

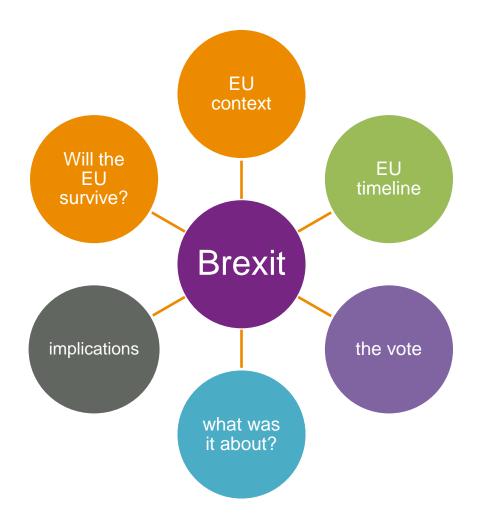
Brexit – Consequences & Implications Dr. Sally-Ann Burnett, Deputy Dean March 2017



The Business School Video



introduction





European Union: Origins

Peace an imperative

- Spread peace in Europe
- Gradual integration of elements of the European economy
- Free movement of capital goods and service
- Geo-Political integration and convergence

Free movement of labour

- Essential in avoiding social dumping
- Employment divergence between member states

Background

 Europe devastated by War in 1945

European Union: Timeline

<u>1951</u>	Treaty of Paris ⇒ European Coal and Steel Community (F, G, I, NL, Lux, B)	
1957	Treaty of Rome ⇒ Europea	n Economic Community (The 'Six' F, G, I, NL, Lux, B)
1968	Commo	n Market
1973	Denmar	k, Ireland, UK
1981	Greece	
1986	Portuga	and Spain
<u>1987</u>	Single European Act ⇒ Single European Market (EEC)	
<u>1991</u>	Treaty on European Union (Maastricht Treaty) ⇒ Eurozone created	
1995	Austria, Finland, Sweden	
1997	Treaty of Amsterdam ⇒ devolution of certain powers from national governments to the	
	Euro	ppean Parliament (including legislating, immigration, expansion)
<u>1999</u>	Euro Currency Launched ⇒ 19 Countries	
2001	Treaty of Nice (ratified 2003) ⇒ Moving from the EEC to the EU	
2004	Cyprus, Malta; Czech Republic, Estonia, Hungary, Latvia, Lithuania,	
	Poland,	Slovakia, Slovenia
2007	Bulgaria	and Romania
<u>2009</u>	Treaty of Lisbon ⇒ Consolidated legal personality of EU, amended role of European	
	Parliame	ent, created President of the European Council, move from unanimity
	to qualif	ied majority voting etc.
2013	Croatia	

Sweden Finland Helsinki Estonia Stockholo Latvia Lithuania Warsow Poland Brussels Germany Belgium 8 Prague Czech Luxembourg Luxembourg Slovakia Pavis Bratislava Budapeu Austria Romania Hungary France Slovenia Bucharest Croatia Bulgaria Italy Portugal · Madrid **Spain** Volletto Malta Madeira (PT) Canary Islands (ES) Saint-Martin (FR)

The Euro Zone

Euro area

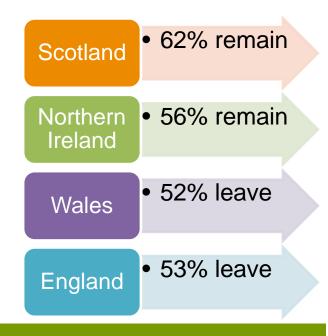
EU Member States with an opt-out

EU Member States that have not yet adopted the euro

Brexit: The Vote

Close but conclusive





Brexit: Immediate impact

Reawakening of the populist tide across Europe

A recent survey of European attitudes showed that only 50 % of Europeans now think the European project is a good idea Calls for similar referenda in countries like France, Italy, and the Netherlands, undermining investor confidence

Currency and investment movements unsettled global financial markets

Boom in UK gold exports distorts impact of

Apparent rebalancing of economy since referendum

Brexit

driven by China demand for gold

Brexit

Ryanair warns UK on urgency over Brexit deal

Group worries about prospects of securing aviation agreement after Britain leaves EU

POLITICO Brussels Playbook Plus: Trade fight club — Icelandic war on pineapples — Star shambles banner

BY RYAN HEATH, HARRY COOPER AND QUENTIN ARIÈS

Trump's NATO demand upsets German election

Headlines

Automobiles

Aston Martin suffers losses due to weak sterling

James Bond's favourite carmaker hopes lower pound will make exports competitive

Brexit trade deal, ratification could take until 2020: ex-ambassador

2/22/17, 12:45 PM CET

Ivan Rogers hopes for 'biggest trade agreement ever struck.

