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BRINO – Brexit In Name Only?

WHITE PAPER
June 2018

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Introduction

Two years after the Brexit referendum, the UK is still struggling to agree divorce terms from the European Union. Issues over whether to stay in the Single Market prevail, while few anticipated the complexities of the Irish border.

And the clock is ticking towards the 29 March 2019 exit date, requiring a further transition period of at least two years, leading to claims that the UK will only achieve a Brexit In Name Only, or BRINO.

Currently, this half-in, half-out 'vassal state' solution is realistically the only one possible. In this white paper, we examine what a BRINO might mean, and what the alternatives might be.

1. Brexit In Name Only

Leaving the European Union is proving to be the most difficult thing that the UK has done in peacetime, as it continues to dominate the political agenda. The main problem is that the referendum result simply called for Britain to leave; it did not say how, or on what terms.

At the heart of the issue is whether the UK should pursue a soft Brexit, in which it remains in the Single Market, or a hard Brexit, in which it leaves the bloc entirely. Hard-liners say the former means a Brexit In Name Only, or BRINO. In this section, we discuss what this means in reality, particularly regarding the parallels with Norway.

Divorces are never nice

If few people expected Brexit to even happen in the first place – the Remain campaign was ahead in the polls right up until the 23 June 2016 referendum – fewer still may have expected the process to go smoothly. Like all divorces, it has been riven with arguments and regrets. However, the issue is not when the decree nisi will be issued; that is set in stone on 29 March 2019, exactly two years after British Prime Minister Theresa May triggered Article 50 of the Lisbon Treaty, notifying the EU of the UK's intention to leave. The core issue is whether the UK should pursue a hard or soft Brexit, and the country is as divided on this as it was on the original referendum question of whether to stay in the EU.

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A soft Brexit essentially means staying within the Single Market and/or the EU Customs Union, a wider association which also includes Turkey and a number of European microstates such as Andorra. This would be the solution that is the most economically beneficial to the UK and solves a whole host of issues, including the complex problem of the border between Northern Ireland and the Republic of Ireland (discussed further in Chapter 2). However, it would mean the UK must continue to accept the free movement of people, and continue to contribute to the EU budget. This would not solve two political problems that lay at the heart of the Leave campaign – immigration levels that were perceived as being too high, and the notion that Britain is being ruled by Brussels.

A hard Brexit does not though solve all political problems either. It would mean a hard border with customs checkpoints on the Irish border, which contravenes the Good Friday Agreement that brought peace to Northern Ireland after decades of troubles. It is also seen as being economically disastrous, since the UK would be leaving the largest trading bloc in the world, losing access to a market of more than 500 million people. And it raises the question over what future trading model the UK would then pursue (discussed further in Chapter 4), since the four available options would take many years to negotiate. Two nuclear options of crashing out of the EU without a deal, or cancelling the whole Brexit process, are also on the table.

> 'Before they were in with a lot of opt-outs, now they are out they want a lot of opt-ins'
>
> Xavier Bettel,
> Prime Minister of Luxembourg

Torturous talks, memorable quotes

A year of talks has thus far proved quite torturous. The first round that began in June 2017 immediately became bogged down over the issues of the final divorce bill, the status of expats and the Irish border. A divorce bill of about GBP 45 billion was largely agreed, while a 'settled status' scheme was offered for EU citizens and their families living in the UK, with a reciprocal deal for Britons living within the EU. However, the UK remains stuck as to what to do with the Irish border.

Recognizing the impossibility of getting everything done within the original two-year timeframe, the UK agreed an additional two years in which it would de facto remain part

of the EU until March 2021. This was later scaled back to the end of 2020 when the UK's budgetary contributions to the EU end. Politically this caused problems among Eurosceptics anxious to avoid the UK becoming a 'vassal state' in which the country has not really achieved a Brexit, and may still be beholden to the EU for many years to come. And thus the BRINO entered the lexicon.

Another thorny issue for talks is the role of the European Court of Justice (ECJ), which currently has jurisdiction over the UK and therefore impinges upon UK sovereignty. It was established in Luxembourg in 1952 as part of what was then the European Coal and Steel Community by the six countries that in 1957 became the EU's founder members. It is now the supreme court of the EU responsible for applying and interpreting EU law across all 28 member states. The ECJ also acts as the final appeal court for trade disputes involving an EU member.

Remaining in the Single Market and/or the Customs Union means accepting the ECJ as the final arbiter of regulations, standards, disputes or other legal problems following the Brexit. The EU has insisted that it retains jurisdiction over any future trading agreement or treaty to make it legally enforceable on both sides. Brexiteers have insisted that without leaving the jurisdiction of the ECJ, the Brexit has not really been achieved, since full sovereignty has not been regained, and it is therefore another form of BRINO.

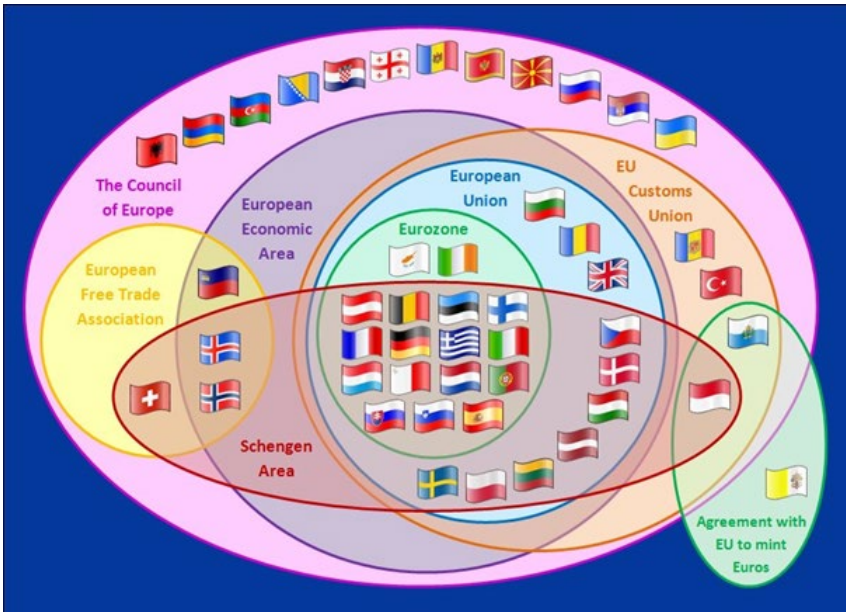
Trying to solve these issues has produced some memorable quotes from both sides. Britain's whole involvement in the EU since it first joined in 1973 was summed up by Xavier Bettel, the Prime Minister of Luxembourg, who said: "Before they were in with a lot of opt-outs, now they are out they want a lot of opt-ins." While banging the drum for a hard Brexit to please her own rebellious Conservative Party backbenchers, Theresa May exclaimed: "We don't want partial membership of the European Union, associate membership of the European Union, or anything that leaves us half-in, half-out." But not all of them were pleased; when the UK caved in on the budget settlement, arch-Brexiteer and Tory right-winger Jacob Rees-Mogg said: "The government has rolled over but hasn't had its tummy tickled." And in a play on the phrase 'kicking the can down the road', one commentator on Twitter likened the government's insistence that it can have a soft border in Northern Ireland as part of a hard Brexit – which is legally impossible – to "kicking the can't down the road".

BRINO – a.k.a. Britain is the New Norway?

And so the saga continues – but how viable would a BRINO be? Is there any shame in being half-in and half-out of the European Union? A good example of a country that has willingly accepted this model, with the blessing of all its citizens, is Norway. The Nordic nation is not a member of the EU, but does belong to the Single Market. This is for democratic reasons as well as economic expediency, because like Britain, Norway has long been split over

EU membership. A referendum in 1972 rejected joining the EU by 53.5% to 46.5%, so a generation passed and the country tried again in 1994, when a referendum again rejected membership with a similar margin of 52.2% against and 47.8% in favor. The principle reasons against were the perception of loss of sovereignty, and the fact that unlike most other EU nations, Norway is a major oil producer and relies heavily on forestry and fishing.
In that way, the narrow margins resembled the 51.9% versus 48.1% margins on the UK referendum. However, the Norwegian follow-on approach differed greatly from the all-or-nothing 'Brexit means Brexit' approach being adopted by Britain. Acutely aware that the country was divided on the issue, the Norwegian government adopted a more conciliatory approach to try to please both the 'yes' and 'no' camps. Eventually it settled on what became BRINO but the other way around – staying outside the EU and its Customs Union, but joining the Single Market. That meant Norway had to accept freedom of movement, a loss of sovereignty in accepting EU regulations, and had to make annual contributions to the EU budget, but it retained full control over its oil, forestry and fishing industries.

