VinIntell

SEPTEMBER 2018, ISSUE 37

BREXIT

THE KNOWNS AND MOSTLY UNKNOWNS FOR SA WINE EXPORTS

CONTENTS

INTRODUCTION

The UK is entering the final straight of decision-time on Brexit. On 29 March 2019, it is scheduled to leave the European customs union. What is as yet clear is what exactly will happen on and post Brexit day or what the agreement will look like or where negotiations are heading. On 23 June 2016 Britain voted to leave the EU (see timeline). Talks on the substantive issue of future trading relationship have yet to start and a deal is awaited in October 2018 to allow time for ratification. While for now the UK is still subject to the laws of the EU until its exit, extricating the UK from the EU is a complex and protracted process characterised by noise and posturing and even spying[1]. Now, with a deal still far off, both the UK and the EU could work towards an interim arrangement, with the incomplete aspects left to be negotiated over the next several years. The biggest risk is that the political wrangling in the UK could lead to the collapse of Prime Minister Theresa May's government and/or another general election, raising further uncertainty over the UK's Brexit policies. Furthermore the UK and EU may prove too inflexible, increasing the chances of the UK leaving the EU with no agreement in place. This will undermine business and consumer sentiment further. In brief time is running out for a smooth Brexit with stable outcomes.

Trade and investment will be affected most by Brexit as the uncertainty of the intervening period could complicate exports to the UK. Most of the trade arrangements the UK has with African countries were negotiated through the EU. This means the agreements will cease to apply or will have to be renegotiated when the UK finally leaves the EU, a process that will take two years from the time it officially informs the EU of its intention to pull out. During this time Africa will be in an uncertain position as the UK will no longer shape and lead some of the most important initiatives on the African continent that form the basis of co-operation between Europe and the continent. Emerging economies like South Africa could be hard-hit by a slump in the UK economy and since South Africa exports 24% of its wines in volume to the UK, for instance, the South African wine industry is already bracing for future losses.

The UK imported 1.3 bn litres wine in 2017 – sparkling wine 150.8 million litres, bottled wine 724.0 million litres, BiB 7.9 million litres and bulk wine 486.6 million litres (Comtrade).

This edition of VinIntell looks at the final possibly long Brexit lap and how this might affect South Africa's wine trade with the UK.

UK WINE INDUSTRY

This section looks at the effect of Brexit on trade, business, consumers and the British economy. Brexit will have high costs for UK wine consumers, retailers and the bottling and distribution industries. The UK wine industry is small but growing, with more than 500 vineyards and about 130 wineries in England and Wales cultivating 2 000 ha. Many of these wineries produce sparkling wine. The local UK wineries (who supply less than 0.5% of all domestic wine sales and less than 4% of sparkling wine sales) are projected to sell less wine domestically because of reduced demand, and export only a little extra (5% or 7 million litres) abroad in 2025 with help from the pound's devaluation[2]. Overall the production is just 3% higher in 2025 in the hard or large

Brexit scenario[3]. The availably of affordable labour and skills will be a challenge because of tighter border control inhibiting people movement. On a more positive note, Brexit might positively impact on the UK producers in the sense that UK supermarkets will only be able to absorb the higher costs of imported wine for a limited time thereby providing locally produced wines with an advantage to trade locally. This is because retailers will not have to raise prices because of the exchange rate or tariffs (the price of a typical bottle in wine shops already reaches new highs (£5.5; 3% increase on 2016) (UK's Wine and Spirit Trade Association – WSTA). The UK is the largest per-capita importer of wine in the world with about half coming from the EU. So, British wines will seem relatively less expensive, encouraging people to switch over. At present, small-scale production and a focus on sparkling wine make it a pricier alternative to imported bottles.