Forget direct trade talks with Germany, Berlin tells Trump

A spokesperson also warned other EU countries to stay away from

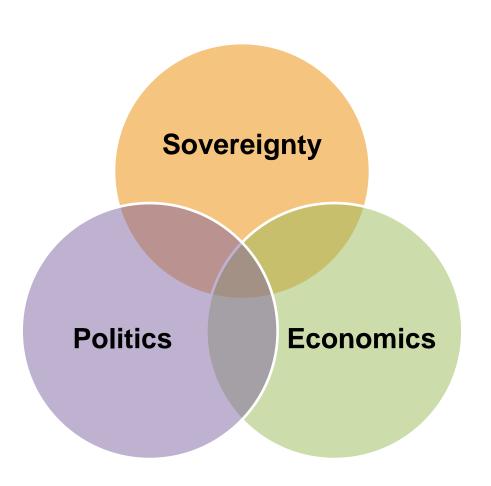
By HANS VON DER BURCHARD | 2/24/17, 6:20 PM CET | Updated 2/24/17, 6:43 PM CET

German trade surplus sparks concern at Global Economy It is not just Trump who is alarmed at Berlin's import-

home and abroad

export gap with the world

What was Brexit actually about?



What was Brexit About: Sovereignty

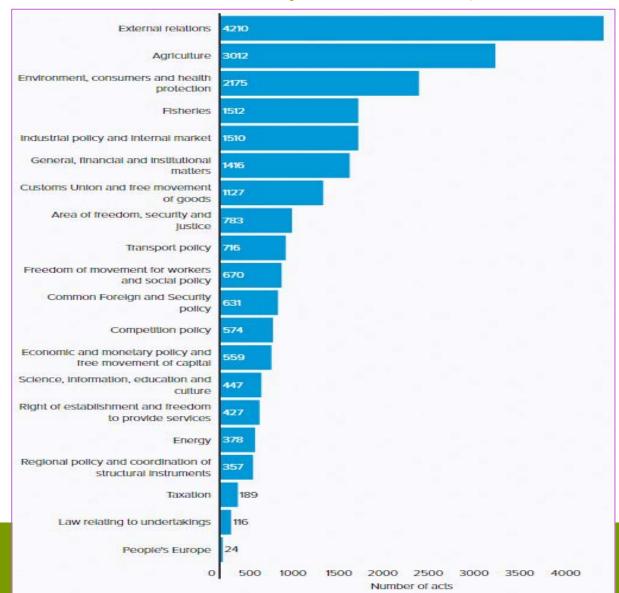
UK and EU law	 EU law can prevail over incompatible Acts of UK Parliament. The precise nature of that relationship has never been finally settled
The UK Parliament and the devolved institutions	 Raising fundamental concerns about the relevance of parliamentary sovereignty within the UK's newly multifocal territorial constitutions in Scotland, Wales and Northern Ireland
Legislative powers moving away from locally elected governments and tax payers	 Imagine decisions, say for migration or housing policy affecting Bogota, being taken in Santiago, Lima or Buenos Aires or visa versa
Distinct movement towards the creation of central super-institutions following the implementation of the Treaty of Lisbon	With attempts to move towards a Federal Europe

The bigger question is how much of a reform will the EU undergo as a result of the Brexit vote?