A tangled web: who belongs to what organization.



Norway is also a member of the passport-free Schengen area to facilitate trade with its EU member neighbors Sweden and Finland, though it cannot be said to be completely lacking a physical border. As it is not in the Customs Union, Norwegian exporters have to show that their goods qualify as having originated in Norway through so-called 'rules of origin', and are therefore eligible for tariff-free entry into EU countries. At border crossing points, a treaty gives the customs officers of one country the right to carry out clearance and checks

for both countries. For most border crossings with Sweden, there is one customs post on one side of the border, with one on each side at some crossings. Around 30 crossing points don't have a customs post – most notably on the E16 road – but commercial vehicles are not allowed to use them if they are carrying goods to declare. Heavy trucks are allowed to use them by making a pre-declaration about the goods carried. Border traffic is subject to video surveillance and ad-hoc security checks.

Pretty scenic, but pretty workable? Becoming like Norway.

So, would this work in Britain? The EU's chief negotiator on Brexit, Michel Barnier, said in April 2018 that "the only frictionless relation with the UK would be a Norway Plus" model. "Norway Plus means... they have to change their red lines." Those red lines all relate to sovereignty, so it remains doubtful whether a Norwegian-style deal would be acceptable to the 'Brexit means Brexit' mantra. The Jacques Delors Institute, named after the former president of the European Commission who presided over the creation of the European Union in 1992, concurs that a Norwegian solution would be economically but not politically expedient. "It is not unlikely that the Norway-style transition phase will stay in place for a long time," the group said in a blog post in March 2018. "This BRINO scenario would be economically rational for the UK, but obviously raise political questions among the Brexiteers. That being said, political assessments can change quite rapidly, especially when the template of the end result for the UK of the trade discussion will appear in full clarity."

Back to the future: the EFTA option

Meanwhile, Norway is a member of the European Free Trade Association (EFTA) with other non-EU members Switzerland, Iceland and Liechtenstein. EFTA was created in 1960 for those countries which were unable or unwilling to join the EU, which at the time included Austria, Denmark, Portugal, Sweden and the UK. These five nations later became EU members and

left the trade association for the bigger Common Market. The rump four look likely to remain for the foreseeable future, since Switzerland rejected EU membership in a referendum in 2001 by an overwhelming majority of 76.8% against, while Iceland withdrew its application to join the EU in 2015 after negotiations stalled. Liechtenstein, one of the smallest and richest countries in the world, has never applied to join the EU, but is a member of the Single Market and Schengen.

EFTA retains trade agreements with 24 countries outside the EU, plus the 28 EU members as a single bloc, covering most of Norway's trade. Traditionally, EFTA countries would negotiate agreements with any new country only after the EU had signed a trade agreement with that country. In recent years, EFTA has loosened this policy, and has entered into agreements with countries in Asia and Central and South America that the EU does not yet have agreements with. In all agreements, the focus is on trading in physical goods and commodities, and not services, which would cause the UK a problem should it try to rejoin EFTA or sign a trade deal with it.

Rejoining an organization it co-founded has not been ruled out by the UK. Switzerland has said that the UK's re-entry would "strengthen the association". Norway initially expressed reservations, saying the four members were relatively small countries, and the admittance of such a large country could unbalance the group. The UK's population of 66 million and GDP of USD 2.5 trillion is far higher than all four EFTA members combined; even the Isle of Man, a UK territory in the Irish Sea which lies outside the EU and considered independently joining EFTA, has a larger population than Liechtenstein. However, Norway later changed its tune: "I think we will cope very well if the Brits come in," Norway's Prime Minister Erna Solberg said in an interview with the Financial Times in May 2018. "It will give bargaining power on our side too. And it would ease Norway's access to the UK."

2. Impact on the rest of the UK

The United Kingdom is not a single country, nor is it a federal entity where all its constituent parts have the same status. In fact, it is two countries (England and Scotland), a principality (Wales) and a province (Northern Ireland).

To complicate matters further, some dependent territories such as Gibraltar, which has a land border with Spain, are part of the UK, whereas others such as the Channel Islands, which have a sea border with France, are not. The biggest issue, which we discuss first in this section, is what to do with the historically difficult and logistically vexed issue of Northern Ireland.

Bordering on the ridiculous – the Irish issue

Northern Ireland presents a unique problem for the Brexit negotiations, as the province is the only UK territory with a land border with another EU state – the Republic of Ireland. A soft border currently exists between them: in reality it is simply a road sign reminding drivers that speed limits in Northern Ireland are set in miles per hour, whereas in the Republic they are in kilometers. However, when the UK leaves the EU, if it does not remain a member of the Single Market, then the Irish border will become a physical frontier between markets as well as countries. It would therefore need some sort of border checks on goods passing into and out of the EU.

If the government sticks to its 'Brexit means Brexit' mantra, then a hard border would need to be reinstalled, with extensive customs posts and potentially some form of passport control. Such a hard border runs counter to the 1998 Good Friday Agreement which aimed to stop decades of conflict between pro-UK Unionists and pro-Irish Republicans. Between 1969 and 1998, more than 3,500 people were killed during sectarian violence known as 'the Troubles'. The Agreement enabled freedom of movement between the two countries, with many people living on one side of the border and working in the other, trading freely between the two sides. It also removed the military checkpoints that had monitored the border and ended the British Army's long-resented presence in the province. As the Agreement celebrated its 20th anniversary in 2018, most people on either side of the border do not want to see it return in its old checkpoint form.

Playing hard ball: Northern Irish communities oppose a return to a hard border.

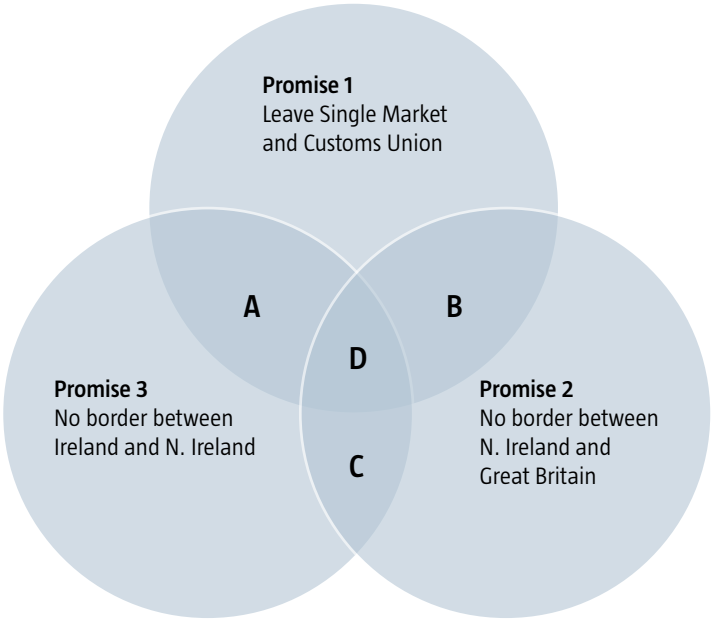
However, the UK government has been riven with contradictions on the issue, prompting the EU to demand a solution to it before its next summit at the end of June. On the one hand, the government has committed to maintaining a soft border and honoring the Good Friday

Agreement, since the alternative would be worse. But it has paradoxically also ruled out remaining in the Single Market or Customs Union, meaning that a hard border with multiple customs posts would be required to monitor trade. This has a dual purpose: to ensure that products entering the EU adhere to EU regulations and standards, and to impose any necessary tariffs. Logistically, equipping and then maintaining any such hard border would be very difficult. The meandering, 500 kilometer-long border is crossed by around 275 public roads and farm tracks – more crossing points that the entire frontier between the EU and Russia. An estimated 175,000 lorries, 200,000 bans and 1.8 million cars cross the border every month, along with thousands of pedestrians. One pub even straddles the border, with the lounge bar in Northern Ireland and the dining area in the Republic.

