

MEMORIA DEL TRABAJO FIN DE GRADO

Britain + Exit = Brexit. "Genesis and Possible Outcomes' Assessment, Both Internationally and for the Canaries"

(Britain + Exit = Brexit. "Orígenes y valoración de sus posibles evoluciones, tanto internacionales como para Canarias".)

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ABSTRACT

Tras 43 años perteneciendo a la Unión Europea Reino Unido decide plantearse la salida del bloque. El 24 de junio de 2016 se lleva a cabo un referéndum popular con un resultado de "sí" a la salida de la UE.

Tras casi tres años desde esa fecha todavía no se ha llegado a un acuerdo rotundo sobre si realmente el Brexit se producirá o no, y en qué condiciones si este se lleva a cabo.

Sin embargo, son numerosos los estudios sobre los posibles efectos que este proceso podría conllevar si se produce, e incluso ya se han podido observar impactos en el mercado turístico español debidos a esta posible salida.

Por ello, este proyecto tiene como objetivo el análisis del cambio que se ha producido durante este período de 3 años entre la decisión y la no ejecución. De igual manera se estudiarán los efectos positivos y negativos que en ese entonces se planteaban, los que se han venido observando durante este período de tiempo y cuáles podrían ser en un futuro si el Brexit se materializa.

Por último, se analizará el punto de vista de británicos residentes en Canarias sobre la situación.

Palabras clave: Unión Europea, Reino Unido, salida, referéndum, acuerdo, Brexit, condiciones, cambio, decisión, efectos positivos y negativos y punto de vista.

SUMMARY

After 43 years as a member of the European Union, the United Kingdom decided to consider leaving the bloc. On 24th June 2016 a popular referendum was held with a positive result regarding leaving the EU.

After almost three years since that date, there is still no firm agreement on whether or not Brexit will actually be implemented, and under what conditions it will be carried out if this happens.

However, there are numerous studies on the possible effects that this process could entail if it occurs, and even impacts on the Spanish tourist market have already been observed due to this possible exit.

Therefore, this project aims at analysing the change that has occurred during this 3-year period between decision and non-execution. Likewise, there will be also studied the possible positive and negative effects being considered at the time, those that have been observed during this period and those that could happen if Brexit materializes.

Finally, the point of view of some British residing in the Canary Islands and Spanish residing in the UK will be considered.

Key words: European Union, United Kingdom, leaving the bloc, referendum, agreement, Brexit, conditions, effects and point of view.

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1. INTRODUCTION

As a shorthand way of saying it, Brexit (an abbreviation of the words Britain and exit) is the word commonly used to define the withdrawal of the United Kingdom from the European Union.

This process started after 43 years being part of what began being called the European Economic Community, later known as the European Union.

The origin of this withdrawal seems to get back to 2012, when Grexit (Greece + Brexit) was booming. Then, an essential question started being asked, namely, "Should the United Kingdom remain a member of the European Union or leave it?"

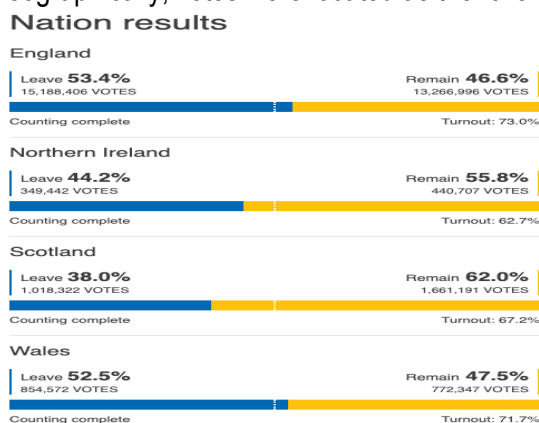
Nevertheless, this is not a novel situation in the UK. The question mentioned above had already been echoing since 1975, after less than three years being part of the bloc and has intermittently been of the political agenda, mostly on the part of conservatives.