It is assumed that UK incomes will fall and that the Pound will lose power. The UK Trade Policy Observatory found that Brexit would make it "much worse" for the UK's wine drinkers (71% of the adult population) with economic growth under pressure;[4] from a 0.9% economic growth with a large or hard Brexit and a 20% fall in the pound to a 1.7% growth with a soft or small Brexit and a 10% fall in the Pound. This is assuming that no free-trade deal with the EU will be in place by 2025. Indeed, Brexit will be costly to UK consumers of imported wine assuming the UK initially adopts the same tariff schedule as the EU. In the large or hard Brexit scenario, the domestic retail price in local currency tax-inclusive terms will be 22% higher than it otherwise would be in 2025 and the volume of wine consumed domestically will be 28% lower. Even the soft or small Brexit prices will be 11% higher prices with 17% lower quantities. The knock-on effect of this is a red flag for the UK wine bottling, transporting, storing, wholesaling and retailing businesses, in addition to restaurants and pubs. This is not even due to higher import tariffs.

Brexit will also have a heavy impact on historic trade patterns into and from the EU. The UK is already losing its reputation as a key player in the wine world, and Brexit will accelerate this decline. The UK accounts for nearly 15% of the world's wine imports. The decline in consumption assumed in the most severe Brexit scenario would have a ripple effect, depressing the value of the global wine trade by 3.5%. After Brexit the UK will lose more than 750 international agreements (trade, regulatory cooperation, fisheries, transport, customs, nuclear and agriculture (Financial Times Research that includes UN and WTO deals). The WSTA is therefore set on promoting an exit from the EU that minimises disruption to historic trade flows in order to exploit all opportunities that might be presented e.g. free trade agreements with countries. It is working with trading partners to develop agreements to ensure that Brexit does not disrupt the trade flow of wine and spirits in and out of the UK while the World Wine Trade Group (WWTG) has become an effective trade facilitation group which the UK should join post Brexit (WSTA Brexit Paper).

Wine exporters in the EU are also affected. The EU27 wine exporters will export 151 million litres less wine in 2025 in a hard Brexit scenario while exporters in the rest of the world including South Africa and Chile will export 90 million litres or USD630 million less in this scenario. South Africa's preferences into the UK market disappear notwithstanding the levelling of the playing field in the UK market for imported wine. It is projected that UK wine exports might increase post Brexit by 5% by 2025 under the most severe Brexit scenario (see Scenarios). The fledgling producer base might be incentivised to grow the production of wine and grow exports.

From a broader economic and trade viewpoint, the UK's growth is expected to be negatively affected (1.5% forecast, 2018) meaning less disposable income, higher prices and lower margins. This will impact on volumes consumed. In order to assist the local industry, the UK government might lower taxes on wine consumption (to become more like other EU wine-producing countries); adopt lower or zero taxes on wine imports (to become the Hong Kong of Europe); join the World Wine Trade Group (to harmonise standards with other wine-exporting countries and lower trade costs); and adopt better macroeconomic policies to boost UK economic growth. However, a free-trade agreement with the EU after the UK exits the bloc would not necessarily make Brexit more manageable for the wine industry. The average tariff on non-EU wine imports is only around 13 pence per litre. Imposing a similar cost on EU wine imports after the UK leaves the EU would not help; almost all of the post-Brexit price increases and expected decline in consumption would result of the pound's decline and a general reduction in incomes (inflation-adjusted wages have already started to decline).

IMPACT ON SOUTH AFRICA

How Brexit will pan out and impact on South African UK trade over the next few years is not an exact science. Effects could be wide-ranging: many South African companies have their European headquarters in the UK, which they use as a base to serve the rest of Europe. Therefore how they do business in the UK and the EU will be affected while international trade agreements are abound to be redefined. Wine exporters to the UK like South Africa and Chile are more vulnerable to Brexit woes than Australia and New Zealand because they currently have preferential access to the EU (and thus British) market. South Africa, the UK's largest African trading partner, will bear the brunt of Brexit. South Africa will need to negotiate a new trade agreement with the UK giving free or preferential market access to its wine. Without such an agreement between the UK and the EU, South African wine would have to be exported under the WTO rules which mean they will be subjected to the Most Favoured Nation (MFN) rate.