One suggested solution would be to allow Northern Ireland to remain in the Single Market, backed politically by the fact that in the referendum, 55.8% of people in the province voted to Remain. The EU stated in the withdrawal talks that it would welcome a 'single regulatory area' on the island, thereby effectively creating a soft border in the middle of the Irish Sea, which would be much easier to police. However, this was described as an "unacceptable breach of UK sovereignty" by the government, since it would effectively mean part of the UK remained part of the EU while the rest of it left. It might also encourage the pro-EU Scottish National Party (SNP), which seeks independence from the UK, to seek a similar arrangement.

The issue is further complicated by the fact that the pro-UK and anti-EU Democratic Unionist Party (DUP) props up the minority Conservative government. After the 2017 general election result left the Tories seven MPs short of attaining an overall majority in parliament, Theresa May signed a 'confidence and supply' agreement with the 10 DUP members, who agreed to vote with the government on key votes in return for GBP 1 billion of new investment in Northern Ireland. Subsequently, the Conservatives cannot do anything regarding Brexit and the border without approval from the DUP. The Unionists have said they do oppose the reintroduction of a hard border, but would also reject the creation of any single regulatory area which means that Northern Ireland is treated differently from the rest of the UK.

May's Bexit Trilemma



Option A: Break promise to DUP. Border in Irish Sea. Irish reunification in long run.
Option B: Break promise to Ireland/EU. Violate Good Friday Agreement regarding border on Ireland. Ireland vetoes Withdrawal Agreement, cliff edge Brexit disaster.
Option C: Break promise to Brexit ultras in cabinet. Soft Brexit. Tory Brexiteers revolt. May ousted.
Option D: Totally impossible. Magical Thinking, Unicorns, etc.

Source: R. Daniel Kelemen, Rutgers University

A more permanent but politically extremely difficult solution would be to meet the Republicans' long-held dream and reunite Northern Ireland with the Republic. Demographically, Northern Ireland's pro-Republic Catholics will soon outnumber its pro-UK Protestants, and support for reunification has been rising. In March 2017, the Republican Sinn Fein party came within 2,000 votes of outpolling the DUP in elections to the Northern Ireland assembly. However, that doesn't mean that a referendum on reunification would succeed, particularly once the financial implications are considered. A poll in 2015 found that 30% of voters in Northern Ireland and 66% of voters in the Republic backed reunification, but when they were told it would mean higher taxes to compensate for the GBP 10 billion in subsidies that the UK currently sends to the province, support dropped to 11% and 31% respectively.

Scotland says 'aye' to EU

The issue of Scottish independence is intertwined with the Brexit issue. In the Brexit referendum, Scottish support for Remain was the highest among the four constituent parts of the UK, with 62.0% of Scots voting to stay in the EU and only 38.0% wanting to leave. Scotland has long been a beneficiary of EU subsidies, while its three largest industries of oil, financial services and tourism rely heavily on freedom of movement. Conversely, 53.4% of voters in England voted to Leave and 46.6% to Remain. Wales, which shares a legal code with England and historically has been politically much closer to its neighbor than Scotland, was 52.5% in favor of Brexit – a similar portion to England's 53.4% in favor and 46.6% against.

Since the Brexit vote means the whole UK will leave, it means that the pro-Remain Scottish National Party (SNP) can claim it is being forced out of the EU by English and Welsh votes. However, this does not necessarily translate into electoral success for the SNP. The snap general election of 2017 wasn't only a disaster for the Tories; the SNP lost 21 of its 56 seats in the Westminster parliament, partly because voters were annoyed that the party was focusing on the independence issue, and not on the bread-and-butter issues such as health services and education that affected daily life. The SNP was forced to scale back its plans, and said a decision on whether to call an independence referendum would be postponed until the autumn of 2018, with a view to calling one in 2019 after the Brexit talks are due to have been concluded.

Gibraltar and other territories

Relics of the former British Empire have reemerged as issues due to the Brexit, led by the territory of Gibraltar. Lying on the southern tip of Spain, it has been a UK possession since 1713, with a military base and a population of 30,000 mostly British citizens. It is the sole British territory to be part of the EU, which means it will leave it after Brexit. Spain was forced to cede its claims to the territory as a condition of its EU membership in 1984, since fellow EU members cannot lay claim to lands occupied by each other. However, when the UK leaves the EU, the claim can be resurrected – and Spain has indicated it intends to do so. No major discussions have yet taken place purely between Gibraltar and Spain, though a hard border already effectively exists between the two, with extensive customs checks.

Big fish in small ponds

So much for where the land lies – what about the sea? Few topics get Brexiteers' blood boiling more than fishing, having blamed the EU for destroying a UK fishing industry which has been in decline since the 1960s. Strict fishing quotas were set in 1983 under the Common Fisheries Policy, which allows EU nations to fish in each other's waters. While trawlers from Spain and elsewhere were allowed to fish between 20 and 300 kilometers from the UK coastline, British fishermen were forced to throw back fish caught in excess of

Stuck between a rock and a hard place, the territory of Gibraltar.

their quotas, leading to farcical scenes of dead fish being returned to the sea. The EU had argued back that the quotas were intended to encourage sustainable fishing rather than set arbitrary rules, and that they applied to all member states with coastlines. It did though decimate traditional fishing communities, particularly on the UK east coast from Scotland down to eastern and southern England.

What became lost in the emotional arguments to 'take back control' was the relative insignificant size of both the UK fishing industry and the EU's involvement in it. Fishing accounts for just 0.05% of the UK economy, or one twentieth of one percent, compared to 13% for financial services and 12% for manufacturing. The EU isn't much interested in fishing either, devoting just 0.75% of the annual budget to it compared to 39% spent on the Common Agricultural Policy subsiding farmers (including in the UK). Politically, however, it remains a high-profile battleground, and a Norwegian-style settlement seems likely, since Norway retains control over its agriculture and fisheries as part of its deal.

Maintaining the City of London

Brexit negotiators are far more concerned with the future of financial services, and in particular, the leading role played by the City of London. The UK's main financial district often known as the 'Square Mile' relies heavily on access to the Single Market for cross-border financial services such as banking and insurance, and the free movement of people to fill highly skilled and sometimes rarified roles. Perhaps not surprisingly, the Greater London conurbation majority voted Remain in the referendum. Seven of the 10 areas with the highest share of the vote for Remain were in London, including the City itself, with polls of more than 75% to stay.

The goose that lays the golden eggs: the City of London skyline.

Many of the world's biggest banks are now contemplating moving their new EU headquarters to Frankfurt – where the European Central Bank is located – to ensure continued access to the Single Market. The think tank Brueghel estimated in February 2017 that London could lose 10,000 banking jobs and 20,000 roles in financial services as clients move EUR 1.8 trillion of assets out of the UK. A follow-up survey by Reuters of major financial sector employers in September 2017 also predicted that around 10,000 finance jobs will be shifted out of Britain if the UK is denied access to the Single Market. Frankfurt was the favorite destination for the new roles, with Paris second.

Meanwhile, the EU has proposed moving the clearing of trades in euros, including the lucrative derivatives market, from London to a EU location following the Brexit. Clearing is a vital process in financial markets, as it ensures that trillions of pounds' worth of trades are actually settled at both ends, underpinning the security of the market. It is a major business for the City, with daily turnover estimated at EUR 900 billion, according to the Bank for International Settlements. Relocating the business to somewhere like Frankfurt would cost the City thousands of jobs.

Brexodus – movement of jah people

While the issue of how many banks, companies or organizations leave the UK following Brexit may be conjecture – with some committed to remain whatever happens – the much-feared Brexodus has already begun in terms of EU institutions relocating from London. The EU made clear that none of its official bodies could remain in the UK post-Brexit, and both the European Banking Authority (EBA) and the European Medicines Agency (EMA) announced their intention to relocate within the EU in 2017. The EBA will be rehoused in Paris while the EMA will move to Amsterdam.

The loss of the medicines agency was particularly painful for the Conservatives, since its presence in London following its creation in 1995 was secured by the direct intervention of then-Prime Minister John Major. The banking authority was also lured to London by the then Conservative-led government under David Cameron when it was created in 2011 to clean up the European banking industry after the financial crisis.

Meanwhile, Anglo-Dutch company Unilever announced plans to end the dual ownership structure that had been in place since 1929 and relocate its head office as a single legal entity in Rotterdam. However, it said it would retain a significant presence in the UK, where many of its household name products including British favorite Marmite are made. It also planned to maintain its listing on the London Stock Exchange. Royal Dutch Shell, which also has an Anglo-Dutch heritage, moved its HQ to The Hague in 2005 but kept its primary stock market listing in London.

