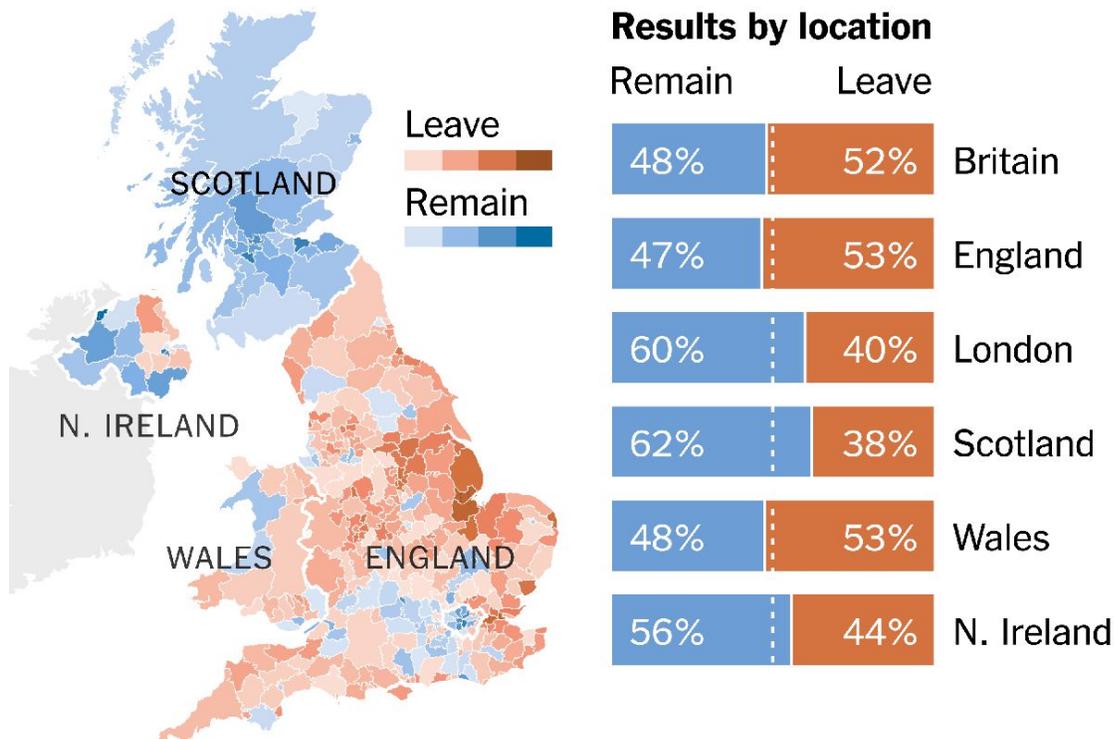


- What is Brexit and why is Britain leaving the EU?¹²
 - Brexit is a word that is used in reference to the UK and their process of leaving the European Union and changing its relationship to the bloc on trade, security and migration.
 - Britain has been debating the pros and cons of membership in a European community of nations almost from the moment the idea was broached. It held its first referendum on membership in 1975, less than three years after it joined.
 - A referendum was held on June 23rd, 2016 to decide whether the UK should leave or remain in the EU. To leave the EU won by 51.9% to 48.1%. The referendum turnout was 71.8%, with more than 30 million people voting.



¹ "3 reasons Brits Voted For Brexit" - Forbes
<https://www.forbes.com/sites/johnmauldin/2016/07/05/3-reasons-brits-voted-for-brexit/>

² "What is Brexit? A simple guide to what it matters and what happens next" - NY Times
<https://www.nytimes.com/interactive/2019/world/europe/what-is-brexit.html>