1.1. BREXIT CHRONOLOGICALLY

If we start analysing Brexit chronologically, we need to look back to the year 2013, when Prime Minister David Cameron committed to holding a national referendum if the conservatives won the elections in 2015. The two referendum options would be either Remain and Leave. Cameron took action that way hoping the electorate would vote remain.

On 23rd June 2016, in the middle of a European political turmoil resulting from the refugee crisis, Britons voted for a vaguely defined Brexit with a result of: 48,1% to remain in the bloc / 51,8% to leave the EU. In other words, 17,410,742 votes in favour of a break with the E.U and 16,577,342 votes against the exit with an engagement of 72%.

Geographically, votes were located as the following graph¹ shows:



¹ EU Referendum Results. (n.d.). Retrieved June 8, 2019, from https://www.bbc.com/news/politics/eu_referendum/results

If we have a look at this BBC chart, we will see the referendum's national result by region. We can observe two different coloured segments. The blue one shows the "Leave" part and the yellow one represents the "Remain" part, both cases in percentage points.

In England, just as it happened in Wales, votes were almost compensated. In the case of England with 53,4 per cent in favour of leaving, compared to 46,6 per cent in favour of remaining, and in Wales 52,5 per cent voted for "Leave", versus 47,5 per cent that voted for "Remain." Nevertheless, if we look at Northern Ireland and Scotland, they were down for remaining in the EU, with 55,8 per cent and 62 per cent, and only 44,2 per cent and 38 per cent for leaving respectively. To sum up, this means England and Wales took a pro Brexit stand whereas Northern Ireland and Scotland would prefer to remain in the EU.

Nevertheless, this was a non-binding consultation. That is to say, it is up to the British Parliament to formally request the European Parliament to leave as a Member State. For it, they had to appeal to the now famous Article 50 of the Treaty of Lisbon, and it is at this point that the first stumbling point arises.

After David Cameron's resignation, in October the same year, Theresa May took his place. On 28th March 2017, she decided to sign the historic letter that marked the beginning of the divorce from Europe. Once the UK had voted to leave the EU, the next point was initiating the process with Article 50 of the Treaty of Lisbon, which was assumed by signing the letter mentioned before.

The Treaty of Lisbon is the document that replaced the European Constitution, and the one that clarifies and organizes for the first time the competences of the Union. We could talk about Article 50 as an EU insurance for countries wishing to leave the EU. In other words, it established a legal procedure regarding countries that decide not to be part of the Union in the future. Article 50 is a "mechanism for the unilateral and voluntary withdrawal." As Andrew Ward stated², "Article 50 is designed so that no sane country will use it."

This decision that has marked the history of modern Britain will suppose an irreversible process that will end with Britain's exit from the EU. The process should have been completed by March 2019. From now on, there will be many political controversies on the part of Theresa May and the European Union, as well as between the United Kingdom and the Scottish Government. Negotiation periods begin and on 9th December 2017 Jean-Claude Juncker, the President of the European Commission, and Theresa May reach an agreement on the conditions for the separation.

During the first chapter of Brexit, the EU had a victory, since the United Kingdom accepted the

² Igartua, M. El artículo 50 del Tratado de Lisboa está diseñado para que ningún país en su sano juicio lo utilice. (July 7, 2016). *El Confidencial* Retrieved June 8, 2019, from https://www.elconfidencial.com/mercados/2016-07-07/brexit-reino-unido-cuando-solicitar-articulo50-salida-union-europea_1229428/

negotiation put forward from Brussels. A divorce from the EU would suppose reaching an agreement on different aspects; in particular: leaving invoice, citizen's rights, European court of justice, Irish question, and customs union.

1.1.1. Leaving/exit invoice

Firstly, once the agreement has been signed, the United Kingdom accepts that it must pay and assumes the payment of a fine of around 50 to 65 billion euros. This document states that the United Kingdom will meet the financial obligations acquired while it was part of the Union.