3. The economic impact

The Brexit vote impacted the UK economy from the minute that the shock result was known, with sterling immediately falling dramatically. The pound has not recovered that much since, due mainly to ongoing uncertainty.

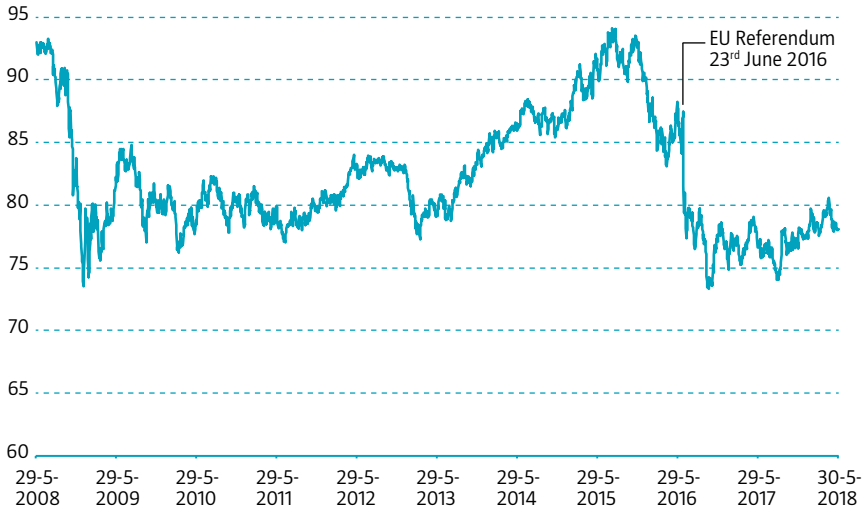
Can the country survive economically outside the EU? The UK is reliant on financial services and high-end manufactured goods, both of which depend on a tariff-free market for success.

However, it's not all bad news, since the lower pound significantly helps exporters, which is one reason why the FTSE 100 index of UK equities has repeatedly hit record highs in the past two years. In this section, we outline the economic impact of the Brexit based on leading economic indicators.

Sterling goes sideways

A quick depreciation of the British pound was the dominant reaction of financial markets on the unexpected EU referendum result, which was perceived as damaging for the UK economy in the longer term, while immediately increasing uncertainty. The currency has not recovered since, though it has roughly stabilized on a trade-weighted basis.

The value of sterling in a broad trade-weighted index (January 2005 = 100)



Source: Thomas Reuters Datastream

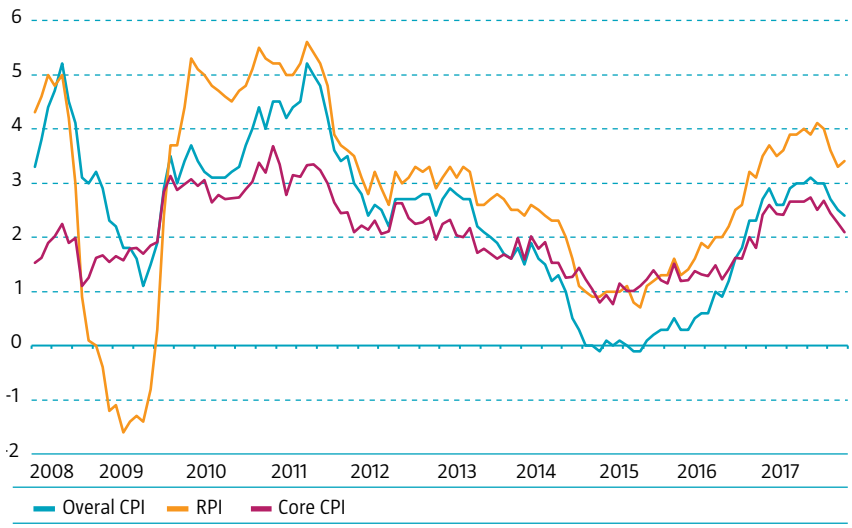
The weaker pound has though driven up share prices in the exporter-rich FTSE 100 and 250 indices. UK stocks initially fell on the Brexit shock, but quickly recovered to reach progressively new highs in 2017 and 2018. It has also led to an improvement in the UK's current account deficit, which amounted to 4.1% of GDP in 2017, the lowest level since 2011. The weaker pound has also increased the UK's attractiveness as a tourist destination, with a record 40 million visitors expected in 2018.

Inflation calms down

While exporters have benefitted from the weaker sterling, it has also raised the price of imports, particularly food. Subsequently, an important effect of the referendum was a significant rise in inflation towards levels around 3%, peaking at 2.8% in November 2017 before dropping back towards 2.3% by March 2018. The UK imports almost half its food, leading to food prices rising at their fastest rate in four years in October 2017. The price of the British staple of tea rose by almost 8.5% over the year, while vegetable prices were almost 6% higher and imported meat prices were up 4%. Food prices then began to fall, partly thanks to a supermarket price war.

Overall, inflation remains significantly above the 2% target of the Bank of England, promoting speculation that interest rates will need to rise to combat it. The bank did raise rates by 0.25 of a percentage point to 0.5% in November 2017 but has not raised rates since, partly in fear of curing one problem but creating a whole host of others in their effect on the wider British economy, bank lending and mortgages.

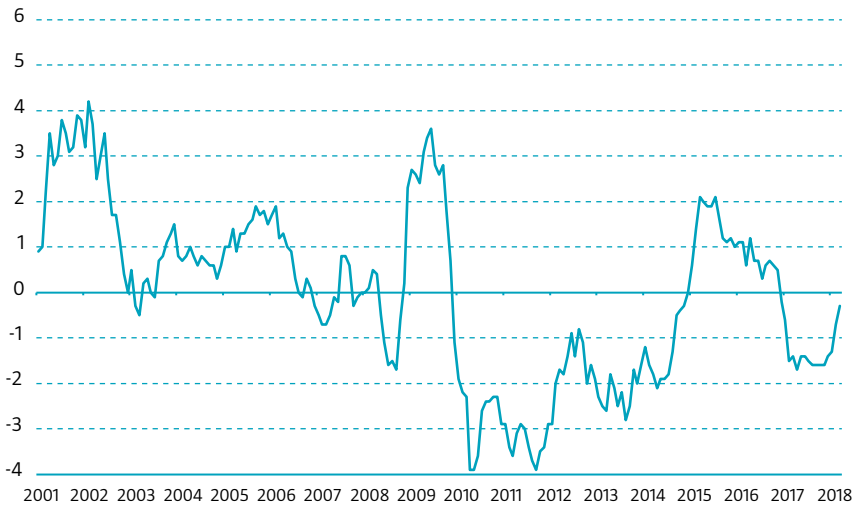
UK inflation percentage rise year-on-year



Source: Thomas Reuters Datastream

The effect of the lower pound is now gradually dropping out of the inflation figures, partly due to a related drop in spending power by British consumers. Real incomes are now declining, as British workers are not being compensated for the rise in inflation with pay rises, due to companies remaining cautious amid the ongoing economic uncertainty. This has also been true of public sector workers, who have been declined pay rises that mirrored rising inflation, as the government reins in its spending.

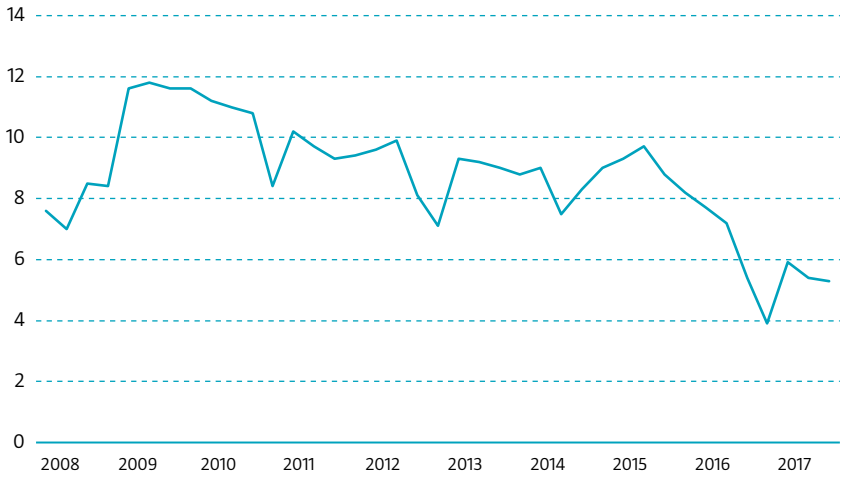
UK real earnings growth has been below zero since just after the vote



Source: Thomas Reuters Datastream

As real wages have dropped, consumers have partly compensated for this by dis-saving. The UK household savings rate has dropped sharply from about 7% of household income at the time of the referendum, hitting a low of just below 4% in spring 2017 before recovering to around 5% in spring 2018.

