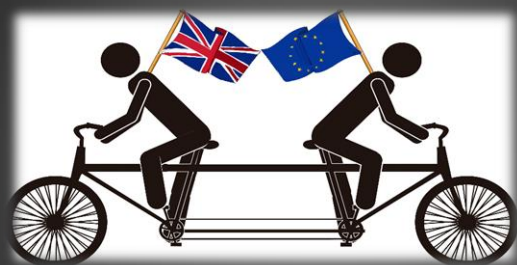


# BREXIT or Global EXIT?



Michel Henry Bouchet  
[www.developingfinance.org](http://www.developingfinance.org)

# SK

**skema**  
BUSINESS SCHOOL

EFMD  
**EQUIS**  
ACCREDITED



## What did **BREXIT** mean for the UK, for the EU and for globalization?



### LEAVE

- ☞ EU membership is the problem, not the solution
- ☞ Popular discontent with rising economic insecurity, stalled living standards and inequality
- ☞ Unconstrained free market without EU's bureaucrats
- ☞ Take back control over UK affairs
- ☞ Slashing immigration

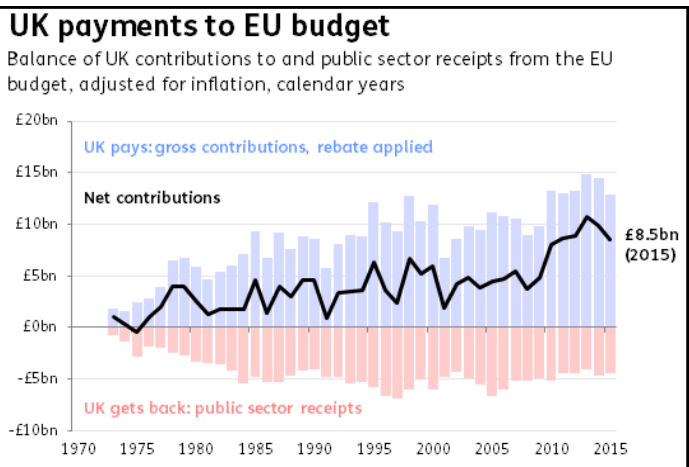
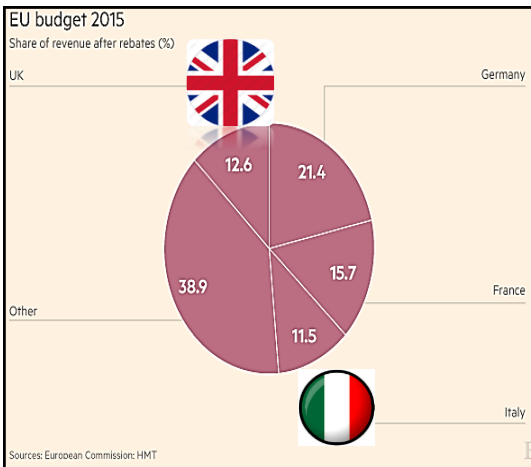


### REMAIN

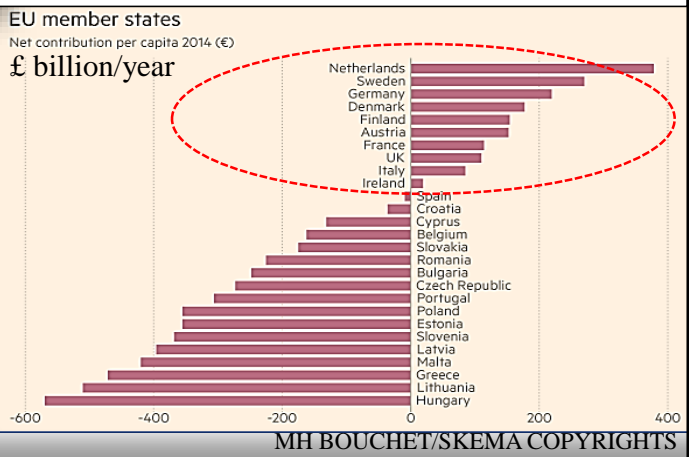
- Continued free movement of people
- Economic and trade integration in the single market
- Political partnership
- Close cooperative relationships with EU neighbours



MH BOUCHET/SKEMA COPYRIGHTS



British's **net budget contribution** to the EU budget after rebate must factor in payments to the UK private sector, farm subsidies, research funding, and transfers to state agencies!