- Some of the main reasons the people of the UK voted to leave the EU include...
 - Economics
 - Opponents of the EU argues that it is a dysfunctional economic entity that is fundamentally protectionists³ and creates unnecessary regulation on businesses on consumers. The Customs Union, to which all EU members belong, imposes more than 13,000 tariffs on imported goods.
 - Opponents believe that the European Union won't throw up trade barriers against Britain upon exit which will allow them to have positive trade relations without being beholden to EU regulations.
 - For example, the UK is Germany's third most important export target. The last thing Germany wants is a trade war with Britain
 - London is also a major financial center which gives the UK major economic clout in preventing the rest of Europe from locking the UK out of economic relations.
 - Sovereignty
 - There is a growing distrust of multinational financial, trade, and defense organizations created after WWII, including the EU, the IMF, and NATO. People who oppose the EU believe the EU and other similar organizations take control away from individual nations and try to apply the same laws and regulations to people and countries with differing interests and values.

³ "Ten reasons that justify the UK's decision to leave the European Union" - Briefings for Brexit
<https://briefingsforbrexit.com/ten-reasons-that-justify-the-uks-decision-to-leave-the-european-union/>

- The EU attempts to retain nationality as a cultural right with intrinsic value but deprives individual nations of the power to make many decisions.
 - Basically, the same argument is used for getting rid of the EU or other multinational organizations that libertarians use against the federal government of an individual country.
- Immigration
- Freedom of movement allows citizens of the EU to move to, live in, and in certain circumstances access the welfare system of the EU country to which they have moved. Freedom of movement is one of the founding principles of the EU.
 - The refugee crisis was a major trigger for many Brexit supporters. EU leaders argue that aiding refugees was a moral obligation but EU opponents saw immigration as a national issue, as it affected the internal life of the country.
 - Between 1993 and 2014 the foreign-born population in the UK more than doubled from 3.8 million to around 8.3 million. The chart below shows the increase trend in net migration.⁴
 - The chart also explains a key reason why this spike happened. The chart shows when new countries joined the EU, which gave people from those countries new rights to move to the UK.
 - Most of these countries - to so-called EU8 and EU2 - had previously been part of the Eastern Bloc, and thus were considerably poorer than

⁴ "Brexit, explained in one chart" - Vox

<https://www.vox.com/2016/6/23/12012962/brexit-eu-referendum-time-polls-close-chart>

the UK. So when they joined the EU, a lot of their citizens went to other, more prosperous EU countries looking for work, including Britain.

- Immigration picked up in 2004, when the EU8 joined the EU, and remained high afterward. Poland, an EU8 country, is now the second largest source of immigrants to the UK.
- Today, 77% of Brits believe that immigration levels should be reduced.
- Animosity towards the political elite
 - The political establishment in Britain endorsed remaining in the EU, including leaders in both major parties (Conservative and Labour parties). The establishment parties told voters that Brexit would hurt financial markets but they failed to notice how much legitimacy they'd lost since the 2008 recession.
 - Brexit was a vote against the British and European elite. Voters were tired of politicians and business leaders “controlling the system”
 - This is similar to what brought upon the rise of Donald Trump in the United States.

