



Brexit – Consequences & Implications

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March 2017



BPP
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The Business School Video



introduction



European Union: Origins



Background

- Europe devastated by War in 1945

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

European Union: Timeline

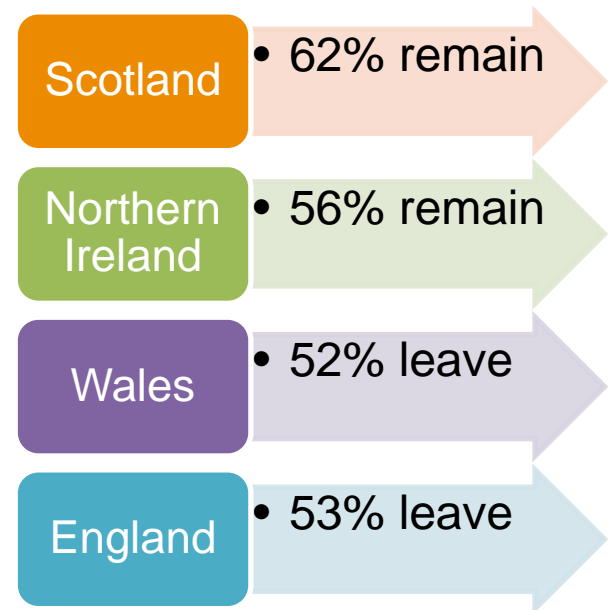
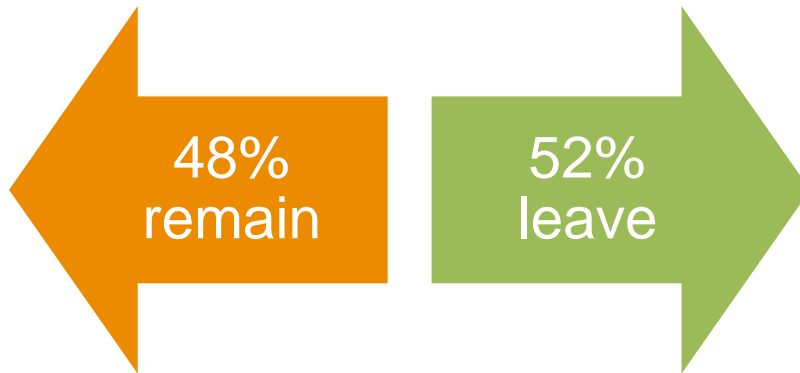
- 1951 Treaty of Paris** ⇒ European Coal and Steel Community (F, G, I, NL, Lux, B)
- 1957 **Treaty of Rome** ⇒ European Economic Community (The 'Six' F, G, I, NL, Lux, B)
- 1968 Common Market
- 1973 Denmark, Ireland, UK
- 1981 Greece
- 1986 Portugal and Spain
- 1987 Single European Act** ⇒ **Single European Market (EEC)**
- 1991 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 European Parliament (including legislating, immigration, expansion)
- 1999 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
- 2009 Treaty of Lisbon** ⇒ **Consolidated legal personality of EU**, amended role of European Parliament, created President of the European Council, move from unanimity to qualified majority voting etc.
- 2013 Croatia

- 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



Currency and investment movements unsettled global financial markets

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

Headlines

Brexit

Boom in UK gold exports distorts impact of Brexit

Apparent rebalancing of economy since referendum driven by China demand for gold

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.'

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

Forget direct trade talks with Germany, Berlin tells Trump

A spokesperson also warned other EU countries to stay away from US trade talks.

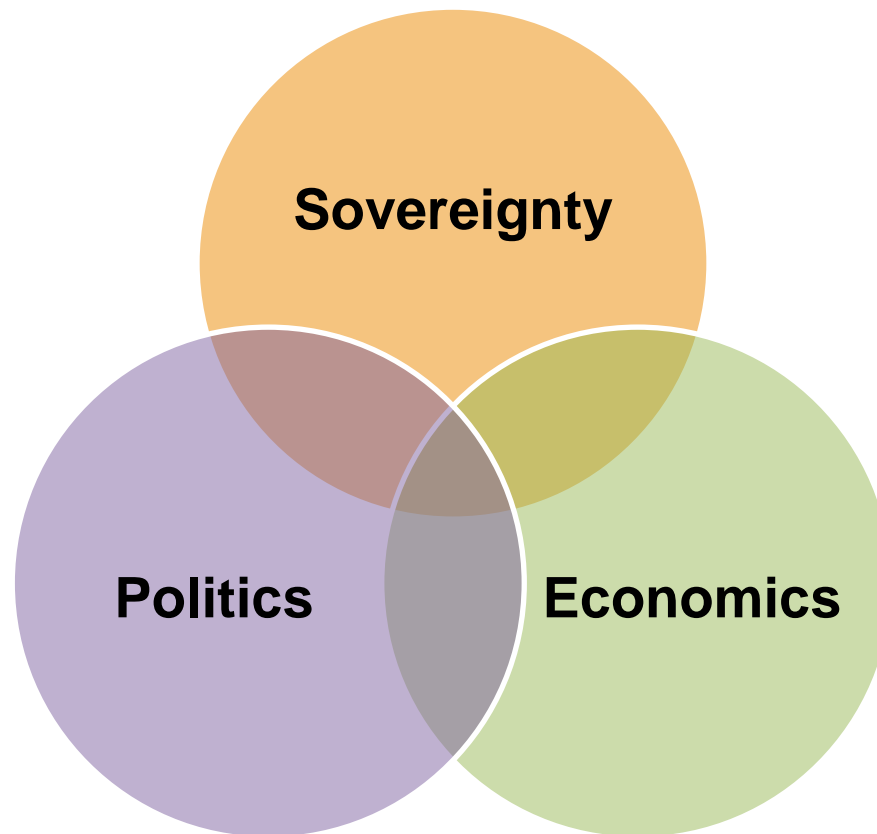
By HANS VON DER BURCHARD | 2/24/17, 6:20 PM CET | Updated 2/24/17, 6:43 PM CET