There are guaranteed loans and hundreds of millions of euros for the pensions of European civil servants. In addition, we must also consider, money pledged for the European Investment Fund, the EBC, the refugee aid facility in Turkey, Funds for Africa, development funds, etc. There is no closed invoice but there already is agreement on the calculation formula and some clear principles: no country should pay more or receive less because of the British withdrawal, but neither should London pay more than it would have had to follow in the EU.

1.1.2. Citizen's rights

European residents' rights in the United Kingdom (more than 3.2 million according to the European Commission) has been one of the most important factors for the EU since the beginning of the process.

At the beginning, it was supposed to be a subject of much controversy. However, it has been resolved faster and simpler than expected. In principle, and after what has been agreed, all those Europeans residing in the United Kingdom or British residents in the 27 European countries will continue to enjoy their rights intact as they have had until now. The validity extends to the end of their days. Therefore, all legally recognized residents until the end of 2020 will be able to enjoy their rights to live, work or study in the UK without fear or discrimination, provided they meet a number of conditions: have a job, means to support themselves and/or health insurance.

1.1.3. European court of justice

The jurisdiction of the European Court of Justice has been one of the most contentious issues in the pact. However, the result is that the Luxembourg court will continue to play an important role for years after the departure of the United Kingdom.

Therefore, the European Justice Tribunal will continue to have jurisdiction in respect of judicial proceedings in the UK that have been brought before the end of the transitional period and such proceedings must remain until a judgment is rendered in accordance with the Union principles. In addition, within 4 years, the Commission can bring new infringement cases against the UK concerning Union law violations that would have taken place before the end of 2020. And vice versa.

To sum up, the European Court of Justice will always have the last word on everything that affects European laws.

1.1.4. Customs Union

As for the customs union, the UK will remain in it as well as in the Domestic Market until the end of the transition period from which, in theory, it would cease to remain unless the backstop has to be activated by Ireland.

What has become clear is that London will not be able to maintain the same advantages, or its status, while its economic and commercial access will worsen. This is because they cannot enjoy the same rights as every other European Country without fulfilling the obligations with the Union.

1.1.5. Irish question

Northern Ireland has been the main source of concern in this negotiation. The main objective was to avoid controls on goods, persons and services, as this is the only physical border between the EU and the UK.

There are two options for solving this headache: the first one is to allow Northern Ireland to remain in the Customs Union and the Internal Market; and the second one, the so-called “backstop.”

On the one hand, the first option was politically unsustainable as it would mean a different status for a UK territory and could also lead to a very different Islands’ division and economic system. Backstop, on the other hand consists of a single customs control. In other words, the United Kingdom would remain in the Customs Union, and Northern Ireland will have some more specific but not so traumatic controls. However, the backstop will only be activated in case that during the transition period no agreement is reached that avoids the need for border controls.

During summer 2018 the Commission³ ratifies the following: “If the Withdrawal Agreement is not ratified before 30 March 2019, there will be no transition period and EU law will cease to apply to and in the UK as of 30 March 2019.” This is referred to as the “no deal” or “cliff-edge” scenario.

However, in actual terms it was not as it has been said. On Wednesday 20th March 2019, for the third time, the House of Commons rejects the exit agreement negotiated by Theresa May.

³ European Commission (February 18, 2019). Brexit preparedness: Commission intensifies “no-deal” customs preparedness outreach to EU businesses. [Press release]. Retrieved June 8, 2019, from http://europa.eu/rapid/press-release_IP-19-901_en.htm

Initially, 29th March 2019 was going to be a decisive date that would determine whether or not there was an agreement between Brussels and the British parliament and therefore whether the exit would be by consensus or abruptly. Nevertheless, this did not happen, and after the British House of Parliament backed up with 412 against 202 a postponement on the departure date of 29th March, this would be postponed until 30th June.

