



The Bottom Line

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BREXIT DAY HAS FINALLY ARRIVED

Summary

Effective January 31, 2020, at 11:00 PM local time, the United Kingdom formally separated from the European Union.

Background

The EU began in 1957 as the European Economic Community. The United Kingdom joined the EU in 1973 amidst fears of political and economic isolation on the continent. For years, critics chafed under the high cost of membership, being forced to follow regulations designed to support and protect the smaller members of the union, and struggling with the loss of immigration control that contributed to significant overpopulation in some member states. The financial crisis of 2008, which hit the Euro hard, added economic uncertainty to the arsenal of those arguing to separate.

On June 23, 2016, a public referendum vote decided by 52% in favor of leaving the EU. One day later, Prime Minister David Cameron resigned in protest. Theresa May was elected to replace him as the leader of the Conservative party and became Prime Minister.

On March 29, 2017, Theresa May triggered Article 50 of the Lisbon Treaty and formally declared the UK's intention to leave the EU. This action was the beginning of a 2-year period for the exit terms to be agreed upon and finalized. Ms. May began formal negotiations with the EU Parliament in July 2018 and brought the tentative agreement to British Parliament that December. British lawmakers were immediately critical of the plan, going so far as to call for a vote of no-confidence in Ms. May. The plan included the controversial "backstop" at the Irish border, which would have kept Northern Ireland temporarily in the EU single market while an alternate arrangement was negotiated. Theresa May's proposal was defeated in Parliament three times and she eventually resigned and was replaced by Boris Johnson.

Current Status

More than 3½ years after the referendum that began the process, the terms under which the UK would leave the EU were finally approved by British Parliament and ratified by the European Parliament.

The new agreement has 141 clauses—just six fewer than the original drafted by Theresa May's government back in November 2018. Some of these changes serve only to make it consistent with the new Withdrawal Agreement, such as cutting references to the Northern Ireland backstop. The new agreements are envisaged as a permanent state; not a temporary "backstop." Under this agreement, UK customs authorities will check goods at British ports before they enter Northern Ireland. Those goods can pass without paying tariffs, as long as their final destination is Northern Ireland and they are not at risk of entering the EU single market. If goods are destined for the Irish mainland or other parts of the EU, UK authorities will apply the EU's tariffs. The main advantage of this solution is there are no checks at the land border between Northern Ireland and the Republic of Ireland. Northern Irish companies and farmers will follow EU customs and regulatory rules, which means Northern Irish products from machinery to milk can go across the border without having to pass any inspections. The EU insisted on this stipulation after British customs authorities were found guilty last year of tolerating a massive Chinese network evading EU customs' checks, which led to a hefty €2.7 billion fine by the EU's fraud office. The EU will also need to trust UK veterinarians to properly check food products in order to avoid sick animals or unwanted products, such as chlorine-washed chicken, entering the EU market. A future EU-UK trade deal could, however, streamline many of these procedures or make them unnecessary. In the run-up to Brexit, the UK was given permission to replicate trade agreements that the EU holds with third-party nations or regions. So far, the UK has managed to roll over 20 "continuity" deals, covering 50 countries or territories, representing just over 8% of total UK trade.

Impact

In the immediate aftermath of "Brexit Day," nothing will change. Trade with the UK will continue as it did before the agreement became official. Now begins a transition period, where the UK follows EU rules without having any representation in the bloc, while individual trade and political terms are negotiated between the UK and the rest of the world. Although the UK hasn't participated in trade negotiations as an individual nation in over forty years, officials have insisted that this process will be complete by the end of 2020.

RESOURCES:

[The Brexit Deal Explained](#) (Politico)

[Brexit: All You Need to Know About the UK Leaving the EU](#) (BBC)