Global Economy

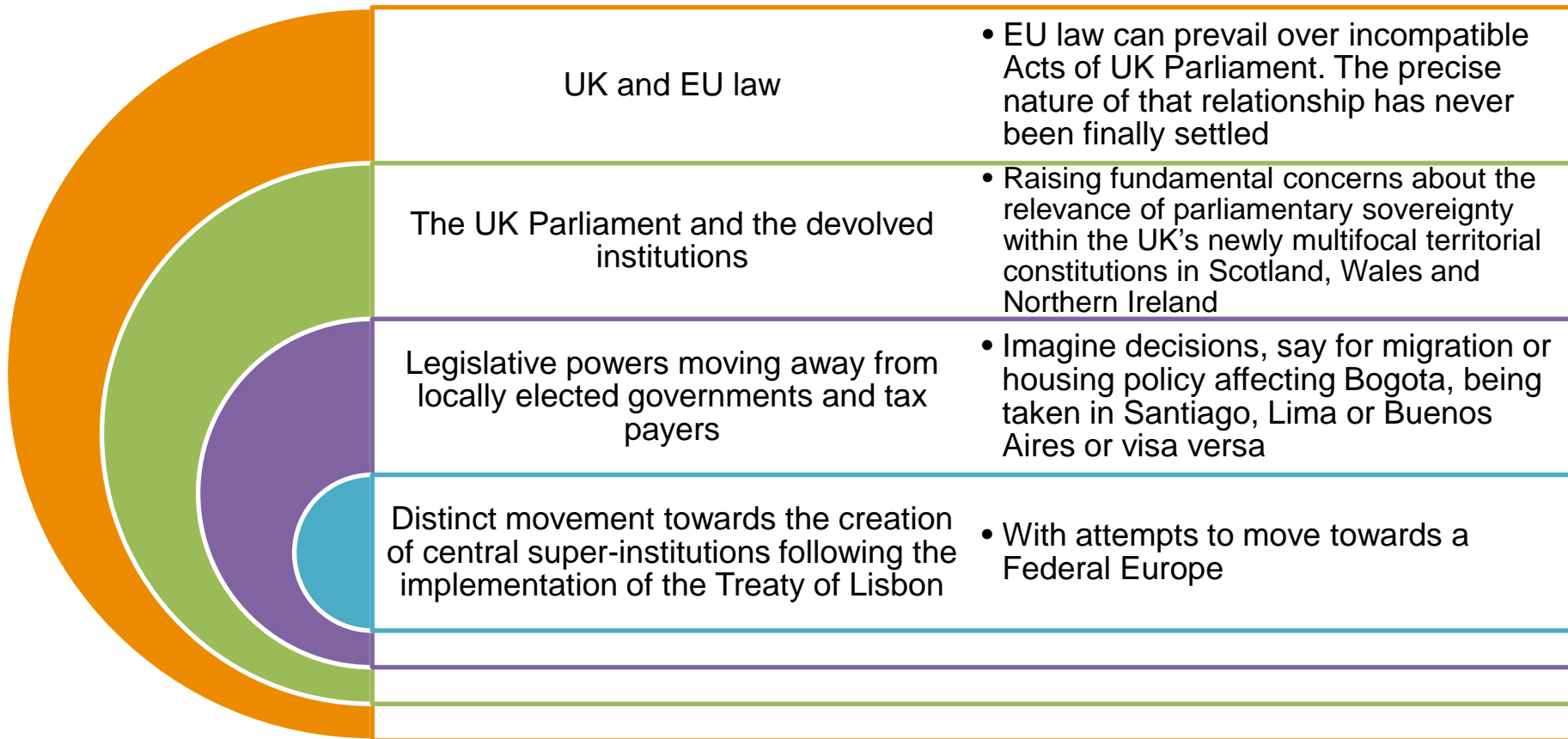
German trade surplus sparks concern at home and abroad

It is not just Trump who is alarmed at Berlin's import-export gap with the world

What was Brexit actually about?



