

NEGOTIATING BREXIT



Klaus Meyer
Ivey Business School

On 23 June 2016 a majority of 52% of UK voters supported the proposition to leave the European Union (EU) in an advisory referendum. Following a swift change of Prime Minister, the UK government triggered the exit process from the EU on 29 March 2017, which according to the rules of the EU implied that the UK would leave the EU on 30 March 2019. Negotiations ensued regarding the conditions of the exit and the future relationship between the EU and the UK. While the UK government pronounced its intention to leave all EU-institutions, it also aimed to maintain free trade and an open border between Northern Ireland (which is part of the UK) and the Republic of Ireland (which is part of the EU), which would become the outer border of the EU. Businesses were exploring the options and lobbying the government to consider their interests when designing the UK's future international trade regime.

A TRADING NATION

The UK has had a long tradition of international trade dating back to its colonial empire when it could shape the rules of the game for a large part of the world economy. In 2017, the UK economy was highly integrated both in the EU and in the global economy. Roughly half the exports and imports from the UK went to other EU countries (Figures 1 and 2). Countries that had free trade or customs union agreements with the EU also featured prominently among trading partners, including Switzerland, Norway, Canada, Turkey and Singapore. The USA and China were the main partners outside the EU, accounting for 13.5% and 4.8% of exports, and for 8.7% and 7.4% of imports.