The UK household savings rate (% of disposable income)

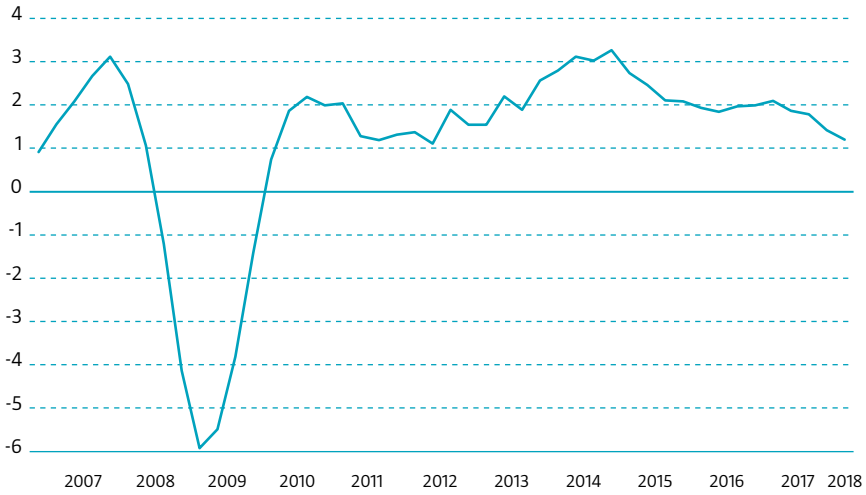


Source: Thomas Reuters Datastream

Weaker GDP growth (but it's still there)

UK growth prospects continue to be hampered by the ongoing Brexit uncertainty, though it is important to stress that GDP is still growing; what is declining is the rate of growth. The UK has not experienced a recession – defined as two consecutive periods of negative growth – since the financial crisis of 2007-2008, when GDP dropped by 2.2% in the fourth quarter of 2008 before recovering. The country also did not immediately suffer a drop in growth from the effects of the Brexit vote – quite the reverse. GDP growth rose from 0.5% in the second quarter of 2016, when the referendum was held, to 0.7% in the fourth quarter before declining to 0.3% in the first quarter of 2017 and 0.1% in the first quarter of 2018. The weaker pound certainly contributed, along with the fact that the UK is still in the Single Market, and so trade with Europe has yet to be directly affected. And with the UK economy enjoying low levels of unemployment since the Brexit vote, consumer confidence has remained relatively high. In addition, the UK benefits from the relatively strong global growth that has prevailed, and will still growth by 1.6% in 2018, according to the IMF. That is a slightly lower level than last year, and below the European average of 2.4% in forecast GDP growth, but is still reasonable.[1]

UK GDP growth (% rise or fall, year-on-year)

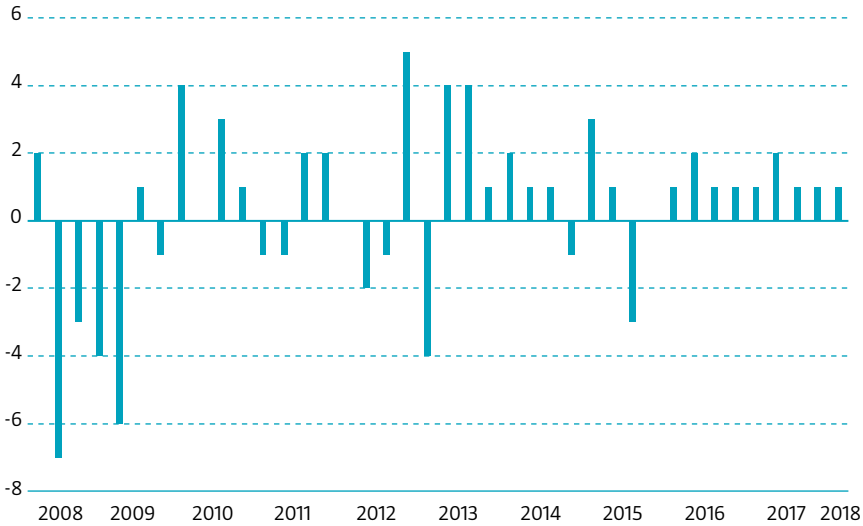


Source: Thomas Reuters Datastream

But can it last? One example of how growth is affected by lower-profile but nonetheless important undercurrents can be seen in the weak growth in gross fixed capital formation by businesses. This indicates how much money they are directly investing in their own infrastructure – expensive items requiring a long-term return that is directly linked to underlying sentiment. This indicator turned negative immediately after the Brexit vote and then recovered before hovering around zero since the beginning of 2018.

[1] International Monetary Fund:
http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

Gross fixed capital formation in UK businesses, percentage rise or fall, quarter-on-quarter



Source: Thomas Reuters Datastream

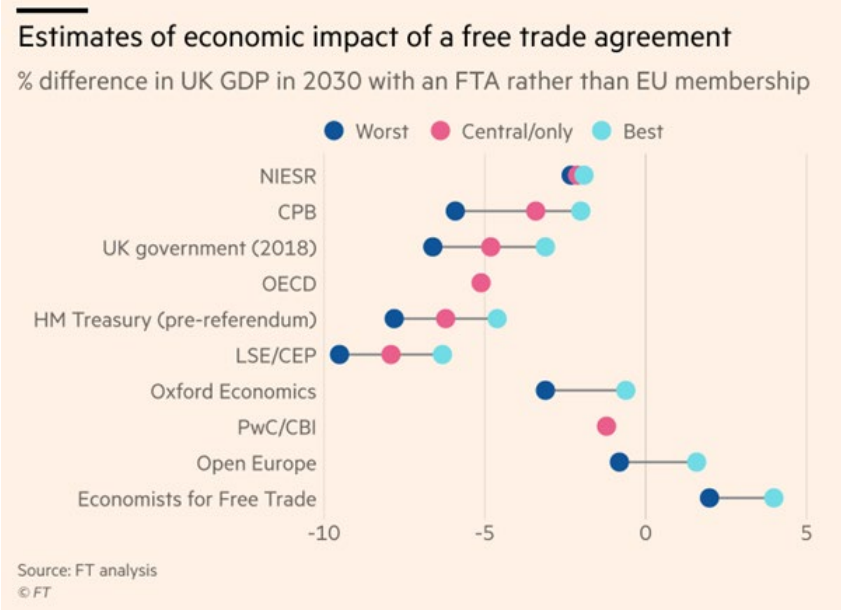
Threat to UK growth remains

The threat to UK growth is therefore perhaps the biggest potentially negative economic impact of the Brexit, though as with so much of it, predictions are difficult due to the uncertainty. And for now, the UK remains part of the EU, enjoying full access to the Single Market. If a withdrawal deal is reached in October 2018, and as a consequence a transitory agreement keeps the UK within the Single Market until December 2020 – bearing in mind that 'nothing is agreed until all is agreed' – then business will get more certainty for the shorter term. At the very least, it means a hard Brexit is postponed until at least December 2020. The likelihood of a continuation of the status quo even after December 2020 will of course arise as well, depending on the speed of negotiations between the UK and the EU. Still, uncertainty over the final and lasting trade arrangements remains a large threat to growth in the longer term. Politically, the status quo will continue to remain unpalatable, as 'taking back control' turns out to be a phantom for the foreseeable future. This fundamental uncertainty will continue to damage the investment climate in the UK and keep a lid on GDP growth prospects. On the other hand, as long as the perception of a 'hard' Brexit can be avoided, the economy can be expected to do reasonably well, depending of course also on economic developments in the US and the Eurozone. A necessary condition for improvement is more investment, and thus a much clearer picture of the post-Brexit-business environment is needed.

If the future relationship between the UK and the EU is based on a free trade agreement, barriers to trade are inevitable: freedom comes at a price. Estimates of the economic

impact differ widely, but are generally (with two exceptions) negative in a range between a relatively modest minus 0.6% up to a hefty 7.8% cumulative loss of GDP by 2030.[2]

From the worst to the best scenarios: forecasts of the possible outcomes of Brexit.