1.2. CURRENT SITUATION

After approximately 3 years from the date of the referendum and the beginning of the “Brexit” issue, there is still no certainty as to how the situation will end. There are many scenarios about the future of the exit as well as the possible consequences for both, the UK and the EU.

So far, the situation is once again in the air, pending to see what happens on 30th June and taking into account the transition period offered by the European Union. This transition period is the period of time given to get everything in place and that allow businesses and others to organize what could be necessary to get ready for the new rules for the UK after leaving the EU. United Kingdom had until December 31, 2020 to settle this situation either abruptly or with an agreement.

Notwithstanding, following the British Parliament's 29 March vote against the withdrawal agreement, an Extraordinary European Council was convened on 10 April, in which an extension was agreed until 31 October 2019. If the agreement was ratified before that date, the withdrawal would take place on the first day of the following month.

2. METHODOLOGY

Given the controversy on the subject and its prolongation over time, the search for materials in web platforms has been intense, whether through economic magazines, newspapers, blogs or websites. There certainly are many online articles, surveys, documents and data about Brexit, and a selection must be made of valid and quality material to be used. At the same time, the fact of carrying out a project three years after the process started means that articles that were perhaps published in 2016 have been modified and adapted to changes, without being able to use the initial document that was published at the time. This situation is especially clear on newspaper web platforms. An example of this situation is observed in the article published by BBC El Mundo⁴ “Qué es el Brexit y otras preguntas básicas para entender la salida de Reino Unido de la Unión Europea,” which points out that the piece of news had been originally published in December 2018 but that an update had been necessary after the third vote, through which the British Parliament once more rejected the agreement negotiated by Theresa May.

Among the newspapers I have used the most for this project I would highlight El Mundo, El País, La Vanguardia, the BBC, The Economist, The Guardian, The International, The Independent, El Confidencial, and The New York Times. Also, more general magazines such as Nueva Empresa,

⁴ BBC NEWS WORLD. (March 12, 2019). Qué es el Brexit y otras preguntas básicas para entender la salida de Reino Unido de la Unión Europea. Retrieved June 8, 2019, from <https://www.bbc.com/mundo/noticias-internacional-46521624>

Sky News, Hosteltur, and Preferente have been used. These online magazines were a reliable source of information crucial to develop this document.

From the data collected I wanted to look at the current state of the matter from a more strictly economic and tourism-oriented point of view, specifically the situation in Tenerife. For it I have taken as a reference official documents from Turismo de Tenerife, Tenerife 100% vida, and Cabildo de Tenerife. These documents are the following: "Situación Turística de Tenerife" (Marzo 2019, Turismo de Tenerife), "El turismo genera para Tenerife 4.474 millones de euros en 2018" (Cabildo de Tenerife), "Los turistas británicos de Tenerife" (Turismo de Tenerife), "Situación Turística de Tenerife" (Marzo 2018, Turismo de Tenerife), and BALANCE TURÍSTICO TEMPORADA INVIERNO 18/19 (Turismo de Tenerife).

On the other hand, I have carried out fieldwork with the intention of gathering first-hand information on the situation of Brexit and how it may affect the economy and citizens. Thus, firstly, I have conducted 17 surveys to 17 people, between 9th May 2019 and 1st June 2019 on the Island of Tenerife and in the UK. It was an anonymous survey that contained 12 different items. These items or questions were:

- Age range
- Nationality
- Are you for or against Brexit?
- Do you think Brexit could have benefits for the UK?
- If your answer is yes, what type of benefits?
- Do you think Brexit could have disadvantages for the UK?
- If your answer is yes, what type of disadvantages?
- Could you be benefited or harmed by Brexit?
- Did your lifestyle change after the Brexit vote?
- Do you think Brexit will influence tourism in the UK?
- Have you travelled abroad in any period after the Brexit vote?
- Regarding the previous question, how many times?
- Were you used to travelling that much/so little before the Brexit process started?