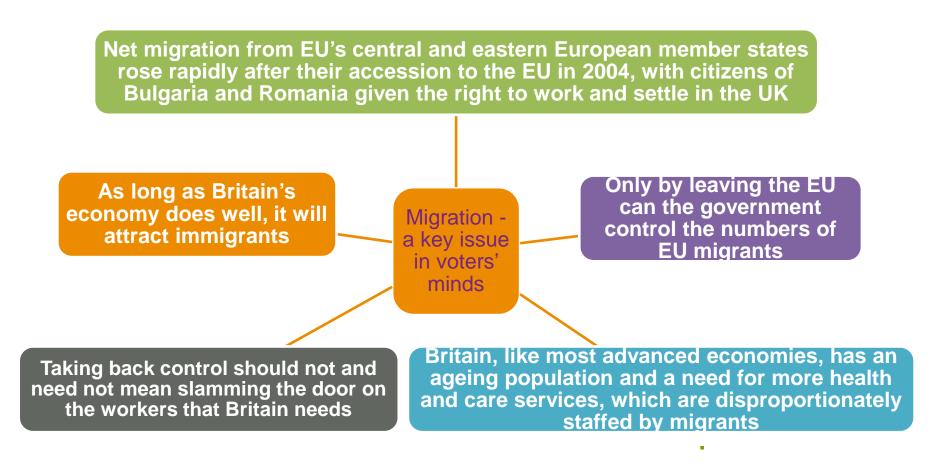
What was Brexit About: Sovereignty (cont)

An example – the number of Laws affected by Brexit = 20,833

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What was Brexit about: Sovereignty (cont)



What was Brexit About: Sovereignty (cont)



What was Brexit About: Economics

'Liberal market economies' (e.g. UK, Denmark, other Anglo-phone countries such as USA and Canada): economic relationships are decentralised and short-term in approach – shareholder - driven systems



'State-led market economies'
(e.g. France, Italy, Greece,
Portugal and also South Korea,
China): the State plays a
significant role in economic
management - state - driven
systems

'Co-ordinated market
economies' (e.g. Germany,
Sweden, Austria, Spain also
Japan): economic relationships
are determined by strong
regulatory networks and longerterm interests – stakeholder driven systems

Ref: Soskice (1991, 2012)

What was Brexit About : Economics (cont)

Vastly different structures

Poorer, less efficient parts of the Eurozone need larger financial transfers from the richer parts

The latest figures (February 2017) show that Germany now has a huge deposit of **Euro 796 billion** with the European Central Bank

By lending out - almost interest free - to the large deficit countries like Italy, Spain, Greece and Portugal, it causes shortage of direct Investment funds

This helps to keep the Euro artificially low against competitive currencies like the USD and GBP thus boosting German global exports

What was Brexit About: Economics (cont)

How has the British Economy fared since the vote to Leave?

Predictions prior to the referendum indicated a significant adverse impact on the UK economy and consumer confidence. But so far there is no such evidence...

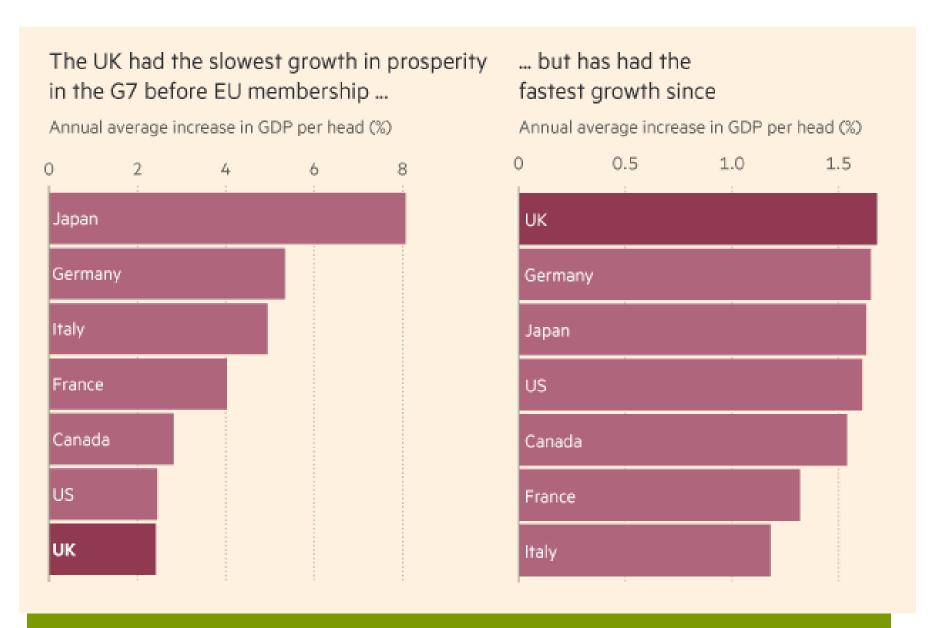
The pound has lost ground to the USD, with a positive impact on exports of goods (like cars, steel and machinery) and services (like consultancy and ... education)