When Brexit takes effect, South Africa's gross domestic product (GDP) could shrink by 0.1%, setting the economy on a downward spiral according to Raymond Parsons and Wilma Viviers, professors at South Africa's North-West University. Potentially weaker trade and investment ties with traditional foreign markets mean less job creation and yet higher unemployment. Brexit could also lead to a slowdown in trade with the EU, lower investor confidence and high unemployment. This is not good news for South Africa.[5] South Africa is a key wine supplier to the UK in terms of volume (total 107.3 million litres, bottled 35%, bulk 65%) and value (total ZAR1 761 bn, bottled ZAR1 251 bn, bulk ZAR510 million) [SAWIS 2017]. South African wine is currently exported to the EU under the EU-SADC EPA

SA-UK-EU Trade Contextual Facts

- UK is SA's 6th largest import/export market (global terms, 2017)
- Second only to Germany (EU context)
- Total trade: R79.5 billion
- Total Exports 2017: R46.53 billion
- Total Imports: R 33.28 Billion
- SA is the 8th largest wine-producing country in the world, 4% of global wine production and 4% of global exports. (OIV, 2017)
- SA exported to the world 448.4 million litres of wine: 273.7 million litres in containers more than 2 litres (bulk) and 174.7 million litres in containers of 2 litres or less (bottled).
- SA's 2017 exports to the EU (44.4% of total exports) were 69.1 million litres bottled and 130 million litres bulk with a total value of ZAR3 566 bn.
- SA's market access is significantly enhanced under the Economic Partnership Agreement (EU-SADC EPA) signed between the EU and SA, together with Botswana, Lesotho, Namibia, Swaziland (BLNS) and Mozambique in June 2016.
- Under the EU-SADC EPA, 110 million litres (77 million litres bottled and 33 million litres bulk) of SA wine is permitted to enter the EU market duty-free in the first year of implementation.
- After the first year of implementation, the duty-free quota will increase annually by 1 059 000 litres: 741 300 litres bottled and 317 700 litres bulk (see paragraph 12 of the Annex 1 to the EU-SADC EPA). The out-of-quota wine exports to the EU will be subject to the most-favoured nation (MFN) rate.
- Wholesalers (EU) support the import of bulk wine as they will able to squeeze pricing from exporters. Most of the UK firms (e.g. Asda) have increased their sourcing of bulk wine from South Africa in recent years.
- Demand for SA bottled wine decreased resulting in closures and retrenchments within the wine packaging industry.

and it will continue to be exported to the UK under this agreement until Brexit. After Brexit, South African wine will no longer have access to the UK market through the EU-SADC EPA. However the duty-free quota under the EU-SADC EPA remains and will be shared among the remaining EU members.

The UK might sign a trade deal with South Africa under which wine (among other products) will have preferential market access considering the UK wholesalers/retailers' interest in South African (particularly bulk) wine, along with the historical and close trade ties between the two countries. Such a preferential trading arrangement (perhaps EU-SADC EPA equivalent) would benefit the South African wine industry/exports. The UK market for wine (without a preferential trade arrangement) is complex. Duties and taxes for wine imported into the UK are high, increasing each year by inflation or retail price index (RPI)[6]. In March 2017, the duty on wine (and beer, ciders, spirits) increased by 3.7%.[7] In addition, the UK retailers are hard negotiators and sales are predominantly focused on the retail discount culture and brand loyalty is hard to achieve.[8]

South Africa's wine trade competitors in Europe (France, Italy, Spain and others) previously had tariff-free access to the UK market and so will face new barriers to trade. But, as Anderson and Wittwer note, the likely tariff rate of 13 pence per litre is dwarfed by Britain's domestic excise tax of nearly £3 per litre and 20% VAT. If the UK were to leave the EU, trade agreements would have to be renegotiated, with no guarantee of an equally favourable outcome. Also, if growth in the UK remains sluggish after Brexit, demand for imported goods would likely be hit, with a negative knock-on effect for South Africa.[9]

SCENARIOS

Broadly there is a continuum of scenarios with as extremes No Brexit (Free Trade Area of the Hong Kong of Europe) and Soft (Small) Brexit. On the continuum the present more likely scenario is Hard (Large) Brexit. Much is being published about all the possible options on the continuum from a highly disruptive exit without agreement to a smoother path that sacrifices control in order to remain enmeshed in the EU's single market. Each confronts the UK with a choice between political independence, economic performance, and the speed of change. The most likely path at present is Large or Hard Brexit with the UK adopting the same tariff barriers as the EU27 and with time to restore free trade arrangements with Chile and South Africa.