Impact on other EU countries

So much for Britain: what, then, is the potential economic fallout that the EU can expect? Trading within the Single Market is by no means a one-way street; the EU's 27 other members also enjoy free trading within the UK. And this is no small market: despite its declining influence in recent decades, the UK is currently the sixth-largest economy in the world and the third-largest in Europe behind Germany and France. Meanwhile, its use of English as its native language gives it significant advantages in attracting global business, particularly in financial services.

'Geography is destiny', so it is no surprise that the EU as a whole is the UK's largest trading partner. In 2017, 44% of all UK exports went to the EU (39% of these exports were services), while 53% of all UK imports were from the EU. So, it is in both sides' financial interests to negotiate some sort of post-Brexit deal.

The impact of future tariffs

Whatever the future arrangement is, leaving the Single Market means introducing tariffs for future trade between Britain, the EU, and all the other 27 EU members which currently enjoy tariff-free trading. These are widely seen as being negative for trading. The EU has on average low tariffs with the outside world, though agricultural products are an

[2] Winners and losers in an EU-UK free trade agreement, Financial Times, March 2018

exception. After Brexit, including any transition period and in the absence of a free trade or preferential agreement, the UK would be obliged to levy the same tariffs on imports from the EU as it does from non-EU countries on the basis of the Most Favored Nation principle. This means it would have to offer the same trade terms to all World Trade Organization countries. According to the Resolution Foundation, an independent research organization, this could result in a rise in tariffs on clothing, footwear, beverages and tobacco by 10% or more, dairy products by 45% and meat products by 37%. This would feed into final consumer prices which could result in a price rise for meat products of 5.8%, while clothing prices would rise by 2.4% and transport vehicle prices by 5.5%.[3]

Perhaps a bigger problem than tariffs would be the necessary introduction of regulatory checks at border points, as UK goods would no longer automatically be assumed to meet EU regulatory standards, while checks by UK authorities would no longer be recognized by the EU. This could turn out to be particularly burdensome for highly regulated sectors such as automobiles and chemicals, potentially requiring physical inspections or samples collections. Perishable food and livestock would also need to be checked to make sure it meets standards, creating long queues at ports or crossing points.[4]

The UK government is considering an independent customs system at ports and the Irish border which aims to maximize the use of technology to minimize queues and paperwork. Cameras, screening techniques and advance registration of goods crossing the border could theoretically provide a frictionless customs system known as 'maximum facilitation' or 'max fac'. Such a system is already used by Singapore, including blockchain-style technology to check certificates of origin and record transactions, which would be particularly useful in collecting or receiving tariffs.

However, the UK tax authority HM Revenue & Customs warned in May 2018 that such a system would end up costing trading businesses about GBP 20 billion – equivalent to almost double the current UK annual contributions to the EU – and take up to five years to become fully operational. It estimated that advance declarations would cost the trader an average of GBP 32.50 each time a crossing was made, and would rely on declarations that would not stop fraud without the use of physical checks. A Customs Union or some form of customs partnership would erase the need for it, but it would need to be ultimately policed by the EU, which would mean ceding sovereignty. Ultimately there is no catch-all solution that could replicate the current arrangements within the Single Market.[5]

[3] Changing Lanes, The impact of different post-Brexit trading policies on the cost of living, Resolution Foundation, Stephen Clarke, Ilona Serwicka and L. Alan Winters, October 2017
[4] Frictionless trade? What Brexit means for cross-border trade in goods, Institute for Government, Alex Stojanovic and Jill Rutter
[5] http://www.bbc.com/news/uk-politics-44229606

4. Talks and trade – extra time and then penalties?

Two years on from the referendum, the core Brexit issue of 'taking back control' remains at the heart of future talks. Much attention will therefore focus on whether the UK remains part of the Single Market or EU Customs Union, and therefore under the jurisdiction of the European Court of Justice. This has so far been ruled out by the UK government as failing to take back control, since the UK would remain subservient to a foreign court.

But there remains a paradox in that the UK cannot leave the Single Market or Customs Union and maintain a soft border in Ireland at the same time. In this final section we discuss what other models are available, and ask whether some sort of deal will be done in time.

The doomsday clock is ticking

If a BRINO is not agreed, there are four other trading model alternatives, plus another two potential 'nuclear options', including the possibility of no deal at all. They essentially move along a scale of the 'hardness of the Brexit', from the softest option of remaining in the Single Market and Customs Union, to the hardest outcome of crashing out of the EU, completely independent, but alone. A final option that is being actively pursued by opponents on Brexit is to cancel the whole thing.

All Brexit options are supposed to be negotiated and agreed within the two-year timeline running until 29 March 2019, when the UK will leave the EU as an automatic process of law whether it has a trade deal or not. A further two-year 'transition period' was agreed as a stop-gap measure in order to find some extra time, taking the talks up until 29 March 2021. However, 31 December 2020 is a more practical cut-off date, since this is when UK contributions to the EU as part of the current seven-year financial framework are due to end. Taking it past that date requires a new commitment to paying towards the EU budget, a potentially bureaucratic nightmare.

In addition, EU parliamentary elections are expected to be held across the entire 28-nation bloc from 23-26 May 2019. If the UK leaves in March 2019 as planned, there is no need for participation in the elections, even if the UK remains a member of the EU during a transition period for all practical purposes. However, if the UK asks for a formal delay of the exit date – something which would have to be unanimously agreed by all member states – then it will need to elect Members of the European Parliament, who would then sit for as long as is necessary. This is also seen as a farcical situation that should be avoided.

Other trading models

Aside from the BRINO arrangements of following a Norwegian-style trading model of remaining outside the EU but inside the Single Market, the four other possible options are:

1. The Switzerland model – becoming a partial member of the Single Market
2. The Canada model – forging a bilateral agreement independently
3. The Turkey model – retaining membership of the EU Customs Union
4. The WTO model – reverting to World Trade Organization rules

The alternative models

	EU Membership	Norway	Switzerland	Canada	Turkey	WTO
Single market member?	Full	Full	Partial	No	No	No
Tariffs?	None	None	None	Reduced tariffs through free trade deal	None on industrial goods	Yes
Accept free movement?	Yes	Yes	Yes	No	No	No
In the customs union	Yes	No	No	No	Yes	No
Makes EU budget contributions	Yes	Yes	Yes (but smaller than Norway)	No	No	No

Source: BBC

The Switzerland model: Switzerland is unique in that it is the sole nation belonging to the European Free Trade Association (EFTA) and nothing else. EFTA was formed in 1960 for those nations that were unable or unwilling to join the EU, and membership of it confers partial but not full membership of the Single Market. This allows Switzerland similar trading terms to Norway, and in return, Switzerland accepts all EU rules about freedom of movement while also making some contributions to the EU budget. The complex set of agreements with Switzerland took over 20 years to put into place, however, making anything other than a temporary deal with the UK unlikely. And the EU has little appetite to come up with similar tailor-made complex solutions for the UK.

The Canada model: In principle, it would be possible to negotiate a bilateral free trade agreement along the lines of the current deal with Canada. This allows Canada reduced tariffs on exports to the EU, though it does not have full access to the Single Market. The deal also has only a minimal financial services component. Such an agreement would be difficult to negotiate: it would have to be agreed unanimously by the remaining 27 EU member states. The agreement with Canada took seven years to complete.

The Turkey model: Turkey, which has aspired to full EU membership, belongs to the Customs Union but not the Single Market. It therefore enjoys tariff-free trading on industrial goods moving across the borders with Greece and Bulgaria, but as it does not have access to the Single Market, it does not need to accept freedom of movement, or make any contributions to the EU budget.

The WTO model: This is the minimalist model in which the UK could continue to trade with the EU once basic terms are agreed over regulatory standards and customs processes. The UK would then be subject to the EU's common external tariffs for imports, and would have

to comply with EU rules on product standards, the environment and safety for exports. Often seen as the 'default option', it would be the easiest to negotiate but have the fewest benefits.

Comparing the models

So, what's best? The Swiss model is similar to the Norwegian relationship and would also create a BRINO. Both models differ little from full membership and would not achieve the main purpose of Brexit, which is to control immigration and regain sovereignty, since the UK would still be subject to EU freedom of movement rules and jurisdiction.