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What was Brexit About: Economic Paradox



What was Brexit About: Economics (cont)

How has the British Economy fared since the vote to Leave?

No obvious strategy from the British Government as they enter a phase of negotiations with the EU

Speculation as to a variety of scenarios ranging from the loss of millions of jobs to the relocation of international organisations (e.g. Nissan UK)

A number of factors helped cultivate economic uncertainty

Changing global business and political landscape and inflows of investment (FDI)

What was Brexit About: Politics

Rise of populist movements with the normally marginalised far right parties gaining significant support and momentum (France, Italy, Greece, UK etc.)

Locally elected bodies being progressively side-lined by centralised decision making, that no longer represents local and constituency needs

Individual country needs and longer term strategies "fudged" in favour of an one size fits all approach to politics

Roadblocks to country's commercial initiatives and expansive aspirations

Pressures for Brexit to be followed by Polxit, Hungxit, Grexit, Romaxit and Bulgxit

Banking & Finance: An example

 British and foreign banks and financial institutions (eg JP Morgan Chase, HSBC, Willis, Goldman Sachs, Cigna, Bank of America, Santander, Citigroup, Morgan Stanley) have large operations in the UK

 Their regulated businesses are in Britain and they use their right to 'passport' into the rest of the 28-member states

 Could lose 'passporting' rights to operate in the EU if Britain leaves the single market

The European Integration View: Key Factors

- Brexit removes from the scene a country long seen as an obstacle to closer integration
- The Trump administration's unnerving steps in economic and foreign policy are driving EU policymakers to the conclusion that Europe must stand more firmly on its own feet
- Russian pressure makes advisable a stronger, more united Europe
- An effective EU could be a powerful response to the rise of reactionary populism towards far right positions in European democracies

Global Pressures: The advent of the Trump Administration

 Concerns about the artificially low level of the Euro allowing Germany to build a colossal export surplus

 Concerns that the IMF has run up large bills lending to the weaker member states of the Eurozone, when the zone overall is rich enough to handle its own finances

 Dangers of an inadequately resourced European defence activity that weakens NATO further, coupled with expectation of the US military to be the guarantor of global peace

Global Pressures: The advent of the Trump Administration (cont)

- Increasing suspicion of international, unelected bodies taking too much power, with unease with the liberal consensus dominating institutions like the EU
- Dissatisfaction with the persistent large trade surpluses run by China and Germany. This is increasingly seen as disrupting the world economy, global flow of investment and fair commerce
- A view of a new world of bilateral relations between nations, rather than complex diplomacy required between jostling regional power blocs. (Example – Trade agreement between EU and Canada took 8 years to complete)
- EU is no longer seen as a benign force....

What about the EU?

- Moving to a multi-speed Europe is now inevitable
- Efforts to isolate the "power houses" within EU
- EU "elite" position is that what works for Germany can work for all. Others just need to get their national governments to cut wages more and get on with competing
- Fact is that it doesn't work economically either
- EU leadership may be about to find out it does not work politically either. The future of the Euro and the zone's economic policy is now effectively on the ballot paper in national elections in several countries

Closing thoughts

Food for thought - will the EU survive as it is?

 It has been said that a flatter world should make the competition between national governments increasingly like the competition between companies and communities...

 Would new bilateral relationships be an answer to the growth of massive, inefficient and expensive bureaucracies?

 How can small nations compete in global markets where scale and size matter, without the balancing act that trading blocs can bring?

Closing thoughts

Will Britain be damaged by Brexit?

