Domestic Violence As A Hidden International Problem

Introduction

In June 2016 the UK had a referendum where they decided to leave the EU and start Brexit. Due to the decision, David Cameron stepped down and then Theresa May decided to initiate the process to leave the EU in March 2017. The UK had plans to have an agreement by March 2019 however there was an extension of article 50 and the new agreement was made in October 2019. The Brexit negotiation can be demonstrated using an extensive form game, as the choices of the UK and EU during the negotiation are sequential and previous moves are known at the time that one player is making their decision. In addition, both players are aware of the payoff associated with each decision taken. The model with allow the political and economic events, including strategic interaction occurring during the negotiation to be demonstrated as the outcome of the game depends jointly on the action of the 2 players. As the EU and the UK participate in a war of attrition, the extensive model will show the equilibria and the dominant strategy of each player. The Brexit negotiation suggests that the UK does want free trade but does not want freedom of movement. Specifically, Britain does want to remain in the EU single market however if they are not able to achieve this deal, it Is likely that they will need to renegotiate new trade deals. Having access to the single market benefits the UK as 44% of Britain's exports go to the EU, according to the ONS, and if the UK are not able to negotiate a deal with the EU, the exports may have import tariff and administrative costs. The new trade deal has a time lag attached to it; therefore, it will take years to renegotiate. In addition, there is a relative difference in Europeans living in Britain and Britons living in the EU, therefore the Britain does not see the freedom of movement as beneficial to them, hence why they want no free of movement. In the UK over half of the job since 2010 are copied by immigrants. However, a lot of people have suggested that big parts of the economy such as the NHS are dependent on inward migration.

Post withdrawal trade negotiations

Bargaining theory is a part of game theory that discusses and examines bargaining problems, in this case the UK and EU will attempt to bargain a deal for Brexit. It would help if Britain had a good reversion point if the bargaining fails. However, as the UK decided to activate article 50 it suggested a no deal. In this case it is not a good reversion and could be self-damaging. Any Brexit deal that may not be good for Britain could be politically good for the EU and simultaneously economically terrible for the EU, therefore in this model it is important to determine the nature as decisions may differ depending on the nature. The game will assume the nature of the decision, it will either have ¼ probability that they will be political and ¾ that they will be economical. After determining the aim whether economic or political, only the EU will know its own intentions and then the UK will observe EU's actions. The EU will decide whether they would offer a bad deal such single market access only if there is free movement of people or they could be generous, and allow a good deal, like allow the UK to have some access to the market and no free movement of people. If the EU was to choose a good deal, it suggests that the UK is content with the deal and the game stops there. But, if the EU gives a bad deal, the UK must then choose to exit the talks and they must find a new market to trade in or make 1 on 1 deals with each country regarding migration. If the UK chooses to exit the talks

then the game also ends there. If the UK chooses to make 1 on 1 deals with each country regarding migration, then the EU have an option to accept the deal or to offer a bad deal. Finally, if it chooses the bad deal, and an accord is not agreed within 2 years then the UK will be part of the World trade organisation. In this extensive game there is asymmetric information as one player doesn't know another player's motive and one party has more knowledge than the other party. i.e. one player may have economic or political motives. An extensive game will be used to demonstrate the EU's and the UK's decision at different points in time using a game tree format. A Bad deal offered by the EU is free movement of people and no access to the single market. A good deal is offered by the EU is access to the single market and no freedom of movement. The model shows how the EU have the possibility to respond economically and politically to UK's 1st demands and that's how the game begins. The model is created under the assumption that we don't know if the UK wants a hard or soft Brexit. Also, we assume that the 27 countries in the EU are represented my one player during the negotiation; the EU. Finally, I will assume that during the game the UK cannot have the option to stay in the EU. I will also assign payoffs relating to the benefit or disadvantage of the decision made by the player to each player.

Equilibrium

The game has 3 equilibriums. If the UK thinks that there is 50% chance that the EU would pick political, and if the EU chooses a bad deal, then the UK would exit the negotiations. If the EU wanted to make political gains it would pick a bad deal as their 1st decision, because this is the dominant strategy, however if the EU wants to make economic gains then it will offer the UK a good deal, as they wouldn't want the UK to exit the talks. If the UK thinks that there is an equal chance of EU going political or economical then, given that the EU chose a bad deal, then the UK would change between exiting the negotiations and investing in diplomatic efforts with probabilities of ¾ and ¼, as the UK wouldn't know if the EU would want to make economic or political gains. For this situation the political EU would choose a bad deal as their first decision, due to their dominant strategy, however the economic EU would choose to alternate their approaches, with a probability of ½ for a bad and good deal at the first decision.