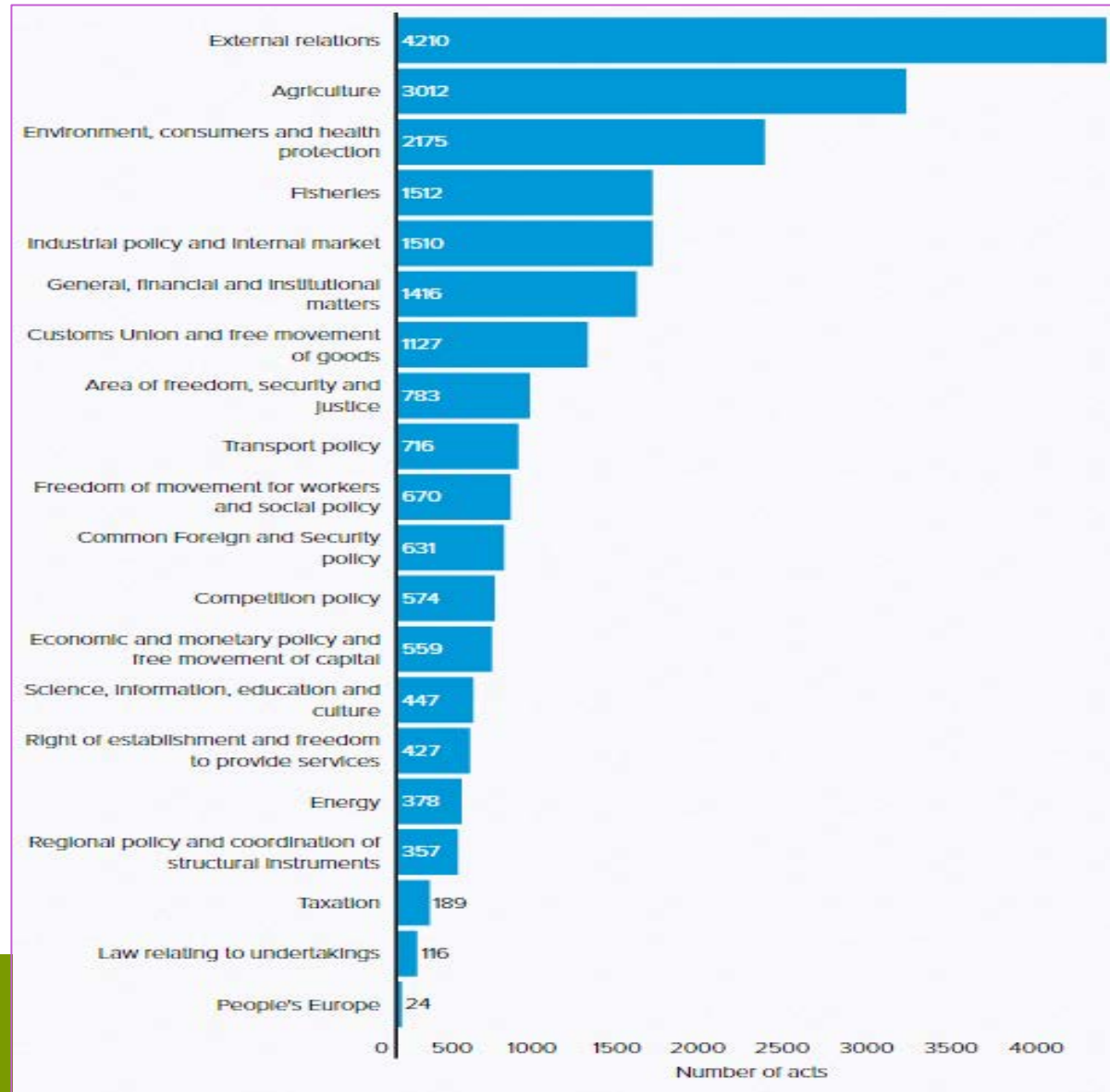
What was Brexit About: Sovereignty



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



What was Brexit about: Sovereignty (cont)

Net migration from EU's central and eastern European member states rose rapidly after their accession to the EU in 2004, with citizens of Bulgaria and Romania given the right to work and settle in the UK

As long as Britain's economy does well, it will attract immigrants

Migration - a key issue in voters' minds

Only by leaving the EU can the government control the numbers of EU migrants

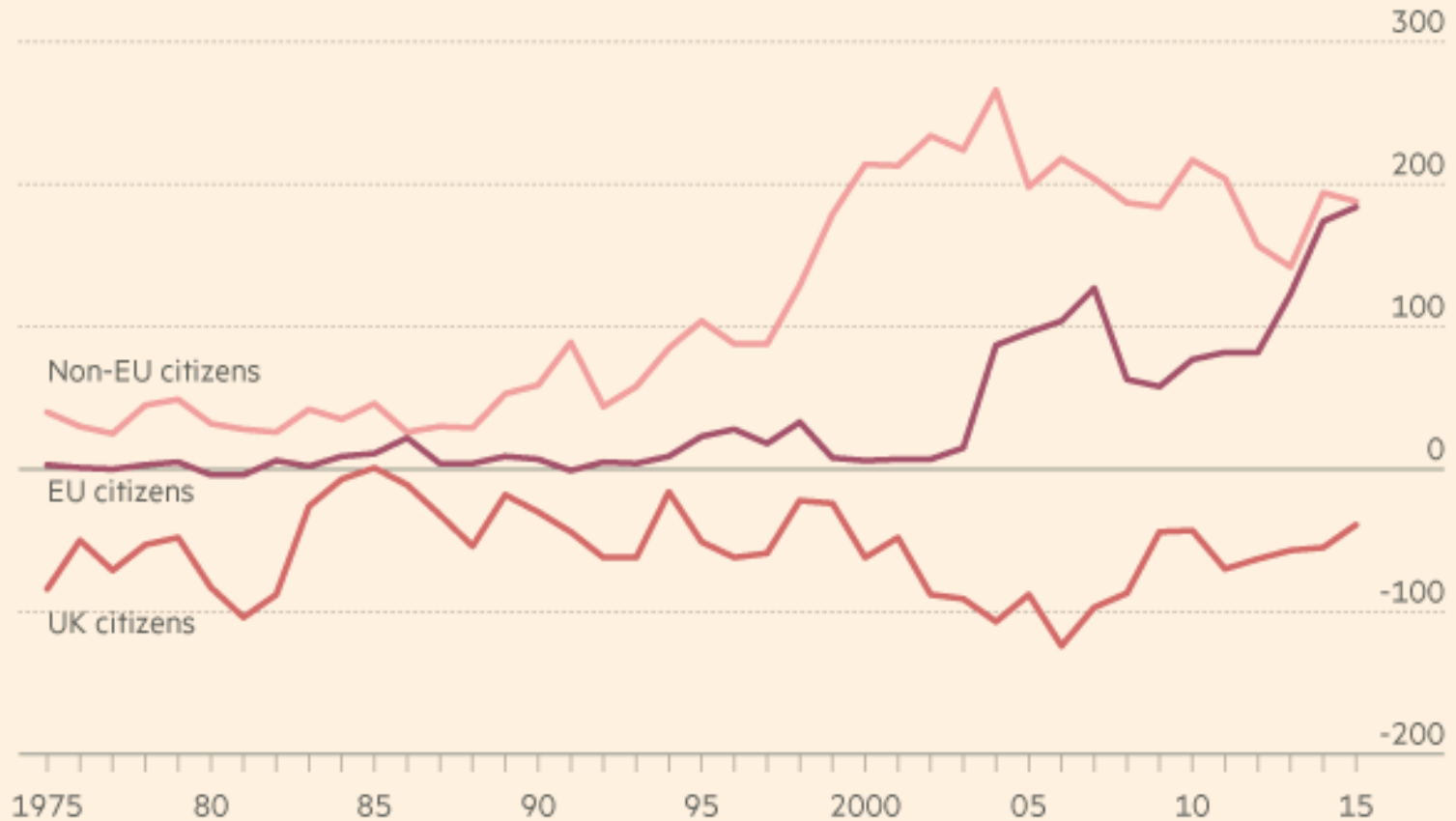
Taking back control should not and need not mean slamming the door on the workers that Britain needs