Then there is the dreaded lynchpin: What is an eleventh-hour deal on the UK's withdrawal from the EU is not forthcoming by the end of 2018 and the UK decides to remain in the EU after all. The government withdraws its letter notifying the EU of its decision to leave the union. A breakdown in the Brexit negotiations in Brussels would lead to a parliamentary crisis at a time when public support for a referendum is rising and there will be still further support.[10] [11] The No Deal is simply not a viable option as everyone will lose. From a South African perspective, on a positive note there will be a slight decline in the local wine price which translates in more volumes being consumed but with zero tariffs on all wines current preferences on EU, Chilean and South African wine imports disappear as all other wine exporters enjoy the same free access to UK wine markets. South African wine exports along with those from the EU and Chile however fall as the competitive situation equalises.

The latest posturing is that Prime Minister May is signalling that the UK wants a soft Brexit with the UK forging a close relationship with the EU and gives up on the idea of regaining control over many of the rules and regulations governing commerce. At the heart of the plan is a new UK-EU free trade area where Britain agrees to comply with EU rules for industrial goods such as safety standards along with regulations covering agriculture and food. There will also be a system of interlinked customs regimes while the UK will want to keep goods flowing between the UK and the EU and avoid customs checks and tariffs. Winning the EU's support however will not be easy and the UK is being accused of cherry-picking,[12] trying to benefit from the good bits of being in the bloc (like easy trade) without putting up with the obligations that the UK wants to shed like the free movement of people). For now, the two sides just need to agree on a framework for how it will work in order to avoid an angry divorce. Then Britain gets its two-year transition period, during which the real negotiations on an EU-UK trade deal will happen. This is just the start. Of the three scenarios, the most likely one is still Large Brexit with the UK adopting the same tariff barriers as the EU27 and with time restore free trade arrangements with Chile and South Africa (see table on page 8 & 9).

Affected Areas	Hard
Independence	UK leaves the EU and regains independence, free from (most) international regulations that apply to all member states of the union.
UK Electorate stance	Large part of UK population is not happy with outcome. Little difference between yes and no vote; 51.9% yes-voters not in favour of hard Brexit, nor all agreed for soft Brexit: as such, the number of unhappy citizens is bound to rise.
Consequences for EU	Significant consequences for the EU and Europe in general. Although a "divorce" between the UK and the EU is not likely to shift major international alliances and partnerships, it may have long-term consequences and may even trigger a domino effect, with more European countries possibly looking to leave the union (Swiss and Norway models).
Border Control Freedom of Movement Tariffs	Losing access to the single market will mean British exports to EU countries will be subject to customs checks and could attract tariff and non-tariff barriers. Over half of UK imports come from the EU and thorough customs checks would be applied to them too. That will create an additional administrative burden, adding costs and time to deliveries for UK consumers. Leaving the European custom union means the UK is no longer part of the single market; UK goods would be subject to higher tariffs, checks and controls. Reducing bureaucratic processes and travel barriers has created a common market, where people can move freely (more or less) and goods can be exchanged in a more expedite way The UK would not be able to enjoy the benefits of open borders and open markets.
Access to European Market / Treaties	Financial institutions in the City could lose access to European markets under the 'pass porting' scheme. All treaties and arrangement need to be renegotiated.
Impact on UK Economy	Opinions range from a boost to the UK economy, promoting local entrepreneurs and allowing the UK to regaining a central role in the global economy to an opinion that it would make the UK economy more vulnerable, and would isolate the country, thus losing all benefits of common and international trade agreements.
Stability	Greater stability in the UK and more confidence in the economy and sovereignty and more general satisfaction among population than a limbo state
Immigration	Control over immigration will take priority over access to the single market. UK implements strict regulations on immigration including EU citizens; more difficult for EU job seekers to settle and obtain citizenship; foreigners in the UK already to enjoy limited rights.
Consumer price of wine	Consumer price of wine 22% higher in the UK in local currency terms (20% because of real depreciation of the pound, 4% because of the new tariffs on EU, Chilean and South African wines, and -2% because of slower UK income growth).
UK wine consumption	28% lower (16% because of slower UK economic growth, 7% because of real depreciation of the pound, and 5% because of the new tariffs); super-premium still wine sales would be the most affected, dropping by two-fifths; sparkling and commercial wines drop by a little less than a quarter; average sales value would fall.
Wine imports	427 million litres less by 2025: 58 million litres less sparkling, 31 million litres less super premium; 338 million litres less commercial wine. South Africa exports 53 million litres less. Value of imports: 27% lower in 2025 (lower incomes, fall of pound, rise in wine import tariffs).
Value of British pound	The British pound would be 20% or 10% lower in real terms.