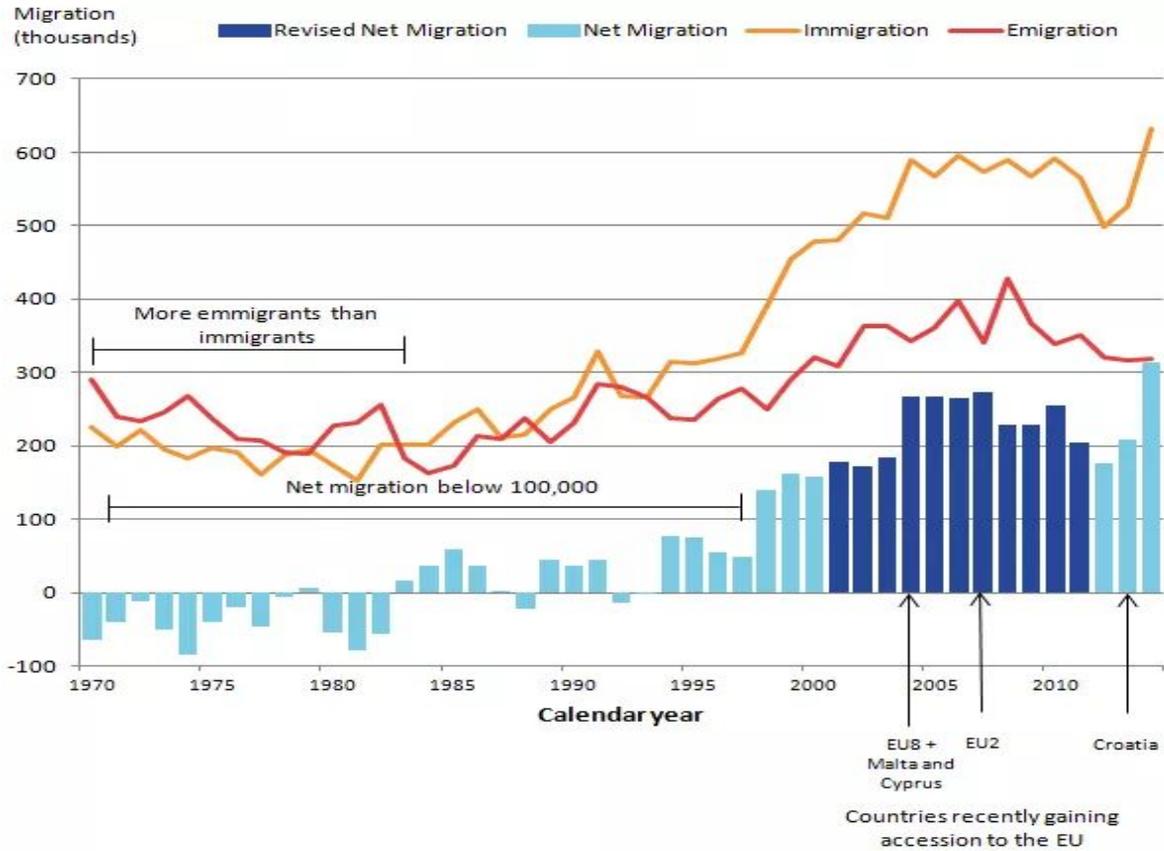
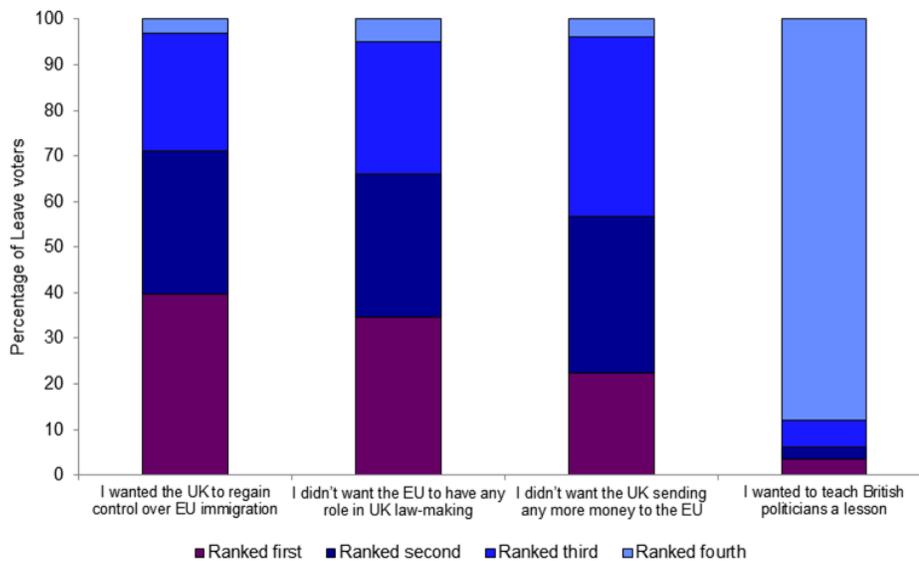