The same argument holds for a Turkey-style continuing membership of the Customs Union. Members of it are not allowed to enter into trade negotiations with third-party countries. Moreover, services are generally subject to tariffs in a Customs Union, with the exception of sectors that are opted out of them. Therefore, Customs Union models are most likely to only be acceptable as a transitory arrangement, as they would be politically unacceptable to the UK as having nothing to do with taking back control. The question would arise as to why the UK left in the first place, since it loses much and gains little. Turkey essentially belongs to it as a precursor for potentially joining the EU rather than leaving it.

The most benign option would be to seek a comprehensive independent trading agreement with the EU (the Canada model). The UK would therefore gain full control over immigration and be free to arrange other trade agreements with the rest of the world. But reaching and ratifying such a trade agreement would be time-consuming, probably taking five to ten years, and any agreement would have to be ratified by all individual EU member states. And it is hard to see why the EU would be interested in signing one, since it would imply that leaving the EU does not lead to weaker trade terms, or have other consequences. In the meantime, a transitional agreement would still be needed, in which the UK would have to continue to accept freedom of movement, payments to the EU budget and the jurisdiction of the ECJ, among other existing commitments. From a domestic political point of view, with a hung parliament and another general election possible before the due date of 2022, this long timeframe is difficult for the UK government. It is furthermore unlikely that the EU might somehow be persuaded to water down the principle of free movement of citizens. There is certainly anxiety over immigration in many EU countries, but it relates largely to immigration from outside the bloc.

The worst deal option is probably the WTO. A World Bank study in 2016 suggested that under WTO terms, the UK's trade in goods with the EU would be halved, and trade in services, which form a major part of UK exports, would fall by 60%. Moreover, EU membership gives UK-based banks a passport to operate across the Single Market, whereas WTO rules would not. For physical goods, WTO tariffs would be limited, but still high. The

WTO also offers little protection on non-tariff barriers such as licensing or approval regimes for goods. It is akin to crashing out of the EU, and is a recipe for a severe disruption in trade and travel. This scenario is therefore unlikely, though it would kick in as the 'default' option in the absence of any other deal. In reality, no major country relies wholly on the WTO arrangements; all have some sort of other deal in place.

Can the Brexit be canceled?

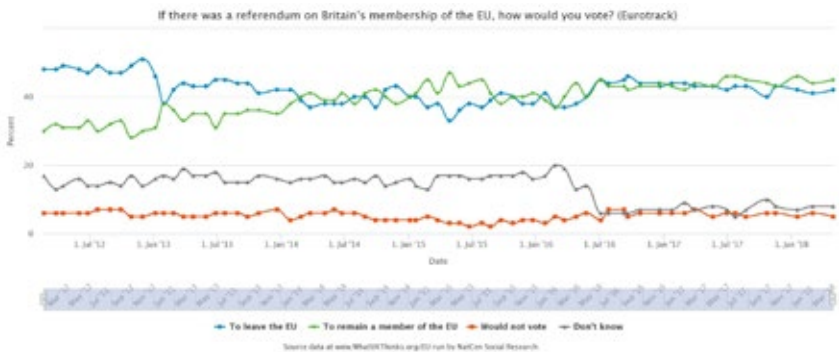
If all the available deals are economically and/or politically unpalatable, that poses the question: can the UK withdraw its Article 50 notification and cancel the Brexit? Major European politicians such as France's President Emmanuel Macron and European Council President Donald Tusk have suggested that there is a way back. Legal opinion however is divided on this question of whether this process can be revoked, and it would probably need the approval of all the 27 other EU member states to be readmitted. It would also need to be seen as a genuine attempt to return to the fold, and not some sort of tactic to extend the negotiations period.

Instead, a large campaign has emerged among Remain supporters in order to overturn the decision, principally by calling for a second referendum. Remainers argue that voters were misled during the original vote, the Leave campaign did not expect to win and so made outlandish statements, and certainly few people predicted the problems that would arise with the Northern Irish border over leaving. A second vote, in full possession of all the facts, would offer an opportunity to more calmly and rationally decide whether the future of the UK is better off inside, or outside, the EU, the campaigners say. On the first anniversary of the triggering of Article 50 in March 2018, a series of 'Stop Brexit' rallies were held across the country.

However, both the Conservative government and main Labour Party opposition have ruled out holding a second referendum. Both have committed to uphold the 'will of the people' in the first vote, and most Labour MPs have declined to vote against Brexit legislation, fearing a backlash from their own supporters who voted to Leave. This has been consistently seen in polling analysis which shows the Brexit vote did not go down party lines, where Conservatives largely backed Leave while Labour backed Remain, with allegiances largely split.

Recent polls also show that public opinion has largely not shifted over Brexit since the 2016 vote, though Remain would win a second referendum if held in 2018. A poll of polls conducted by the research group What UK Thinks showed that the 2016 result would be reversed, with Remain slightly in the lead on 52% versus 48% for Leave (see chart below). Since the 'don't knows' account for about 7% of the poll, it could go either way.[6]

EU referendum voting intentions since 2012



Source: What UK Thinks

Perhaps more worrying for a government with no parliamentary majority is other polls which show over half of British voters think it is doing a bad job in negotiating Brexit. A summary of 39 polls showed that at March 2018, on the first anniversary of the triggering of Article 50, some 26% of voters thought the government was handling talks 'very badly' and 30% though it was 'fairly badly'. Only 3% thought the talks were progressing 'very well' and 25% 'fairly well'.[7]

So it is highly unlikely that the Article 50 decision will be revoked without a drastic change in the composition of the UK parliament. This could be achieved by a motion of no confidence being called in the government by Labour, which would trigger fresh elections if the government loses it. Such an event has not occurred since Labour lost a no-confidence vote in 1979 and then lost the subsequent general election, ushering in the Conservative government of Margaret Thatcher. With no overall majority in the UK parliament, and only a wafer-thin majority (assuming the 10 DUP MPs honor their "confidence and supply" agreement), this outcome has been encouraged by opponents of the ruling Conservatives. However, with opinion polls running neck-and-neck, there is no guarantee that Labour would go on to win the subsequent election, or that it would call a second referendum if it did. Time is running out as well. After the 29 March 2010 exit day passes, the UK is out of the EU and would have to reapply for membership on the basis of Article 49 of the Lisbon Treaty.

A final possibility is a growing campaign to give UK voters a say on the final deal, in practice calling a second referendum to authorize the outcome of the first. What question would be

[6/7] What UK Thinks poll of polls, April 2018 https://whatukthinks.org/eu/questions/if-there-was-a-referendum-on-britains-membership-of-the-eu-how-would-you-vote-2/

posed remains vague, since in a referendum format, voters could effectively only answer 'yes' or 'no' to either approving whatever deal is struck, or canceling the whole thing. And even if the latter event occurred, the UK would still need to withdraw Article 50 and effectively reapply to join the EU. Subsequently, analysts believe that the issue is not one of overturning Brexit, but trying to predict what kind of trade deal and political settlement eventually emerges.

Two issues partially settled

Finally, it's not all the great unknown – two issues have been settled in principle regarding the UK's divorce bill and the status of millions of expats, though both remain subject to legal guarantees, or a future treaty. The divorce bill was essentially a game of numbers, and subject to the inevitable horse-trading, though actual financial liabilities to the bloc are unclear. The EU has estimated the UK's commitment to be 60 billion euros, while the UK came up with the slightly lower figure (allowing for exchange rates) of 45 billion pounds. These include things such as structural commitments to eastern Europe and the pensions to be paid to EU civil servants, for which the UK is partly liable. The payments can be spread out over a long timeframe.

Expats presented another sensitive issue. Some 1.2 million UK nationals currently live in the EU – including over 300,000 in Spain – while 3.3 million citizens of EU member states live in the UK. Theresa May offered a 'settled status' to EU nationals who have lived in the UK for five years, mirroring the traditional 'permanent residency' immigration role for foreign citizens who have five-year tax records and no criminal convictions. A thornier issue is what to do with the children of EU nationals who were born in the UK, or those who have been resident in the UK for longer than five years, but don't have consistent tax records, have claimed benefits, or fallen foul of the law.

The residency issue was tested in court in February 2018 when a group of British expats living in the Netherlands asked a Dutch court to protect their rights as 'EU citizens'. At the heart of the issue is whether someone living within the EU is both a citizen of their home country and also the European Union. This type of 'dual nationality' was enshrined in the Maastricht Treaty of 1993, but has never been tested in court, and may not legally apply to citizens of a nation leaving the bloc. UK expats insist that EU Citizenship – and therefore their rights to live and work in another country – is a human right and cannot be removed by a referendum. The Dutch court referred the issue to the European Court of Justice, which is expected to make a ruling in the second half of 2018.