# Macroeconomic impact of BREXIT?

## ☞ Impact on the UK

Bad for the £ and FDI

Bad for the City:

European passport

Bad for import cost

Bad for exports

= -5% GDP by 2030?

No more EIB

infrastructure loans

But...deeper economic  
integration with the US  
and the Commonwealth?

## ☞ Impact on the EU

Still 450 million  
consumers but  
anemic growth

Weaker €

ECB fights back!

## ☞ Global Impact

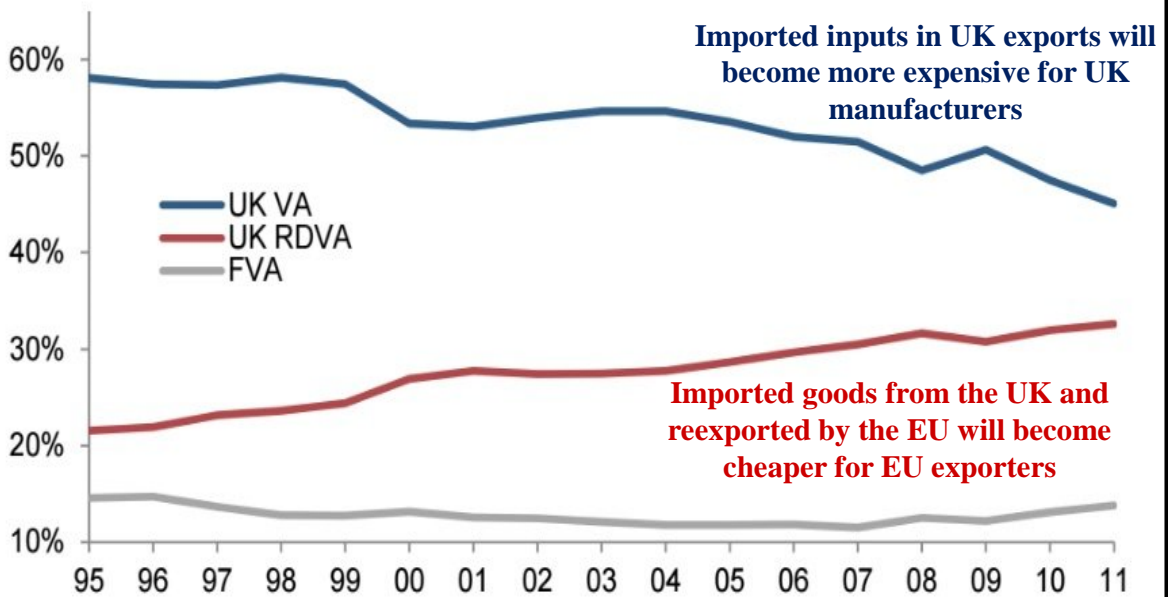
Rush to safe  
assets: Yen, FS  
and gold



