

Background

Much of the debate has focused on the impact of Brexit on the UK – but what do other countries expect the impact of Brexit to be on them? This resource takes a look at the possible economic impact of Brexit on a number of the countries that have featured in the Beyond the Bike journey. Students should read the data, and then suggest and evaluate 2 or 3 possible macro policies that should be implemented by each country, should the UK decide to vote for Brexit.

Task

Country	Relevant Economic Data	Post-Brexit Government Policy
The Netherlands	<p>The Netherlands has very close economic ties with the UK, perhaps closer than any other EU country. The OECD has recently placed the Netherlands top of its list of countries that would be harmed by Brexit, with an overall decline in Dutch GDP of 2% by 2030 because of rising trade costs (that's about €1000 per person). The worst hit sectors in the Dutch economy would be plastics, rubber, motor vehicles/parts, and food processing, whose revenues are expected to decline by 5% following Brexit. This will be due to both a sharp decline in the value of Sterling against the Euro, and also a reduction in free trade until new terms are agreed.</p> <p>Political impact: Forecasters also believe that a vote for UK Brexit would prompt a call for an In-Out referendum in the Netherlands too.</p> <p>Bond yields: around 4% in 2013, but since then a gradual decline – since the Referendum date was announced, the Dutch bond yields have declined sharply to 0.29% as demand for their bonds has shot up. This allows the government to borrow cheaply but is bad news for this nation of savers.</p> <p>Value of trade with the UK: The UK has a large trade deficit with the Netherlands, and furthermore, a significant amount of the UK's exports pass through the Netherlands on their way to other EU countries, creating jobs and a multiplier effect. One third of all the inwards FDI into the Netherlands comes from the UK. This suggests that the UK is crucial to the success of the Dutch economy, and therefore it would be in the interests of the Dutch to campaign for the UK to have full access to the Single Market following a Brexit vote.</p> <p>Opportunities: the majority of Dutch citizens speak fantastic English, and some of their analysts expect that much of the financial services and professional services industry could relocate from London to Amsterdam and other major cities in the Netherlands.</p>	

Brexit Analysis

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South Africa	<p>The South African economy is in recession, with GDP shrinking by 1.2% in the first quarter of 2016. Both the UK and the EU are important trading partners of S Africa, with South Africa being the largest African trading partner with the UK – 3.7% of S Africa's trade by value is with the UK. Furthermore, 20% of all S African exports end up in the UK.</p> <p>Analysts believe that the first major impact on S Africa, though, would come from increased global uncertainty and volatility on global stock markets. The increased uncertainty on stock markets would likely raise interest rates and reduce growth in S Africa. Analysts believe that Brexit would shave around 0.1% off S African GDP. And, if capital markets become very volatile, then there may be capital restrictions put in place in London's financial markets, making it more difficult for emerging economies such as S Africa to access finance and credit at reasonable rates.</p> <p>Furthermore, Brexit could prompt renegotiation of the recently signed EU-South African Development Community Economic Partnership Agreement, which is a bilateral trade agreement governing things from trade in wine and spirits, S African specialities such as rooibos tea,</p> <p>Typically, the UK has had a reasonably good "outwards focus" in relation to African countries, especially ex-colonies, in terms of the provision of aid and financial support. Some people are concerned that this might stop – although there is no real evidence to suggest that this might be the case, and that the opposite could occur. The UK is also currently one of the biggest donors to the EU's European Development Fund, providing 14.8% of the funds. This would end in the case of Brexit. 45% of South Africa's inwards FDI comes from the UK (equivalent to 60% of the overall FDI from the EU).</p> <p>Value of South African Rand against Sterling: whilst Sterling is pretty weak against many countries it is currently strong against the Rand, making S Africa an ideal holiday destination for many Brits.</p>	

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UAE	<p>The head of Dubai-based airline Emirates has recently expressed concern over the impact on travel in the EU if Brexit occurs. Brexit is likely to lead to a lack of confidence and increased economic volatility, which will reduce the number of airline passengers. In addition, the UK may need to renegotiate its access to the EU's "open skies" agreement. Airlines may decide to move their "hubs" into the EU (Dublin is a hot favourite!) so as to prevent the need for passengers to transit in Heathrow or Gatwick.</p> <p>Many Middle Eastern citizens own property in London – it's a fashionable place to live, and also provides easy access to the EU. There is a good chance that these people will choose to relocate following Brexit – this might help London's bubbling property market, but will be frustrating for the house-sellers in terms of costs incurred.</p> <p>Tourism to the Gulf area is expected to decline should Brexit occur, owing to depreciation of Sterling – this would be particularly problematic for places such as Dubai and Abu Dhabi because they have also be negatively affected by the weak Russian Rouble and Chinese Yuan. However, this could be offset by increased activity by UK multinational companies who may seek alternative investment destinations.</p>	