Conclusion

The British economist Simon Wren-Lewis recently wrote in a blog about Brexit: "It is obvious what has to happen in the end: the UK stays in the Customs Union and Single Market, either inside or outside the EU". This would indeed appear to be a practical solution to a problem that has vexed the UK and dominated its politics for decades... but is it obvious? Remaining in the Customs Union and the Single Market outside the EU would be the most beneficial outcome from an economic point of view: in an increasingly intertwined world, Britain would continue to experience frictionless trade, remain a member of the largest internal market in the world, and continue to profit from the critical mass invested in its financial center of the City of London.

But will this rational outcome really materialize? Politically it sounds much less attractive, as the UK would become a rule-taker or vassal state. That is a role more easily palatable for a country such as Norway with a population of only 5.3 million people compared to the 66 million inhabitants of the UK. So, the UK government will likely have to show its commitment to settling for an alternative arrangement which could be sold as 'better' one way or the other. Years of arguing would follow. Meanwhile, the issue of the Northern Irish border may prove unsurmountable, since the choice of a hard Brexit but a soft border is legally and logistically impossible.

Then again, these are unprecedented times for a once United Kingdom. The prospect of a reunification of Ireland – for decades thought of as impossible – is now an option, backed by the fact that a majority of voters in Northern Ireland supported Remain. Independence for Scotland, which also backed Remain, also looks increasingly possible. This would lead to the break-up of the UK, leaving only a rump England and Wales, along with any historic territories. The pro-Brexit campaign shows no sign of giving up its dream of 'taking back control', fighting not only Remainers, but their own increasingly beleaguered Conservative government. Once again, the thorny issue of Europe is splitting the Conservatives, and it may prove career-ending for yet another prime minister.

Much will therefore depend on the progress of talks, and what kind of trading model does eventually emerge. The UK has already conceded much, though the EU has stated that it won't back down on its sacred cows of freedom of movement, a single market (and for 19 nations, a single currency), an overarching independent authority in the form of the European Court of Justice, and a pervading dream of unity that came out of the ashes of the Second World War. The Brexit symbolizes disunity, and like all divorces, the EU is unlikely to smile kindly on terms demanded by the UK. Xavier Bettel's comment that "Before they were in with a lot of opt-outs, now they are out they want a lot of opt-ins" perhaps sums it all up nicely.

On that basis, the best and most efficient way to be out-but-in would be adopting the BRINO model. It could well be that while Britain will formally be outside the EU from 29 March 2019, it will in practice continue to be a member for many years to come: A Brexit in Name Only, indeed!

Appendix: the Brexit backdrop

Early history: The UK has never had an easy relationship with the European Union. Created by the Treaty of Rome in 1957 to promote post-war economic recovery, the UK first tried to join what was then the European Economic Community (EEC) in the 1960s, but was blocked by French President Charles de Gaulle. He claimed that since the British still lay claim to an empire, it didn't need another one, and as an Anglo-Saxon nation it was not suited to membership of a body of six very different cultures: France, (West) Germany, the Netherlands, Belgium, Luxembourg and Italy. The British Empire was eventually lost, but De Gaulle was proved right about Britain's fundamental unsuitability for continental culture.

First referendum: Persevering with its membership aspirations after De Gaulle died in 1970, Conservative Prime Minister Ted Heath took Britain into the EEC in 1973, but faced political protests that he lacked a popular mandate to do so. Heath's successor Harold Wilson called a referendum – the first of its kind to be staged in Britain – which overwhelmingly approved membership in 1975.

Thatcher vs. Brussels: The Margaret Thatcher years of the 1980s proved to be fairly fruitful for the UK's relationship with Europe, though she certainly proved able at times to resist European interference in UK affairs. In her famous 'Bruges Speech' of 1988, she said: "We have not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at a European level, with a European super-state exercising a new dominance from Brussels." But she did take the UK into the European Exchange Rate Mechanism – the precursor to the euro – before the country spectacularly crashed out of it during 'Black Wednesday' in 1992.

Maastricht Treaty: The real turning point occurred in 1993, when the Maastricht Treaty introduced far greater controls over nation states by the European Commission. Outraged over the relinquishing of some national sovereignty as more power passed to Brussels, former Conservative party member Nigel Farage founded the United Kingdom Independent Party (UKIP) and later became a Member of the European Parliament, dedicated to attacking it. And Prime Minister John Major faced repeated challenges to his authority from parliamentary 'Eurosceptics', ultimately badly losing the 1997 election to the pro-European Labour Party leader Tony Blair.

Brexit referendum: Riven with pro- and anti-European factions for the next two decades, the Conservatives eventually caved in to the growing clamor and electoral threat from UKIP by calling a referendum on EU membership in June 2016. Prime Minister David Cameron led the 'Remain' campaign while some of his Tory party colleagues, led by former London Mayor Boris Johnson, campaigned to 'Leave'. It proved to be a gamble that backfired: against all opinion polls, the Leave campaign polled 51.9% of the vote against 48.1% for

Remain, and Britain's troubled 43-year EU marriage was over. Cameron resigned, to be replaced by Home Secretary Theresa May, who had also campaigned for Remain.

Triggering Article 50: The referendum vote was legally non-binding, but was accepted by the UK government as representing the 'will of the people', answering a question that had vexed the country for decades. An Act of Parliament to authorize the Brexit process was passed, and a Cabinet post of Secretary of State for Exiting the European Union was created, with a team of ministers and civil servants. On 29 March 2017, May triggered Article 50 of the Lisbon Treaty in a letter to EU Council President Donald Tusk, invoking the legal clause that allows member states to leave. A day after triggering Article 50, the government published the Great Repeal Bill white paper – legislation which would gradually unpick all EU laws applying to the UK.

Election gamble: Acutely aware that she was an accidental prime minister, May called a general election for June 2017 – even though one was not required until May 2020 – to try to win a mandate for both herself and Brexit. However, the gamble backfired when the Conservatives lost 30 seats to the main opposition Labour party and lost its overall majority, creating a 'hung parliament'. May clung onto power by agreeing a 'confidence and supply' deal with the Democratic Unionist Party (DUP), a traditional Conservative ally in Northern Ireland. This means the DUP's 10 MPs will vote with the government, giving them an overall majority of two.

Exit talks begin: In June 2017, the first round of talks began with the EU but immediately became bogged down over the issues of the final divorce bill, the status of expats and the Irish border. A second round was held in July, with negotiating rounds every month thereafter, leading to a progress statement after the fifth round in October. A 'settled status' scheme was offered for EU citizens and their families living in the UK, with a reciprocal deal for Britons living within the EU. A divorce bill of about GBP 45 billion was largely agreed, but the UK remains stuck as to what to do with the Irish border. Phase 1 of the exit talks was concluded, leading to Phase 2 about transition and trade beginning in January 2018.

Transition deal agreed: In September 2017, the UK asked the EU for a 'transition period' of an additional two years in which it would de facto remain part of the EU until March 2021. This was later scaled back to the end of 2020 when the UK's budgetary contributions to the EU end. Politically this caused problems among Eurosceptics anxious to avoid the UK becoming a 'vassal state' in which the country has not really achieved a Brexit, and may still be beholden to the EU for many years to come. In May 2018, it was reported that a further two years of transition may be required in order to solve the Irish border issue, which if confirmed would take the saga up until 2023, or seven years after the original referendum.

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The RobecoSAM collective investment schemes ("RobecoSAM Funds") in scope are sub funds under the Undertakings for Collective Investment in Transferable Securities (UCITS) of MULTIPARTNER SICAV, managed by GAM (Luxembourg) S.A., ("Multipartner"). Multipartner SICAV is incorporated as a Société d'Investissement à Capital Variable which is governed by Luxembourg law. The custodian is State Street Bank Luxembourg S.C.A., 49, Avenue J. F. Kennedy, L-1855 Luxembourg. The prospectus, the Key Investor Information Documents (KIIDs), the articles of association, the annual and semi-annual reports of the RobecoSAM Funds, as well as the list of the purchases and sales which the RobecoSAM Fund(s) has undertaken during the financial year, may be obtained, on simple request and free of charge, via the website www.robecosam.com or www.funds.gam.com.

Version Q1/18

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