- Events on jobs, inflation, investment, car buying, homeownership have nothing to do with Brexit
- The price rises seen in the UK come from higher oil and commodity prices and are in line with similar rises in the USA and Germany which are not undertaking an exit from the EU
- Just as joining the EU did not lead to any increase in GDP, leaving it should not lead to any fall in GDP

Leaving the EU is an important political and constitutional event

So, in a word, No!



Degree Programme Overview

Undergraduate

- BSc Professional Accounting
- BSc Business Management
- BSc Business Management with Finance
- BSc Banking & Finance

Postgraduate

- MSc Management
- MSc Management with Finance
- MSc Management with Project Management
- MSc International Marketing
- MSc Accounting and Finance
- International MBA

Professional Programme Advanced Diploma in Accounting and Finance [ACCA]

3 Key Features

- Accreditation of Prior Learning
- Accelerated Study
- Professional recognition

STUDENT AMBASSADOR



Diana Vergara



BPP University CMI Student Ambassador

Diana is an iMBA student at BPP University. She achieved a Financial Engineering degree from the Universidad Piloto de Colombia, where she was awarded a prize for being the top student on her course. She also holds a Masters in international Business from the University of Ulster.

During her studies and previous positions as a quality a risk analyst in the banking, pension and financial software sectors, in Colombia, she has gained excellent knowledge of analysis, project management and research skills. She is also highly entrepreneurial having owned a successful shop, developing experience in marketing, sales and accounting.

She enjoys being a CMI Ambassador because it gives her an opportunity to promote professional values, help peers to utilise the wealth of information resources for research and capability building as well as encourage international membership.

CAREERS & EDUCATION

EDUCATION



The goal!





The goal!



















Your Questions





Thank you

Additional slides



Summary

What seems definite is a sustained period of uncertainty.

What is key for companies and countries alike, is understanding their level of exposure to the probable outcomes.

This is not just about identifying and mitigating risks but also ensuring that firms are well placed to capitalise on the many opportunities ahead of their competitors.

Article 50?

It gives UK two years to negotiate a withdrawal Treaty
If no agreement after two years:

UK will no longer be bound by EU Treaties, and EU has no obligations to UK

Further negotiations required to define trade relationships, both within and outside EU

Brexit threatens the UK's reliance on foreign students

The UK has the highest number of foreign students in the EU (439,200 in 2015). UK graduates are more numerous in business studies, science and humanities, compared to more technical fields such as engineering and health, in which Germany, its strong contender, is ahead.

In the event of new immigration controls in the post-Brexit world, the UK's skill gap could widen. The UK relies heavily on foreign students, making up 57.0% of total graduates compared to 25.9% in Germany in 2015.

Any changes to the free movement of people as part of a Brexit deal will have implications on the future number of foreign students in the UK, potentially impacting higher education funding and leading to a skills shortage across the board, but particularly in high-tech engineering or manufacturing, which Germany excels in.

Brexit cause London to lose financial dominance in Europe?

The latest revision of the Global Financial Centres Index (GFCI) in March 2016 by Z/Yen Group ranked London first globally for financial centre competitiveness.

The business services sector in London created US\$450 billion in value added in 2015, or nearly 50% of the city's total GDP.

Brexit threatens London's financial dominance in Europe. Frankfurt is seen by many as an obvious competitor given that it's already the financial centre of Germany and home to the European Central Bank.

However, strict labour laws and its relatively small size drag its potential down. Some industry specialists point to Paris as the next best option with the megacity being a major financial centre and, in contrast to Frankfurt, a cultural melting pot.

Paris has a large concentration of business services activities, the only one to rival London's. Nonetheless, Paris lacks fluent English speakers, has rigid labour laws (including a 35-hour working week) as well as high taxes and a reported antagonistic nature towards the wealthy.

No EU city is a direct substitute for London, which will maintain financial supremacy for years but undoubtedly, the gap other with cities may reduce following a Brexit.

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The EU Project

Free and open trade between nations create interdependencies.

As nations follow the law of comparative advantage, they will exchange their need to produce everything for the choice to make what is most efficient and therefore competitive.

Economic interdependence can promote prosperity and peace.

Interest groups pressure their governments against destroying business relationships