th>
<th>Source Information</th>
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<tbody>
<tr>
<td>1 &quot;NO DEAL&quot; W/GO Rules</td>
<td>8% lower GDP, £158bn loss per year, 2,800,000 fewer jobs, Office of National Statistics</td>
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<tr>
<td>2 Comprehensive Free Trade Agreement Outside of Single Market and Customs Union</td>
<td>5% lower GDP, £99bn loss per year, 1,750,000 fewer jobs, Office of National Statistics</td>
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<td>3 &quot;SOFT&quot; Inside Single Market through EEA, UK will have NO say in rule making</td>
<td>2% lower GDP, £35bn loss per year, 700,000 fewer jobs, Office of National Statistics</td>
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<td>4 Remain EU make the rules, UK have major say in any rule changes</td>
<td>GDP growing at current rates, No impact on jobs, Office of National Statistics</td>
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Chart 1.5: Assumed annual path of EU financial settlement payments
THE UPSHOT? NOTHING’S AGREED UNTIL EVERYTHING’S AGREED

THANK YOU!

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