Britain, like most advanced economies, has an ageing population and a need for more health and care services, which are disproportionately staffed by migrants

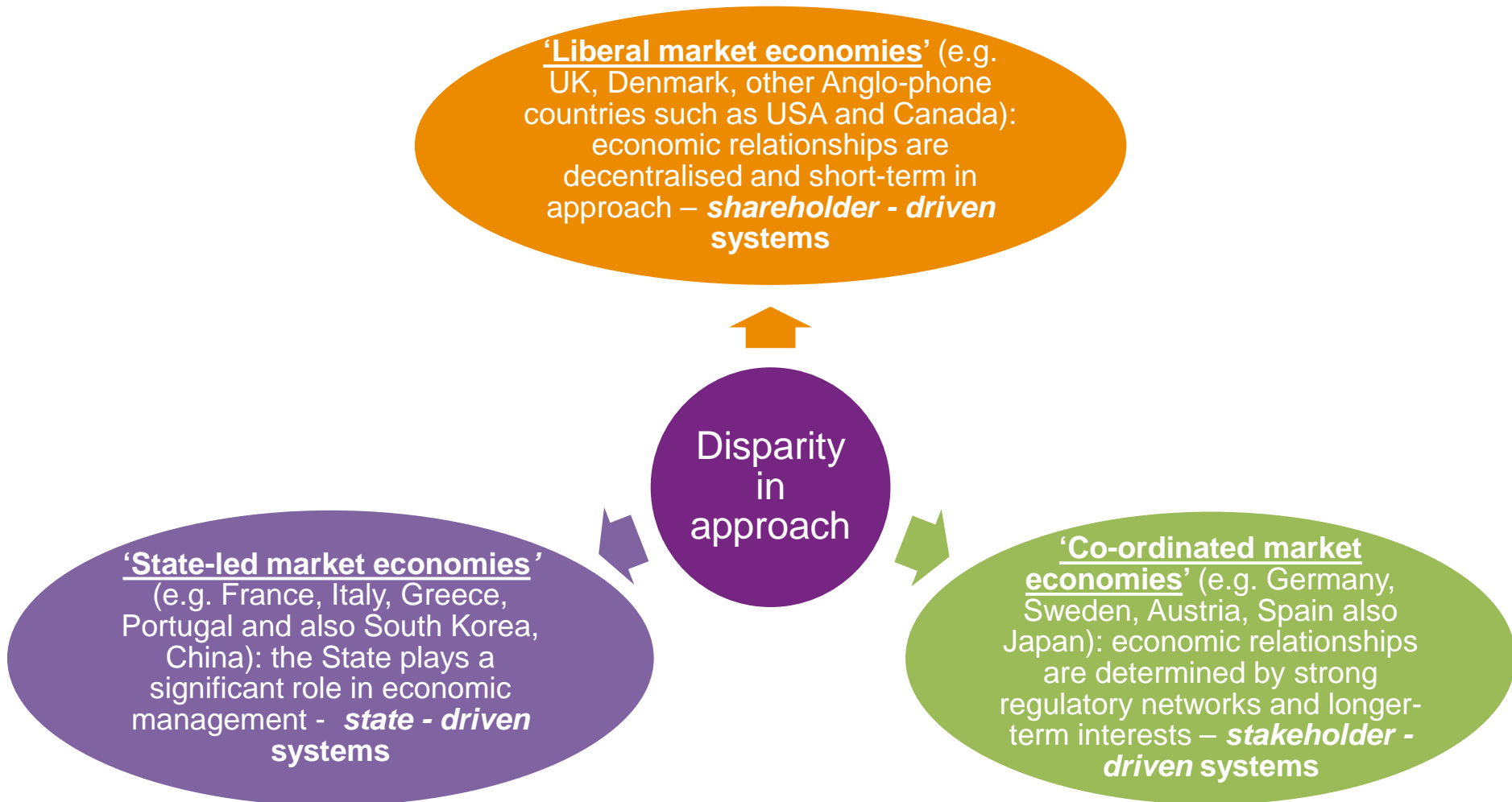
What was Brexit About: Sovereignty (cont)

Migration by citizenship

Net migration ('000s)



What was Brexit About: Economics



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...