MH BOUCHET/SKEMA COPYRIGHTS

## EU's supply and value chain: Breakdown of UK exports to the EU between consumed goods (blue) and re-exports (red)

Value added as % gross exports

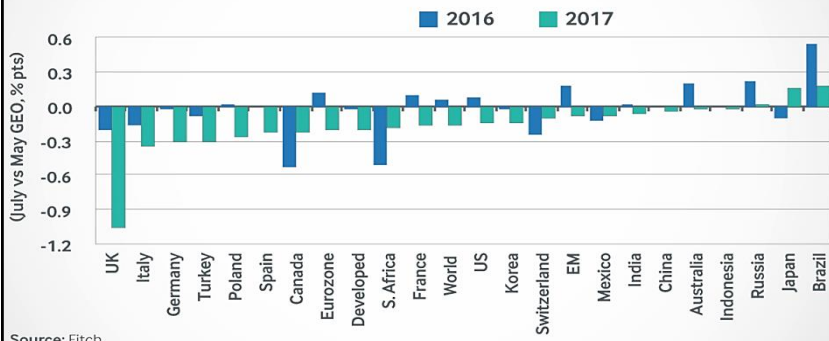


Source: World Input-Output Database, Credit Suisse

MH BOUCHET/SKEMA COPYRIGHTS

# Economic impact of Brexit?

## Revisions to Fitch GDP Growth Forecasts



Source: Fitch

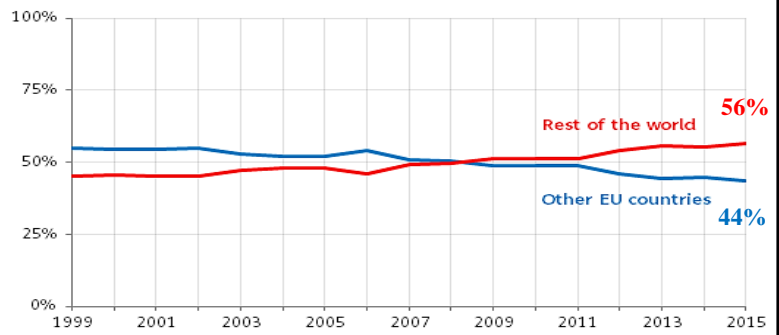
A UK economic problem, not a global problem

The UK runs a large trade deficit with the EU, from which come 53% of imports, hence a price rise due to the £/€ depreciation

Source: ONS-Table L7D7

## Who's buying UK exports?

UK exports of goods and services to other EU countries and to countries outside the EU, as a proportion of total exports.





## What to do next?

- ☞ A trade deal must be negotiated chapter by chapter, industry by industry (art. 50)
- ☞ Complex trade-offs will be needed and ratification may be delayed.
- ☞ Fortunately, Britain runs a large trade deficit with the rest of the EU and EU countries will want to complete a deal quickly!



MH BOUCHET/SKEMA COPYRIGHTS

## Can the **UK** remain a global power without being first a **European** one?

- With its own currency, the £, the UK benefits from a three-fold financial sovereignty: exchange rate, budgetary, and monetary!
- It will now be possible to add the control over migration flows and to launch a large economic stimulus package to boost growth and jobs?



MH BOUCHET/SKEMA COPYRIGHTS





## BREXIT or GLOXIT?



**Conventional wisdom** = globalization has stalled and is heading into reverse: Brexit + Trump + deflation + trade slowdown + nationalism+ identity dissolution

Fact: Governments and institutions of all types have lost **legitimacy** worldwide nowadays

Fact: Although the global goods trade has flattened and cross-border capital flows have declined sharply since 2008, globalization is entering a new phase with **soaring flows of data and information**

**Scope for more transparency and enhanced global citizenship?**



MH BOUCHET/SKEMA COPYRIGHTS

# BREXIT or GLOXIT?

- ☞ Challenge 1: how to give globalization the **leadership** it lacks and the **human face** it needs for inclusive growth?
- ☞ Challenge 2: in an interdependent world, countries have to get the balance right between the **autonomy** they desire and the global **co-operation** they need



MH BOUCHET/SKEMA COPYRIGHTS

## Where do we stand? An impasse since the UK's scheduled exit in March 2019

- ☞ In the summer 2019, Ursula von der Leyen, the nominee to lead the European commission, signalled she will not reopen Brexit talks with the next British prime minister and stressed the “precious” Irish backstop must be defended. The EU still hopes the UK would remain in the European Union, without any intention to renegotiate the withdrawal deal agreed by Theresa May and EU leaders.
- ☞ The backstop - the most controversial part of the deal Theresa May negotiated with the EU - is a position of last resort to prevent any new checks or controls on the Irish border after Brexit.



MH BOUCHET/SKEMA COPYRIGHTS