The equilibrium is reasonable because EU has 2 incentives, political and economic. In theory the EU would try to avoid giving Britain a bad deal, as it could potentially hurt the EU, but the economic benefit gained from a good deal reduces as the deal gets better, hence there's a trade-off. A bad deal would really hurt the UK economy as half of the UK's imports and exports of goods come from other EU member states. But the EU may give the UK a bad deal in order to punish them and to disincentive other countries with similar intentions. As there is evidence that if UK get a good deal then other parties like France and Germany could insist an anti-EU vote. If Germany and France were to leave the EU would lose its strongest economies and would dissolve. A good deal by the EU to the UK would be economically good of the EU, but bad politically for the EU. A good deal, such as access in the single market and migration restriction would decrease UK's growth by 6.7% for the next 15 years. Mathematically if the effects hold the same value, the economics and politics will eliminate each other.

Advice

A soft Brexit is a scenario where the UK remains in EU's custom union or EU's economic areas, therefore their relationship will be as close as possible to what it was previously. If I was

called upon, I would give my answer based on my cost and benefit analysis of a soft Brexit. I would recommend Boris Johnson to have a soft Brexit, as it will ensure that we are part of the European single market. I will raise the point that the UK has a large and growing trade deficit, which is seen as the most severe in G7 and therefore we must do everything we can to correct it. Being part of the EU market will allow minimal disruption in the free mobility of labour and capital, as well as the unrestricted trade of good and services. It estimated by the Independent that it will cost £4.5bn per year to Britain's exporter if the UK wasn't part of the single market. However, there are negative consequences attached to this decision, being part of this market has political costs, such as not being able to restrict migration and no sovereign economic policy. Also, it has economic costs attached, such as adjustment costs. The UK's trading performance is good with the USA, as we have a surplus in trade balance however the trading performance with the EU is relatively low with a £110bn deficit in 2015. In this case I believe the advantages outweigh the negatives, as I believe we should aim to preserve the industrial base in the EU which could be disrupted with a hard Brexit. Other international companies agree with this argument hence why they produce in the UK due to the accessible gateway to the market. In addition, having the membership would allow the UK to be part of the Monetary Union, which benefits the UK with lower transaction costs in trade and capital actions. But this also involves a cost as the UK can't have their own preferences on the monetary and exchange rate policies. The UK currently isn't part of this deal however its an additional benefit that they could potentially experience. Finally, a soft Brexit under the Common agricultural policy allows UK to benefit in terms of guaranteeing the supply of agriculture related goods. However, there are high consumer costs associated with CAP, and the costs differs between each country depending if they meet certain conditions. We should aim to get a deal like what Norway and Switzerland has, as Norway is part of the single market, but in return has no restriction in immigration. I believe a soft Brexit will allow us to get a better deal than Norway, as Norwegians pay ½ as much per capita to the EU as UK, so once we leave the EU and have a soft Brexit, we could benefit from paying lower fees. A soft UK Brexit will allow UK domestic stocks to perform better than UK exporters by 20% as quoted by Sebastian Raedler. To make a soft Brexit work only requires minor changes but to make a hard Brexit work it will require years' worth of planning with government intervention as the market can't sort itself out overnight. Overall, I believe a hard Brexit will be very damaging, therefore I believe the soft Brexit is more beneficial. The UK and the EU are quite flexible and can improve own interest while keeping a good relationship. This will allow both players to achieve an optimal situation and the UK can learn from Switzerland and Norway, and possibly hope they can gain a better deal.

Backstop

The backstop is interpreted as a safety net by some, while others see it as a way of tying us up in knots. The backstop ensure that all the UK will remain in a customs union with the European union and there would be additional regulatory provision that would apply to Northern Ireland, especially on goods and agriculture. This leads to a problem for people in Northern Ireland as they do not wish to be treated separately to the UK, whereas hard Brexiteers as believe that they could get trapped long term in a backstop which could prevent them from being able to negotiate agreements and trade deals with other countries. The more closely the UK is aligned to the EU in term of regulatory terms the less friction there is on the Irish border and the less need of intrusive check. However, it would be harder for the UK to arrange trade deals with other countries like the USA. The EU wish to remove the backstop so that Northern Ireland's advantages can be limited as the EU believes that Northern Ireland businesses will do well out

of the Brexit situation. This raises problems as some people predict that businesses will move from Ireland to Northern Ireland, as the backstop creates an incentive. This benefits Northern Ireland as they will have a competitive advantage in trade with EU compared to the UK. The businesses in the UK would face import tariffs and administrative costs. Removing the back stop will allow the UK to sign comprehensive trade deals, as the Brexiters wish to become sovereign. However, this could have negative impact for Northern Ireland as they could experience stricter regulations compared to the UK. Removing the backstop

Conclusion

My trade negotiation model has probabilities attached to political and economical type and they may not be a true reflection of a real-life problem, therefore using this model without the correct probabilities could reflect real life equilibrium and outcomes correctly. Th model created has assumptions that there is complete information, the player’s payoff and preferences are known. This creates a problem as in real life there is a lot of uncertainties relating to Brexit. This make the player’s beliefs important. When making decisions during a game with incomplete information, the players must rely on the other player’s type. To make the opponent move in a desired way, a player can misrepresent information to manipulate the opponent’s beliefs.