Retail sales index

Sales volume (seasonally adjusted)

Base = 100



Office for National Statistics

BBC

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)

GBP to USD Chart

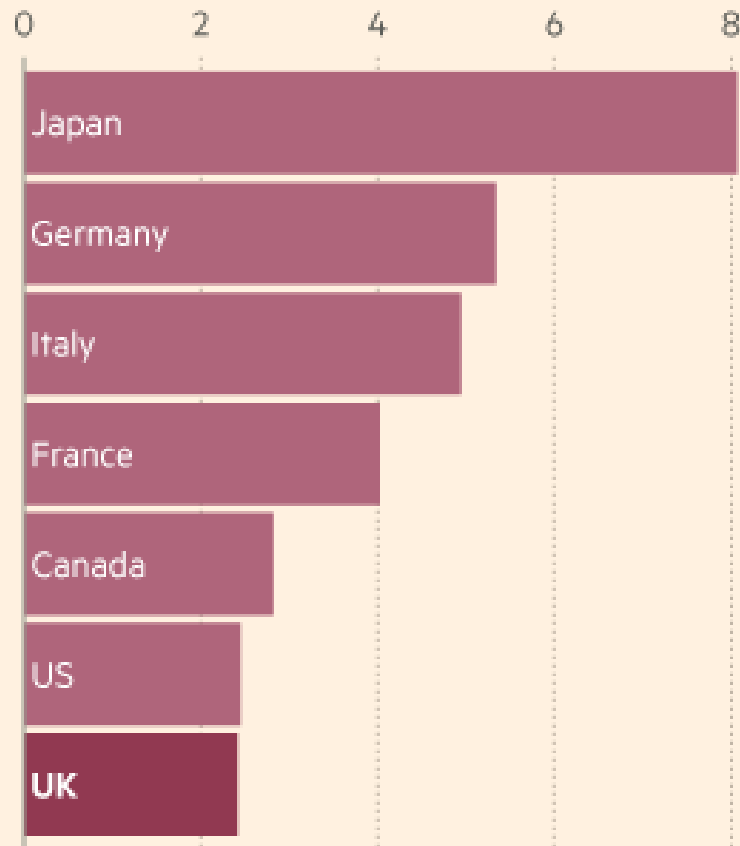
26 Feb 2016 00:00 UTC - 25 Feb 2017 14:40 UTC **GBP/USD close:1.24635 low:1.20230 high:1.49036**



What was Brexit About: Economic Paradox

The UK had the slowest growth in prosperity in the G7 before EU membership ...

Annual average increase in GDP per head (%)



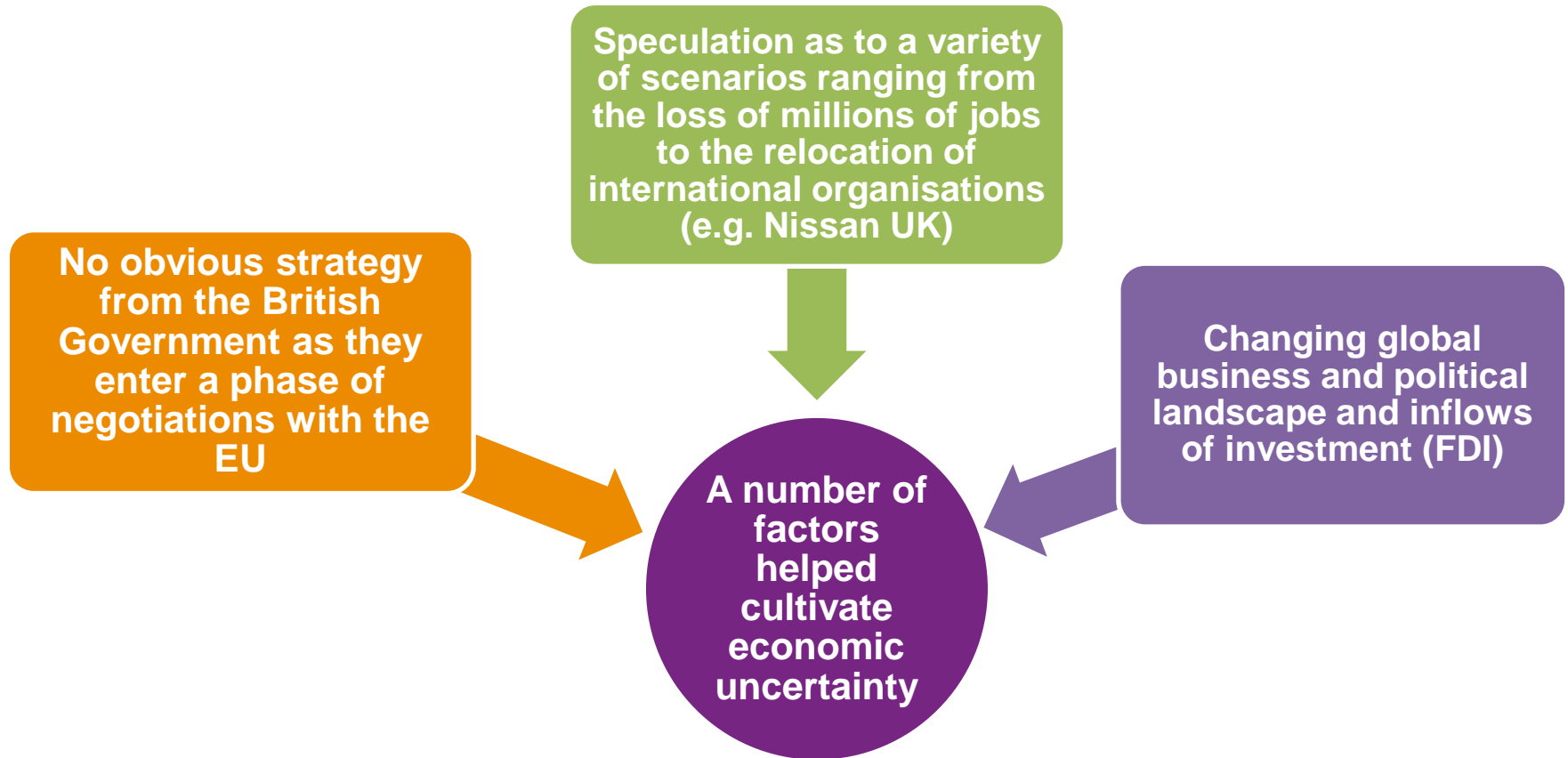
... but has had the fastest growth since