Affected Areas	Soft
Independence	UK leaves the EU and regains independence, free from (most) international regulations that apply to all member states of the union.
UK Electorate stance	Large part of UK population is not happy with outcome. Little difference between yes and no vote; 51.9% yes-voters not in favour of hard Brexit, nor all agreed for soft Brexit: as such, the number of unhappy citizens is bound to rise.
Consequences for EU	Significant consequences for the EU and Europe in general. Although a “divorce” between the UK and the EU is not likely to shift major international alliances and partnerships, it may have long-term consequences and may even trigger a domino effect, with more European countries possibly looking to leave the union (Swiss and Norway models).
Border Control Freedom of Movement Tariffs	UK retaining some form of membership of the European Union single market in return for allowing a degree of freedom of movement. Most economic models suggest this would reduce the impact on the UK and EU economies. All exports would not be subject to border controls. In other words, a soft Brexit may allow the United Kingdom to leave the European Union, while remaining a member of the European Economic Area (EEA). UK remains part of the single market, thus continuing to expedite the trading process, and preventing hikes in tariffs on English goods.
Access to European Market / Treaties	Relationship between the UK and the EU remain as close as possible. Many treaties and conventions would remain in force. UK might be allowed to access the European single market and remain in the EU.
Impact on UK Economy	Opinions range from a boost to the UK economy, promoting local entrepreneurs and allowing the UK to regaining a central role in the global economy to an opinion that it would make the UK economy more vulnerable, and would isolate the country, thus losing all benefits of common and international trade agreements.
Stability	UK is in limbo politically and economically but contra arguers reckon stability and relations with EU will improve.
Immigration	No drastic change in immigration rules. EU citizens maintain privileged access and foreigners in the UK have same rights as before the exit vote.
Consumer price of wine	Consumer prices for wine would rise 11%.
UK wine consumption	Volume consumed would drop 17% as a result of higher prices.
Wine imports	266 Million litres less by 2025. South Africa exports 43 million litres less.
Value of British pound	In the wake of the Brexit vote, the Pound fell to a six-year low against the euro and a 31-year low against the Dollar but long-term value loss will be less severe than large Brexit.