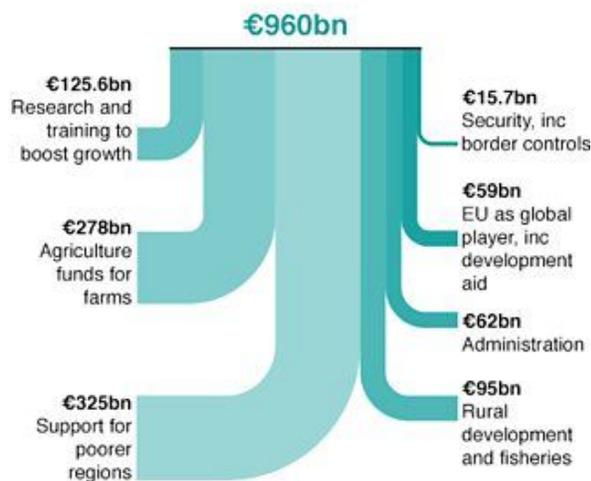
Figure 1. Reasons why Leave voters voted Leave.



Notes: Each bar shows the distribution of Leave voters according to how they ranked the corresponding reason for voting Leave. Bars are ordered from left to right by the percentage-weighted mean rank. Sample weights were applied.

- What is the European Union?
 - The EU is a political and economic union of 28 European countries.
 - It began after WWII to foster economic cooperation, with the idea that countries which trade together were more likely to avoid going to war with each other.
 - In 1957, France, West Germany, Belgium, Italy, Luxembourg and the Netherlands signed the Treaty of Rome, which established the European Economic Community, the predecessor of today's EU.
 - It has since grown to become a “single market” allowing goods and people to move around, basically as if the member states were one country. It has its own currency, the euro, which is used by 19 of the member countries (not the UK, however) its own parliament and it now sets rules in a wide range of areas - including on the environment, transportation, consumer rights, ect.
 - The EU has a budget of ~150bn euros with the UK contributing to ~12.57% of the budget.
 - How does the EU spend its money?

Plans for spending the EU budget, 2014-20



Source: European Commission

- What is the UK's relationship with the EU and other things that lead to Brexit⁵
 - The UK joined the EEC in 1973 but in 1975 it held a referendum on the question: "Do you think the UK should stay in the European Community (Common Market)?"
 - The 67% "Yes" vote included most of the UK's 68 administrative counties. The center-left Labour Party split over the issue, with the pro-Europe wing splitting from the rest of the party to form the Social Democratic Party (SDP)
 - Tensions between the EEC and the UK exploded in 1984, when the Conservative Prime Minister Margaret Thatcher talked tough in order to reduce British payments to the EEC budget.
 - Though at the time the UK was the third-poorest nation in the Community, it was paying a lot more into the budget than other nations due to its relative lack of farms.
 - Farm subsidies then made up some 70% of total EEC expenditures.
 - The UK "rebate" negotiated by Thatcher remains in place today, and has reduced Britain's contribution to the budget from more than 20% of the total in the '80s to about 12% today.
 - pro-EU Prime Minister Tony Blair worked to rebuild relations with the rest of the EU upon his election in 1997
 - However, in the midst of the "mad cow" scare of the late '90's, the EU imposed a ban on British beef. The general ban was lifted in 1999 after tough restrictions were

⁵ "The History Behind Brexit" - History
<https://www.history.com/news/the-history-behind-brexit>

imposed on beef exports, but France kept its own ban in place for years after that.