Annual average increase in GDP per head (%)



What was Brexit About: Economics (cont)

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



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

Brexit: Consequences & implications

Banking & Finance: An example



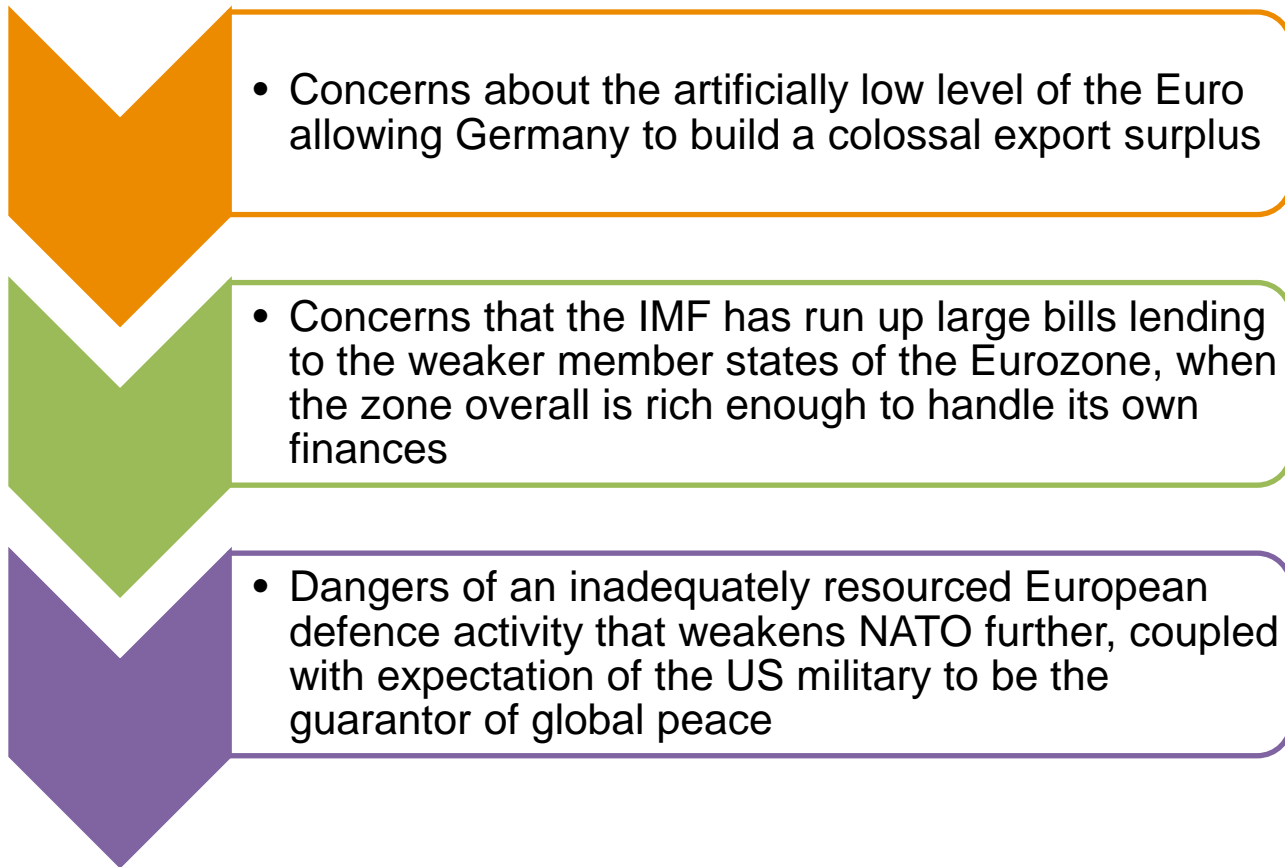
Brexit: Consequences & implications

The European Integration View: Key Factors



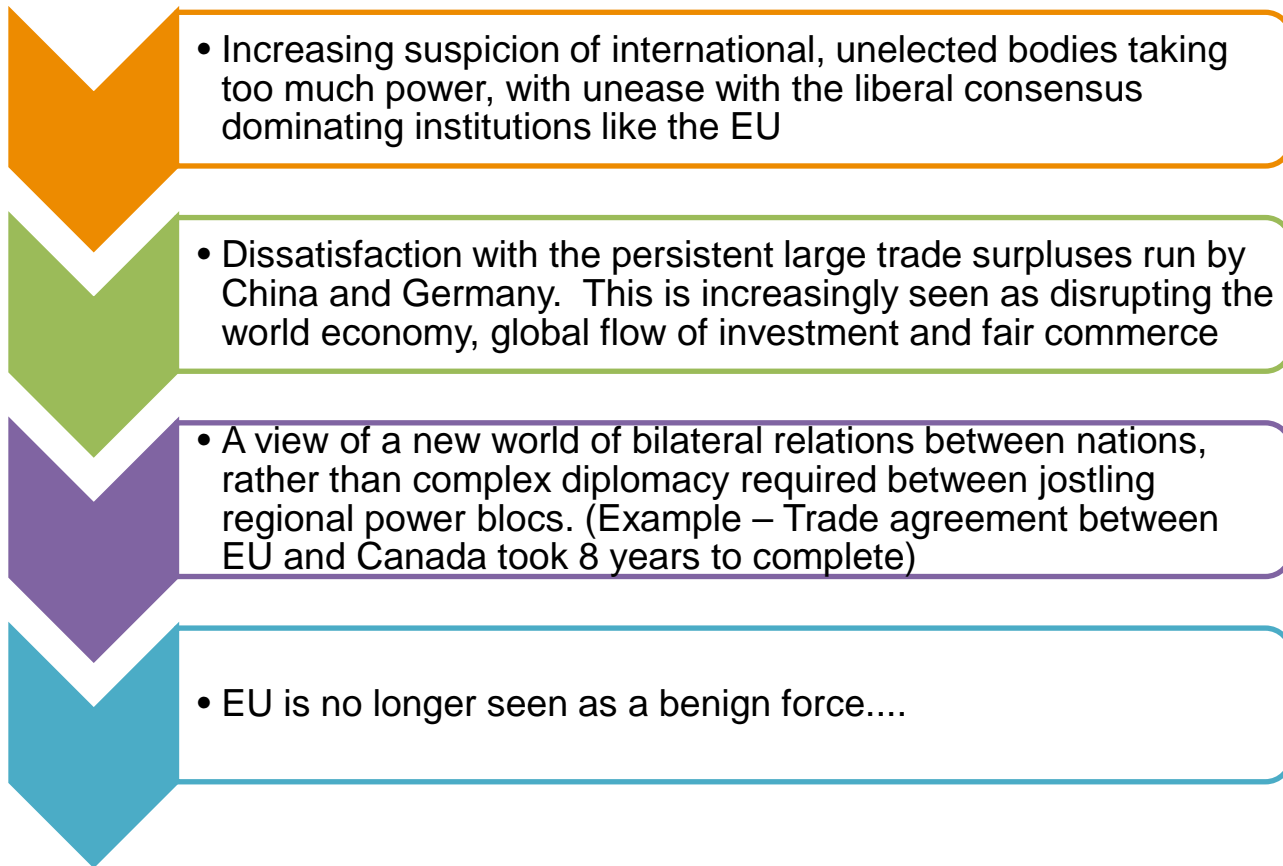
Brexit: Consequences & implications

Global Pressures: The advent of the Trump Administration



Brexit: Consequences & implications

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