On the other hand, and as an essential contribution to the project, I must mention the interview with Mr. Albornoz, Director of Sales and Operations at Ten Travel DMC (Destination Management Company). This interview has provided real data on the current situation of the British market in the Canary Islands' companies, serving as an example of the impact that Brexit has had or could have on tour operators and travel agencies. This interview has provided key information to assess, tourism-wise, the current affairs on the island of Tenerife.

Finally, I have taken as a reference point the TFG by former ULL student S.P. Westermann "Brexit and the Tourism Industry in the Canary Islands" (year 2017). This document has served as a basis, since as we have observed during the project, it has been based on an analysis of the situation from the beginning until the present. The afore-mentioned work describes in detail the perspective

and initial approach of Brexit. Therefore, with this document I have been able to carry out a study of how the situation looked at that time so as to compare it with the current situation and thus make an objective as well as a personal assessment.

3. REFERENCE FRAMEWORK

After taking a chronological look at the situation from 2016 to the present day, we will proceed to analyse a number of aspects of great relevance in this area.

In order to understand the consequences that Brexit has had and continues to have, it is first necessary to analyse the reasons why this situation has reached this point. That is why this section will first examine the motives and position of voters, as well as why there is such a difference in mentalities.

Secondly, how Brexit can benefit or harm the British population and Europe in general.

Finally, we will study how the withdrawal may affect the tourism sector, paying special attention to the case of Tenerife, carrying out analyses of contrasting data. For it, special attention will be paid to the S.P. Westermann's TFG and her analysis about the tourism situation.

3.1. VOTERS' MOTIVES AND POSITION

British nationalist sentiment and its sense of difference is something that has always been present in Britain, and some may not have been surprised by the Referendum result. However, there are many who believe that the UK's exit from the European Union is not a good idea at all, as exemplified by Andreu Ward, partner in Cuatrecasas who stated⁵, "Article 50 is designed so that nobody in their right mind uses it."

However, are voters to have the last word? Specially in a case when, albeit by a narrow margin, slightly more than half the voting population decided that the best for the UK was to leave Europe. Voters have been classified into two different camps: remain voters and leave voters. Down below we will analyse the characteristics of each group.

As we saw before, the referendum supposed significant divisions within the nation. Geographically, "Scotland and London have voted overwhelmingly for remain, but outside the capital, every English region had a majority for leave."⁶ But geography is not the only fissure in the country. As YouGov states⁷, "voters differed significantly concerning age and education."

⁵ Igartua, M. (July 7, 2016).

⁶ EU referendum: full results and analysis. (n.d.) Retrieved June 8, 2019, from <https://www.theguardian.com/politics/ng-interactive/2016/jun/23/eu-referendum-live-results-and-analysis>

⁷ Moore, P. (June 27, 2016). How Britain voted at the EU referendum. *YouGov*. Retrieved June 8, 2019, from <https://yougov.co.uk/topics/politics/articles-reports/2016/06/27/how-britain-voted>

How Britain voted
Older people with fewer formal qualifications most likely to have voted Leave

		Remain	Leave
Political orientation	Conservatives	39	61
	Labour	65	35
	Liberal Democrat	68	32
	UKIP	5	95
	Green	80	20
Age	18-24	71	29
	25-49	54	46
	50-64	40	60
	65+	36	64
Education	GCSE or lower	30	70
	A level	50	50
	Higher below degree	48	52
	Degree	68	32

YouGov | yougov.com June 23-24, 2016

By taking a look at the following graph obtained by YouGov that shows 'How Britain voted in Brexit Referendum', we can get information on the age range and education level of voters. It reflects the results of a survey conducted from 23rd to 24th June 2016.

In this graph are represented two different columns and three statistic blocs. The first column shows the remain voters and the second one the leave ones. On the other hand, the first bloc represents the political orientation, the second one the age range and the last one the education level of voters.

On one hand, as it can be observed, the most interested age range, in the UK to stay in Europe were, undoubtedly, young people from 18 to 24 years old, with a 71% remain compared to only 29% that voted for Brexit.