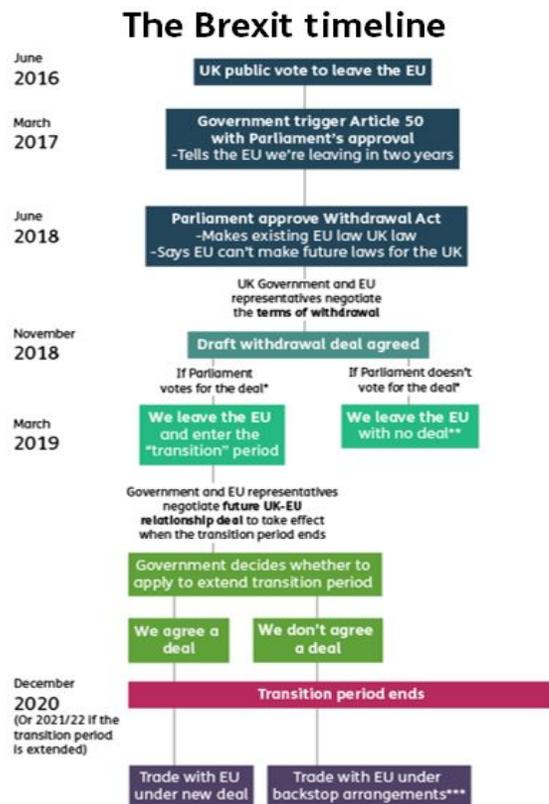
- In 2000, after a 27-year-long battle with the rest of the EU, british chocolate could finally be sold in the rest of Europe.
 - Purists in France, Belgium, Spain, and Italy had argued that only cocoa butter, and not vegetable oil, should be used when making chocolate.
 - They also thought British-made chocolate - including popular brands like Mars Bars, Kit-Kats and Cadbury's - had far too much milk, and wanted it to be labeled as "household milk chocolate", "chocolate substitute" or "vegelate".
- In 2011 David Cameron became the first UK prime minister to veto an EU treaty and in 2013 promised to renegotiate membership in the EU if his Conservative party won a majority in the next election.
- Against the backdrop of economic unrest in the eurozone and an ongoing migrant crisis, support for a British exit from the EU grew.
 - After winning reelection in 2015, Cameron went to work renegotiating the UK-EU relationship, including changes in migrant welfare payments, financial safeguards, and easier ways for Britain to block EU regulations.
 - These negotiations eventually led to the referendum that created "Brexit"
- What are the ramifications and why is Brexit such a big deal?
 - Europe is Britain's most important export market and its biggest source of foreign investment. Being in the bloc has helped London cement its position as a global financial center.
 - Since the vote, major businesses have announced or threatened to leave the UK after it leaves the EU.

- Airbus, which employs 14,000 people and supports more than 100,000 other jobs says it could relocate if a no-deal Brexit occurs.⁶
- The UK government also expects the country's economy to grow anywhere from 4 to 9 percent less than it would inside the bloc over the next 15 years, depending on how it leaves.⁷
- What has happened so far?
 - Since the 2016 vote, negotiations between the UK and the EU on a withdrawal agreement have taken place.
 - The withdrawal agreement covers some of these key points:
 - How much money the UK will have to pay the EU in order to break the partnership
 - What will happen to UK citizens living elsewhere in the EU, and equally, what will happen to EU citizens living in the UK
 - How to avoid the return of a physical border between Northern Ireland and the Republic of Ireland when it becomes the frontier between the UK and the EU
 - A transition period has been agreed to allow the UK and EU to agree on a free trade deal and to give businesses time to adjust. Even if the withdrawal agreement passes, there will be no major changes between then and December 31st, 2020.
 - The Members of Parliament (MPs) have voted against the withdrawal agreement three different times.