Brexit: Consequences & implications


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

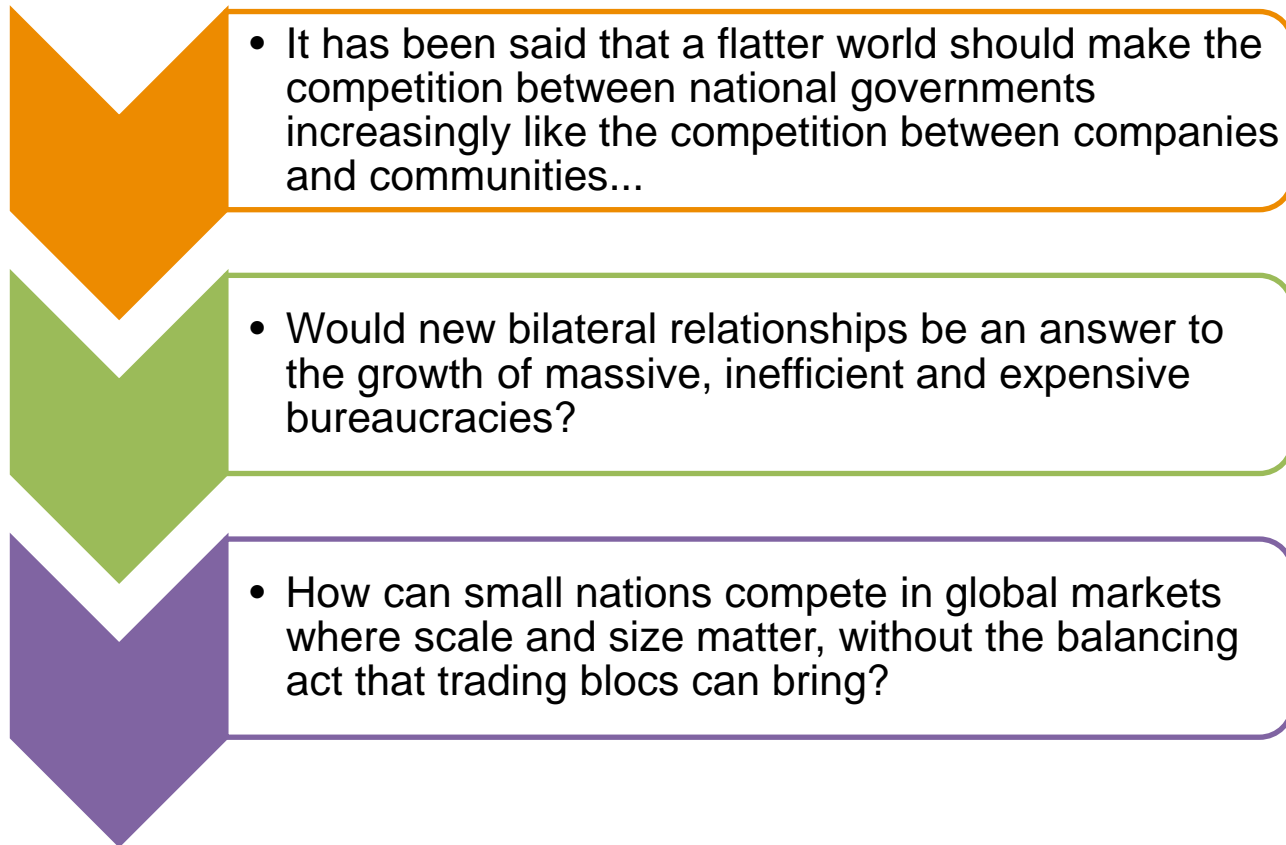


- Fact is that it doesn’t work economically either



- 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

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



Closing thoughts

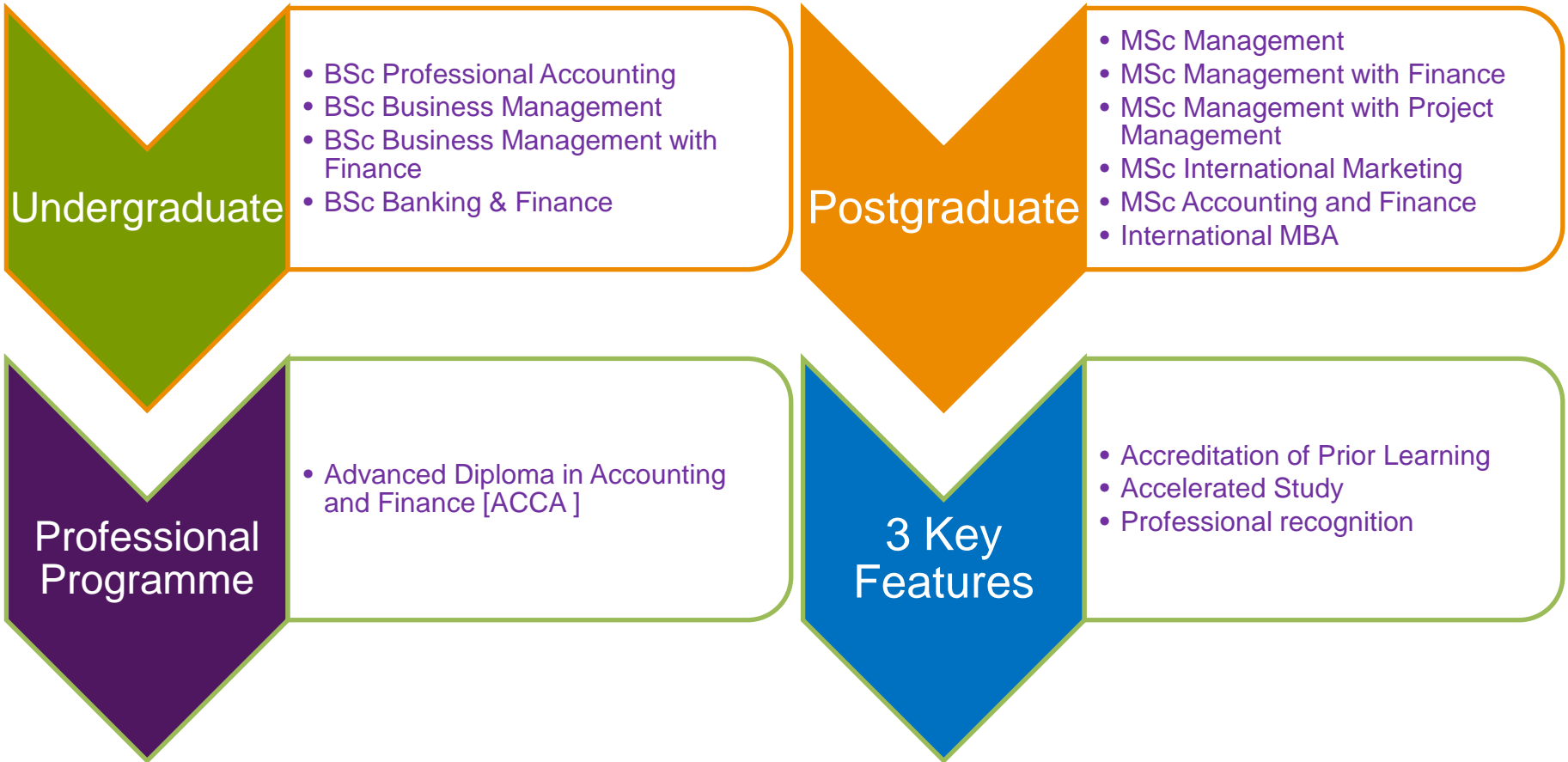
Will Britain be damaged by Brexit?



So, in a word, No!



Degree Programme Overview



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 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

How BPP Business School made me more emp



Ramin Jabbari obtained degrees in engineering in Iran and from the University of Edinburgh. He's now studying on the MSc Management with Finance course at BPP Business School, part of BPP University College.

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Hannah Langwor
student

Paul from
Colombia



Martine from
Norway



School
MSc Management



The goal!



The goal!





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Your Questions



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Thank you

Additional slides

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.

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