In turn, most Brexit supporters were located in an age range of more than 65 years old with much higher percentages: 64% supported Brexit versus barely 36% who voted to stay in the EU. On the other hand, analysing the second bloc we find out that voters with higher educational level are the most interested in remaining in the European Union, while those who do not have a degree or have semi-skilled support Brexit.

These results are understandable if we take into account the information that appears in the following graph:

SURVEY OF BRITISH BREXIT VOTE.

AGE	LIFE EXPECTANCY	AVERAGE NUMBER OF YEARS PEOPLE WILL LIVE WITH THIS DECISION.
18-24	90	69
25-49	89	52
50-64	88	31
+65	89	16

Source: YouGov. Self-made chart from survey made from 17 to 19 June 2016. 1653 people answered.

The first column represents the age range, the second one represents the life expectancy in years, and the last one the average number of years people will live with the decision. Analysing these data, we could understand that those who voted against Brexit, who were mostly young people between 18 and 24 years old, were those who already benefit from EU membership because they live in globalized cities, with a life expectancy of 90 years, and an average number of 69 years living with the decision. In turn pro Brexit voters, most of them older than 65 years, usually live in rural areas and do not make the most from the European Union. These people have a similar life expectancy but will only live with the decision for 16 years. As *The Guardian*⁸ points out, "it seems that tens of millions of people, especially in places where heavy industry used to stand out, have come to the conclusion that it was better to support (Brexit); that the present was not so rosy as to leave the Brexit side."

So, the arguments used by each of the voting sides are completely different. At one end, Brexit relies mainly on immigration and national sovereignty. The pro Brexit voters are of the opinion that leaving the European Union would make it possible for Britain to control borders and immigration. They argue that the situation of immigrants in the UK reduces their chances of finding a job and that they are not responsible for the economic crises in other countries, apart from the fact that, in their view, immigration increases criminality. Regarding this aspect, they maintain that with Brexit it will be possible to negotiate agreements that favour border control, although as we will see later, this remains unclear, since for the time being decisions are being taken without the UK possible participation in EU resolutions. However, it is believed that many of the votes in favour of Brexit were a vindication of voters to "teach politicians a lesson."

At the other end, those who decided to vote for permanence argue that belonging to the EU facilitates the sale of goods and services as well as benefiting from a market of 500 million people. In their view, an exit from the European Union would be an economic shock and will suppose a seriously hampered growth. Apart from this, they also consider the benefit from the EU's advantages in terms of cutting-edge technology, environment, development and energy.

Taking into account voters' views, we will analyse possible Brexit advantages and disadvantages

⁸ EU referendum. Full results and analysis. (n.d.)

for the UK and the EU. Thus, those that have already been observed during this period of approximately three years will be studied in the following section.

3.2. GENERAL POSSIBLE CONSEQUENCES

During an electoral process, as is the case in a referendum, voters generally expect positive consequences from their participation. In the case of the UK, the pro Brexit voters hoped to solve sovereignty and immigration problems among many others, and pro-EU quite the opposite. We can deduce that leave voters found many more advantages than disadvantages and remain voters, on the contrary, considered that leaving the EU would have too many negative consequences for the UK and Europe in general.

Therefore, since the beginning of this process and the referendum of 2016, theories have been developed on the possible consequences of the UK's withdrawal. All these theories are assumptions, since nothing can be said out rightly until we see what happens and what decisions are made. In addition, being an unprecedented situation and having no previous reference point makes it difficult to determine with certainty what will happen.

Hereunder, we will analyse which were the first forecasts about the possible consequences taking as a reference S.P Westermann's TFG and online articles analysis.

As we know, the UK's exit from the European Union still is a process that may or may not materialise. If it happens, the situation could entail both positive and negative consequences. In turn, these consequences will be much more abrupt depending on whether the withdrawal is with or without agreement. No matter how, we are going to analyse the possible consequences that Brexit could have for the UK and the EU.