⁶ "Brexit uncertainty is a disgrace, says Airbus" - BBC
<https://www.bbc.com/news/business-46984229>

⁷ "All Brexit Deals Worse for Economy Than Staying, UK Government Says" - NY Times
<https://www.nytimes.com/2018/11/28/world/europe/uk-brexit-economy.html?module=inline>

- On January 15th they rejected the deal by 432 vote to 202 - the largest defeat for a sitting government in UK history.
- Then on March 12th, after Theresa May had gone back to the EU to secure further legal assurances, they rejected the deal again.
- On March 29th, the original say that the UK was sue to leave the EU, MPs rejected the withdrawal deal for a third time by 344 voted to 286
- Below is a timeline of the Brexit process thus far



* EU institutions (e.g. the EU Parliament) also need to approve the withdrawal deal
 ** It's unclear what would happen if Parliament voted down the Brexit agreement. If nothing else followed, the UK would leave with no deal in March 2019, though in theory the deal could be renegotiated, or Article 50 could be extended.
 *** The UK and EU can also agree to get rid of the backstop arrangements if they can guarantee it won't create a hard border in Ireland

- What are the main issues and why can't a deal be made?
 - The Brexit referendum asked a simple question: Should the UK leave the EU, or remain in the union?
 - But there is conflict over whether Britain should retain some aspects of European membership, if it is able, in order to preserve much of its close trade and security relationship with the EU.
 - The talks continue to delay because the UK can't decide what its relationship with the EU should be.
 - Some want Britain to go for a "hard Brexit" which would see the UK quit the single market and clamp down on immigration.
 - Others who advocate a "soft Brexit" want the UK to keep access to the economic area and compromise on freedom of movement.
 - Theresa May's failure to make progress in Brexit talks is a function of having to conduct Parallel negotiations, one at home and one abroad. The two conversations overlap, but rhetoric that animated the domestic debate can be far removed from the arguments the prime minister encounters at the EU.
 - Many see the main obstacle to a withdrawal agreement being Northern Ireland.
 - What is the issue with May's deal?⁸
 - MPs are not happy with parts of the deal, which cover aspects of the border with Northern Ireland. A clause in the agreement would mean that the UK would remain in a customs arrangement with the EU if a permanent solution was not found within the negotiating period.
 - Doing this would avoid the need for a "hard border" of security and customs checks between Northern Ireland and the Republic of Ireland, which is in the

⁸"Brexit: Your basic questions answered" - ABC News
<https://abcnews.go.com/International/brexit-key-issues/story?id=59402693>

EU. An open border is important to both countries but at the same time goes against much of why people voted for Brexit in the first place.

- The Brexit backstop conundrum⁹
 - Both sides want to avoid a “hard border”
 - For years the border between Ireland and Northern Ireland was militarized because of sectarian violence that left more than 3,500 people dead.
 - In 1998, Britain and Ireland made a Good Friday Agreement to end 30 years of violence over whether Northern Ireland should stay British or join the Irish Republic. With both states in the EU, that ended checks along a 300 mile land border. But Britain leaving the EU single market and customs union would, in principle, mean checkpoints that would be targets for militants.
 - Ireland and the rest of the EU want a “backstop” insurance policy.
 - This says that the UK will follow many EU rules “unless and until” “alternative arrangements” ensure no hard border. The EU had proposed keeping only Northern Ireland in its economic area but British Prime Minister Theresa May and her Northern Irish allies argued that would set Northern Ireland on a course toward union with the Republic. It would now keep all of the UK tied to EU rules.

⁹ “Explainer: The Brexit backstop conundrum” - Reuters

<https://www.reuters.com/article/us-britain-eu-backstop-explainer/explainer-the-brexit-backstop-conundrum-idUSKCN1PW1EJ>

The EU to giving Britain a right to end the backstop.