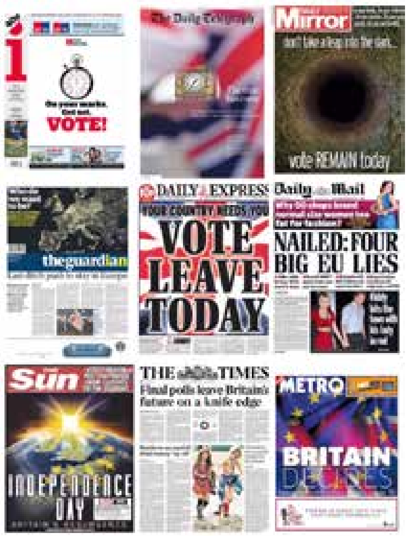
NEW DYNAMICS UNFOLDING

Reinvigorating Intra Africa Trade

Earlier in 2018, 49 of Africa's 55 countries signed the framework for the African Continental Free Trade Agreement (AfCFTA) to create a single continental market for goods and services, with free movement of businesspeople and investments. Article 3 of the AfCFTA Agreement lists several general objectives including achieving a single market for goods and services and laying the foundation for the establishment of a Continental Customs Union.[13] As yet only 7 of the 44 countries that signed the AfCFTA agreement have had it ratified by their respective parliament. This is far less than the minimum of 22 signatures required for the AfCFTA to officially come into force, potentially making the continent the largest trading bloc in the world. Enhancing intra continental trade is certainly a positive goal. Impediments to trade a manifold: Tariffs, poor infrastructure, limited array of goods and services to trade, non-tariff barriers and a lack of political push.[14] Fact is there is at least some positive development towards trade blocs albeit slight.

New Interest in Africa

Africa has welcomed an array of visitors as of late. In August 2018 Prime Minister May visited several African countries. It was May's first visit as prime minister to Sub-Saharan Africa and the first by any British prime minister since David Cameron attended Nelson Mandela's funeral in 2013. She announced a 'new partnership' with Africa founded on mutual benefit, 'shared prosperity and shared security' and signed an agreement with the five SADC members and Mozambique confirming plans to carry over the EU's SADC Economic Partnership Agreement into a UK trade deal after the UK leaves the EU. Some argue that this is only an attempt to seek some commercial consolation for the trade and commerce the UK will lose when it exits the EU. Viewed philosophically, Africa should consider that in a global climate of disengagement, one more important commercial partner has committed to remain engaged in the continent, even if rather belatedly.[15] Africa can actually seek assistance elsewhere. Africa's trade with Europe has been eclipsed by China's. The World Bank confirms that China became sub-Saharan Africa's "most important export partner" by 2013. Although at 9%, sub-Saharan Africa's exports to India are the fastest-growing globally. With China, the US, Brazil, India and others strengthening their relations with Africa, the continent could look elsewhere too if its ties with Britain or the EU get complicated in a post-Brexit era.



CONCLUSION

Accurately forecasting the effect of Brexit, the known-unknown, is just not possible. In short, it is a significant unknown what is to come until the UK announces its intentions and when the EU negotiating stance becomes clear. Although we can make predictions and hypothesise on likely outcomes, it is ultimately impossible to know in advance what will happen and how it will affect the markets. That does not mean that we should bury out head in the sand and wish for the best. In the post-Brexit era, Africa and South Africa can diplomatically find new formats for both its UK and post-Brexit EU partnerships, look at new partnerships and grow and enhance existing ones e.g. the one with Germany. Indeed, if trade agreements are renegotiated between the EU and the UK and the UK get less trade from the EU due to them leaving the EU, other countries stand to gain, South Africa included. South Africa could look at larger trading partners like Germany as they are bigger trading partners for South Africa than the UK. Revisiting partnerships also includes partnerships such as the primary structure for EU relations with sub-Saharan Africa, involving SA, and the African, Caribbean and Pacific (ACP) group under the Cotonou Agreement which will end in 2020. Economic partnership agreements are in some cases still being finalised between the EU and ACP countries. Also, recent economic partnership agreements with Southern African countries have promoted South African trade into the EU, with South African wine, sugar and processed agriproducts having especially benefited. South African stakeholders must strive to get such EU opportunities maintained after Brexit. This cannot be guaranteed but much room for diplomacy exists. South Africa has led efforts by the region to start informal discussions with Britain to strive for the optimal post-Brexit deal and Prime Minister May's recent visit underscores this argument. Indeed, other large trading nations are already actively trying to explore and promote their positions at this time of change. The EU recently concluded free-trade agreements with Canada, Japan and others and the UK has stated it wishes to duplicate economic partnership agreement terms of trade with SA after Brexit.

