

TO: Global Business Class

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SUBJECT: Brexit Complications

Since the first referendum of June 23, 2016 there were many discussions about Brexit. As of now, the UK (Northern Ireland, Scotland, England, Wales and Great Britain) is set to leave the European Union on March 29, 2019. With this, the EU could be looking at a possible devastating economic decline. This memorandum aims to help answer questions people may have about the reasoning behind Brexit and the possible complications of the Brexit move may have to companies and Northern Ireland.

European Union

The European Union was first formed on November 01, 1993. Some of the goals of the European Union was to promote peace, offer freedom, security and justice within its internal borders. It looked to help sustain and develop a balanced economic growth and help combat social exclusion and discrimination. The EU valued human dignity, freedom, democracy, equality, rule of law and human rights. These goals and values formed the basis of the EU and are laid out in the Lisbon Treaty and the EU Charter of fundamental rights. The EU charter is one of the reasons the U.K. is allowed to leave the EU. Article 50 of the EU Charter states that “Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements. In order to stop Brexit, the EU must change the laws and do not support this.

Why leave?

From the information above, the European Union looks like a well thought up idea which helps everyone involved, but why does the U.K. want to leave? There are several reasons the U.K. may want to leave the EU, but the biggest reason is money. Similarly to many groups formed together, there are bound to be individuals who contribute more to the group than others. The U.K. is the net contributor to the EU other than large economies like France and Germany. The money generated by these larger economic countries are being used to help EU’s poorer countries. With the U.K.’s economy on the rise the bill is rising for the U.K. to help other countries. In 2008 the U.K. gave £2.7 billion (3.5 billion, but in 2013 they gave £11.3 billion (\$17.4 billion). But even with this benefit there are some downsides to the U.K. leaving the EU.

Good Friday Agreement

The Good Friday Agreement (GFA) or Belfast Agreement is not only a peace agreement but also a basis for a reformed government in Northern Ireland. One of the agreements between Northern Ireland and the Republic of Ireland in the GFA was that there would be no borders between them. So how does Brexit impact this deal? Northern Ireland is part of the U.K. while the Republic of Ireland isn’t. What this means is, once Brexit happens on March 29, 2019 Northern Ireland and Republic of Ireland will not be under the same nation. Without a trade deal the EU leaders will have no choice but to set up a hard border with the U.K. This hard border will run

from Northern Ireland and the Republic of Ireland. Having this border there is a real risk it could reignite sectarian violence in Northern Ireland.

Options

In order to not cause a ruckus, there needs to be a deal set in place when Brexit happens.

The great news is many politicians don't want a "no deal", they just want different deals. Lots of the conservative MPs want a hard Brexit while the other conservative MPs, Labor parties, SNP (Scottish Nation Party) and Lib Dems (Liberal Democrats) want a Softer Brexit.

Hard Brexit

Many Conservative MPs like Jacob Rees-Mogg are calling for. This would make the U.K. make a definitive split from EU powers. This would make the U.K. cut ties with the benefits of staying with the EU like the single market, customs union and the courts of justice. This would make Great Britain have the power to set their own rules and regulations and open the door to make trade deals with other countries that could benefit them. This could impact businesses on what kind of business they are running. This could benefit businesses that only trade in Britain. If you are a business making wine and only using goods from Britain, they could be affected by other businesses that are importing cheaper goods from Germany to produce their wine. With hard Brexit they could set tariffs and add extra inspections on the goods being imported, but the business only using goods produced in Britain will not have to deal with these problems and could leave them to rake up the profits. On the other hand, if there are businesses that rely on trade with the EU to make their goods, it could destroy that business. For instance, if you are in the business of manufacturing computers and rely on components that are imported from the EU, you will be taking the hit from all the tariffs and inspections. But with a Hard Brexit, supporters are stating there is no need for a border between Northern Ireland and the Republic of Ireland and could possibly still keep peace between the two.

Softer Brexit

With a Softer Brexit, this would leave a lot more alignment between the EU and the U.K. The softer the Brexit is, fewer things will change. With a really Soft Brexit there is also a possibility of the U.K. keeping the single market and customs union. This will have the opposite affect of Hard Brexit. Looking back at the examples of Hard Brexit, if you are the computer manufacturing business, it will be good for them because this means no tariffs and inspections. On the other hand, if you are the business producing wine with U.K. goods, you will have continuing competition from other businesses relying on EU imports. Some say with Soft Brexit the U.K. could possibly lose the power to make trade deals with countries like the U.S. and China. But with a Soft Brexit the trade regulations would not be as strict and could leave Northern Ireland and the Republic of Ireland borderless.

Conclusion

The European Union was first formed to help to promote peace and help neighboring countries. With the flourishing U.K. economy, the help the U.K. was giving was a lot bigger than other countries and left U.K. thinking. In accordance to Article 50 in the EU charter, the U.K. was able to argue the right to leave the EU and left turmoil with the countries involved. With the U.K.

leaving the EU, The Good Friday Agreement between Northern Ireland and the Republic of Ireland could be broken depending on how the politicians make their deal. Despite, Brexit looking like an inevitable outcome, there are still options like a Hard Brexit and Softer Brexit. Depending on how the negotiations go, businesses and Northern Ireland and the Republic of Ireland could be affected. With only around 50 days before Brexit, only time will tell how this will play out.

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