- The backstop is a red line with which many in the UK on both sides of the Brexit debate vehemently disagree.
- Documents from an original deal showed that the UK agreed to the “backstop”, keeping Northern Ireland aligned with EU regulations.
 - Brexiters do not treat the backstop as a logical solution and instead see it as a device for separating Northern Ireland from mainland Britain.
- Does a “no deal” crash out mean a hard border?
 - Britain says it will not impose border checks and so has Ireland. However, the EU says there must be checks on British goods coming in. The EU will want to see at least discreet checks being made. If not, Britain would have “back door” to the EU single market and Ireland could risk having its own exports to the rest of the EU being subject to checks at EU ports to ensure they are not British.
- What else needs to be negotiated?
 - The EU has a “single market” meaning goods from other EU countries aren’t taxed at the border and people can move around the EU as if it was a single country.
 - Outside the EU, the UK would have to pay more to buy from and sell to EU countries if a trade deal isn’t made. This could slow the flow of goods and parts, disrupting production for UK firms.
 - The EU strongly opposes the ability for Britain to cherry pick the benefits it wants to keep without being a member country.

- As a part of the EU, any special trade deal the UK wants to make with other countries needs to be approved by both UK MPs and by 27 national parliaments across the EU.
 - For example, a trade deal between Canada and the EU took seven years to agree.
 - The UK is looking to free up its ability to trade with the international community.
- What happens if the UK leaves without a deal and could Brexit not happen at all?
 - It is written into law that the UK will be leaving the EU on April 12th. The European Court of Justice has said the UK could cancel Brexit altogether without the agreement of other nations, but politically, that isn't likely to happen.
 - If a deal isn't reached, there would be no transition period after the UK leaves, and EU laws would stop applying to the UK immediately.
 - The UK would be forced to resort back to WTO rules and business consortiums have more or less presented a united front against such an outcome, saying it would severely harm Britain's economy
 - [The UK government published a report in late February 2019 outlining the implications for business and trade of a no deal exit.](#) Some of these include:
 - Shrinking of the UK economy.
 - Possible shortages of food and medicine.¹⁰
 - The EU will treat the UK as a third country for trade goods, potentially affecting the availability of goods and subjecting UK citizens to full Schengen checks.
 - Disruptions with supply chains

¹⁰ "Brexit, What would a 'no deal' look like?" - BBC
<https://www.bbc.com/news/uk-44904619>

- New tariffs that didn't previously apply within the Single Market and the Customs Union
 - For example, the 42.8% of UK vehicle production that is exported to the EU27 would be subjected to export tariffs as high as 10%
 - Service sectors (80% of UK GDP), including legal services and financial services would no longer be supported by the free movement of people across EU borders and mutual recognition of qualifications within the EU (ex. UK lawyers would need to recertify in to practice in other European countries.)
 - How is the UK preparing for a potential no-deal Brexit?¹¹
 - The UK government set out trade plans for a no-deal Brexit
 - The plans, which would apply both to imports from the EU and from outside the bloc, would eliminate 87% of tariffs but introduce 10% duties on cars, and levies on beef, chicken and pork as well as protections for the ceramics industry.
 - There would be no duties or customs checks on the island of Ireland, since the UK has promised to avoid a hard Irish border.
 - Large corporations in the private sector have been preparing since 2016
 - Firms in the financial, pharmaceutical, automotive, and food sectors have been preparing for most Brexit scenarios.
 - Financial services companies have moved assets worth almost 800bn pounds including staff, operations, and customer funds to mainland Europe since the 2016 vote.
 - One of the greatest concerns is the supply of medical goods.

¹¹ "Brexit countdown: what happens next and what you need to know" - Financial Times
<https://ig.ft.com/brexit-countdown/>