From a wine export perspective, the odds are that Brexit will be a game changer for wine, but it is hard to know for sure what the new game will look like. The South African wine industry is proactively positioning and preparing for whatever Brexit might throw at it. Long term objectives and post Brexit opportunities are being formulated including premiumisation of Chenin Blanc and there is ongoing engagement among and between key stakeholders along the whole spectrum. So among all the uncertainty and all the time and tension spent on South Africa's post Brexit situation, Brexit also prompts us into new directions.[16] Still, nothing can be finalised until Brexit has been finalised and the UK's new position is known.[17]

EXHIBIT 1: BREXIT TIMELINE

Brexit Timeline: 2016 Key Dates

- 22 February, 2016: Date of the EU referendum announced
- 23 June, 2016: The UK Brexit Referendum with question was Should the United Kingdom remain a member of the European Union or leave the European Union? Is held
- 24 June, 2016: The referendum result is declared: 48.1% pro and 51.9% contra Brexit; May becomes Prime Minister.
- 2 October, 2016: May states that Article 50 will be triggered before the end of March 2017

Brexit Timeline: 2017 Key Dates

- 2 February, 2017: UK Government publishes Brexit White Paper, stating the UK strategy to leave the EU
- 16 March, 2017: European Union (Notification of Withdrawal) Act is given Royal Assent
- 29 March, 2017: UK Prime Minister Theresa May invokes Article 50 of the Treaty on European Union; 2 year countdown within which the UK must leave the EU starts
- 19 June, 2017: UK-EU exit negotiations start
- 12 September, 2017: EU (Withdrawal) Bill also known as the “Great Repeal Bill” / “EU Divorce Bill” is approved by the UK Parliament
- 8 December, 2017: UK and EU release a Joint Report on the status of Phase 1 negotiations, and the move to Phase 2

Brexit Timeline: 2018 Key Dates

- 8 February: UK Government publishes guidance highlighting the government’s position on international agreements during the implementation period
- February – March: UK EU exit negotiations continue
- End of March: End of Phase 2 negotiations that highlight transition/implementation arrangements

- May / June: UK Parliament pass the European Union (Withdrawal) Bill
- 12 July: UK government set out more details about its plans for future relations with the EU
- 16 and 17 July Customs union vote and trade and customs bills debated by MPs
- 20 September EU leaders discuss Brexit, although a full summit has been ruled out; deadline for a government-requested report on European migration to the UK
- End September/October 2018: Conservative party conference in Birmingham, the last before Britain is scheduled to leave the EU
- 17-18 October: EU summit, seen as a deadline for an agreement setting out the terms of UK-EU "divorce" - the so-called withdrawal agreement - to allow enough time for the UK Parliament and the European Parliament to ratify it
- November: European Parliament votes on the “”Withdrawal Agreement”. There is speculation that an emergency EU summit on Brexit might be held if a withdrawal agreement and a declaration on the future relationship are not reached in October
- December The last European Council of 2018: Widely seen as the last practical date for an Article 50 divorce deal to be signed off by Britain and the EU. The summit comes a little over three months before the UK’s scheduled departure

Brexit Timeline: 2019 Key Dates

- January and February: Commons approval of whatever Brexit deal Mrs May agrees in Brussels
- Period to March: Ratification to take effect at an EU summit by a supermajority of leaders of member states (representing at least 20 of the other 27 EU countries and 65% of their population).
- March: Withdrawal Agreement to be reviewed by European Council (requires EU majority 20 out of 27); Withdrawal Agreement and Implementation Bill to be passed by UK Parliament
- 29 March: Brexit day
- 30 March: UK moves into a “transition period”
- Post Brexit Day: Trade talks and transition Full-fledged trade talks can now begin between the UK and the EU. While Britain remained a member state, such talks were not permitted under EU law. Under the deal reached in principle in 2018, this is when the 21-month transition period begins. During this time most aspects of UK membership of the EU will remain in place, including free movement across borders and membership of the customs union

and single market. Britain will no longer have a vote. The UK expects any transition deal on customs to end in December 2020

- UK will maintain access to the single market and will be bound by the obligations of membership. The transition agreement provides businesses with some certainty that they will have time to adjust to the new UK-EU relationship
- 23-26 May: Elections for the European Parliament in 27 EU countries (UK no longer represented in the parliament)
- A transition period lasting 21 months will mean little change to the relationship between the UK and EU while negotiations over the terms of new trading arrangements continue. Compromises will make a deal possible, particularly given the economic incentive to maintain existing trade ties. During trade talks the EU will resist attempts by the UK to cherry-pick from the benefits of membership, but the result is likely to be a more comprehensive trade deal than that negotiated by the EU and Canada in 2016
- Realistically, only the framework of a trade deal will be agreed by the time the UK withdraws in 2019, as completing the withdrawal agreement took priority in 2018. A deal is expected to come into force in 2021

Brexit Timeline: 2020 Key Dates

- 31 December 2020: Transition period ends, and the UK – EU start a new economic and political relationship although even this is unsure. That is one reason why the EU insists on “backstop” provisions to avoid a hard border in Ireland that will last unless and until a new arrangement is implemented
- December 2121: End to the back-stop; any temporary customs arrangements introduced as part of the backstop would cease by this time because alternative measures will have been put in place. The EU is however highly sceptical and says no time-limit on the backstop is acceptable

ENDNOTES

[1] EU officials fear they are being "bugged" by the British secret service after the UK obtained sensitive documents within hours of them being presented at a meeting. Sabine Weyand, the deputy of chief Brexit negotiator told officials attending the meeting of the European Council's Article 50 Working Party that "it could not be excluded" that British intelligence had infiltrated their meetings. British negotiators obtained the contents of a "politically explosive" slide presentation almost immediately after they were shared among EU officials on July 5, one day before May assembled her Cabinet for crunch talks at Chequers. The slides are said to contain "highly negative" economic assessments of British plans to remain in the EU's single market for goods.

[2] K Anderson and G Wittwer. 2017. Will Brexit harm UK and global wine markets? UK Trade Policy Observatory Briefing Paper 9. Available at https://blogs.sussex.ac.uk/uktpo/2017/05/30/will-brexit-harm-uk-and-global-wine-markets

[3] Ibid

[4] Ibid

[5] www.businesslive.co.za/bd/opinion/2018-08-02-warning-brexit-is-merely-one-global-shift-of-many-set-to-shake-up-economies/

[6] According to the Business Dictionary, RPI is an 'official measure of the general level of inflation as reflected in the retail price of a basket of goods and services such as energy, food, gasoline (petrol), housing, household goods, traveling fare, etc. RPI is commonly computed on monthly basis, but an annual rate is also published which serves as a yardstick for adjusting inflation-indexed salaries and wages, tax allowances, and pensions'.

[7] E Douglas. UK Budget 2017: Wine duty rise means 'triple whammy' price increases – trade. Decanter, 8 March 2017. Available at http://www.decanter.com/wine-news/uk-budget-2017-wine-duty-to-rise-by-inflation-356957/#slhC7dwpRKtQi7Cu.99

[8] K Anderson and G Wittwer. 2017. Will Brexit harm UK and global wine markets? UK Trade Policy Observatory Briefing Paper 9. Available at https://blogs.sussex.ac.uk/uktpo/2017/05/30/will-brexit-harm-uk-and-global-wine-markets/

[9] www.businesslive.co.za/bd/opinion/2018-08-02-warning-brexit-is-merely-one-global-shift-of-many-set-to-shake-up-economies/

[10] http://carnegieeurope.eu/strategiceurope/76899

[11] www.ft.com/content/52fb4998-573f-11e7-9fed-c19e2700005f

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[18] Article 50

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.
2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.
3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.
4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it. A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union.
5. If a State which has withdrawn from the Union asks to re-join, its request shall be subject to the procedure referred to in Article 49. http://www.lisbon-treaty.org/wcm/the-lisbon-treaty/treaty-on-European-union-and-comments/title-6-final-provisions/137-article-50. htmillion litres
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