- The big drug makers have already built stockpiles, with most going beyond the six-week supply mandated by the government.
 - Ministers have promised to charter aircraft if needed to bring in drugs with a short shelf-life and medical supplies will take priority on government-chartered ferries.
- What is the impact on EU nationals in the UK?
 - The UK government is offering the more than 3 million EU citizens currently in the UK “settled status”, which would grant them the right to stay, even if there is no deal with the bloc.
- Where are Brexit talks at currently?¹²¹³¹⁴
 - On April 1st, 12 days before the day the UK was set to crash out of the bloc, lawmakers rejected four alternatives to Theresa MAY’s thrice-rejected Brexit deal. The four alternatives included:
 - Motion C, Customs Union (lost by 276 votes to 273)
 - This motion calls on the government to ensure that the Brexit plan includes a permanent and comprehensive UK-wide customs union with the EU.
 - Motion D, Common Market 2.0 (lost by 282 votes to 261)
 - This proposal wants the Political Declaration - which covers the future relationship between the UK and the EU - to be renegotiated so that the UK joins the European Free Trade Association, through which it retains its membership of the European Economic Area, or Single Market. The UK would

¹² <https://edition.cnn.com/uk/live-news/brexit-indicative-votes-monday-gbr-intl/index.html>

¹³ “UK Parliament rejects alternatives to May’s Brexit deal” - AP News
<https://apnews.com/8c0397aa2f8d48ba977073ed69921341>

¹⁴ “Brexit timeline: key dates in the UK’s divorce from the EU” - Financial Times
<https://www.ft.com/content/64e7f218-4ad4-11e7-919a-1e14ce4af89b>

also seek to negotiate a “comprehensive customs arrangement” with the EU.

- Motion E, Confirmatory public vote (lost by 292 votes to 280)
 - Parliament would not be allowed to ratify any Brexit deal until it has been confirmed by a referendum.
- Motion G, Parliamentary Supremacy (lost by 292 votes to 191)
 - This motion has a series of actions. If the no withdrawal agreement has been agreed by non on April 10, the UK must seek a delay to Brexit from the bloc. If the EU does not agree to a further extension, then government must allow MPs to choose between leaving without a deal and revoking Article 50, which would scrap the Brexit process altogether.
- None of the four Brexit options that MPs in the House of Commons voted on received more votes than Prime Minister Theresa May’s latest Withdrawal Agreement.
- On April 5th, Theresa May wrote to the EU to ask for an extension to Article 50 (the Brexit law) in order to give the¹⁵ House of Commons time to pass her withdrawal agreement. This would push the date in which the UK would leave the bloc without a deal back from April 12th.
 - In a letter to President of the European Council Donald Tusk, May stated that the UK wants to push the leaving date back until June 30th
 - Her letter proposes that if she manages to pass the bill the UK “should be able to leave before European Parliamentary elections on May 23rd”

¹⁵ “Brexit date: when will Britain leave the EU?” - The Week UK
<https://www.theweek.co.uk/brexit/73810/when-will-brexit-happen>

- European Council President Donald Tusk proposes pushing the date back to March 29th, 2020
 - It is up to the EU whether to grant an extension and May's proposal is at odds with the one put forward by Tusk.
 - He proposed that the UK should be given a "flexible" extension to Article 50, ending on March 29th, 2020.
 - His plan, described as a "flexextension" would need to be agreed by EU leaders at a summit this week (April 10th).
 - It is speculation that the "flexextension has divided opinions among EU members. Some like it because it "removes the prospect of a series of new cliff-edges and the annoyance of EU leaders having to reconvene at regular intervals to grant fresh extensions"
 - But some - including French President Emmanuel Macron - will likely oppose the idea "since it drags out the Brexit process and continues to import uncertainty into the EU".
- Other options
 - If the current Brexit unrest results in a general election UK, the EU could potentially offer an extension until December 31st, 2019, as the bloc "believes that this would be the minimum amount of time that would be granted to ensure it was not being unduly disturbed again in the autumn as it is deciding top jobs and policy priorities" says the Guardian.
 - The Guardian also also lays out an unlikely extension scenario in which the EU adopts Macron's offer of an unconditional extension until May 7th whether an agreement has been passed or not.
 - EU leaders could also extend it all the way to December 31st, 2020 which would coincide with the end of the original Brexit transition period, when the current EU

seven-year budget period will end, along with Britain's financial commitments to the bloc.