3.2.1. Negative consequences

When it comes to Brexit, the only thing clear is that we are dealing with a situation of uncertainty. Even so, there are many scenarios that say that there are many negative impacts, especially short-term negative consequences. For example, a study carried out by the magazine Nueva Empresa analyses the possible impacts for both the UK and the EU. The study "Consecuencias del Brexit para la economía y los negocios"⁹ states the following:

In the short term, the rupture of integration in the markets for goods and services will be a negative consequence for both UK and EU economies. However, it is more likely that in the short term, due to their size, losses will be more sensitive in the United Kingdom than in the EU, due to the fact that the UK weighs 16% of the EU and exports 13% of its GDP to the EU, compared to 2.6% of GDP represented by EU exports to the UK. But within the

⁹ Martín, J.L. (September 25, 2016). Consecuencias del "Brexit" para la economía y los negocios. Retrieved June 8, 2019, from <http://www.nuevaempresa.com/brexit-pros-contras/>

EU, specifically, the biggest losers because of their strong regulations in the financial sector could be Ireland, Malta and Luxembourg.

There could also be an increase in the risk premium due to the negative effects of the disruption on trade and investment links and could specifically affect the British real estate market, the Stock Exchange, and London's status as a global financial centre.

What is therefore clear is that this separation process will have an impact on the economy and the market. As Sky News states¹⁰, "More than 50% of our exports goes to UE countries." This is also specified in the policy paper THE ECONOMIC CONSEQUENCES OF BREXIT: A TAXING DECISION:

The EU remains the main trade partner of the UK and the financial sector benefits from direct access to the Single Market, which has strengthened the comparative advantage of the City. Exports to EU countries account for about 12% of UK GDP and about 45% of total UK exports, and for imports the EU is even a more important partner.¹¹

Similarly, The Week newsletter explains¹², "Outside the EU, said Remainers, the UK would lose benefits of free trade with neighbours and reduce its negotiating power with the rest of the World." These statements reaffirm that a withdrawal from Europe would be a shock for trade and the general economy.

Other aspects related to this area that should be mentioned are the impacts on the pound sterling and on tariffs. On one hand, due to the weakness of the economy, one of the most foreseeable impacts is the depreciation of the pound. From an economic point of view, it is the most important and visible direct consequence. On the other hand, investments in public services are expected to decrease and to be a rise in internet prices, air transport and mobile telephony.

Nueva Empresa details the damages specifically affecting Eurozone businesses, which can be summarized as follows:

1. Loss of the EU's largest economic and trading partner.
2. Loss of free trade.
3. A return to the export/import regime, which implies slower, more complex and costlier procedures.
4. Hardening of financial conditions due to uncertainty in political stability and UK-EU relations.
5. Eurozone trade with the UK is likely to suffer. Ireland, Belgium and the Netherlands are the most exposed to lower demand for their products/services, as the UK economy will slow

¹⁰ Furlong, M. (February 26, 2019) Brexit: pros and cons of leaving the EU. *The Week*. Retrieved June 8, 2019, from <https://www.theweek.co.uk/brexit-0>

¹¹ Kierzenkowski, R., Pain, N., Rusticelli, E., & Zwart, S. (2016). The economic consequences of Brexit.

¹² Brexit: pros and cons of leaving the EU. (February 26, 2019).

down.

6. Many politicians share the view that, in the case of Brexit, doubts will come about the future of the EU's single currency.
7. A new focus of instability for the markets, which could lead to falls in the stock markets and escalations in risk premiums. (Nueva Empresa, 23rd September 2016)

According to Nueva Empresa, overall it is estimated that the UK economy (GDP) may fall 3% until 2020.¹³

Notwithstanding the above, the economic effects will depend on the type of agreement reached between the EU and the UK. As stated in the article "The sectoral effects of Brexit on the British economy: early evidence from the reaction of the stock market¹⁴": "Booth et al. (2015) suggest that the growth of the British economy will depend on what kind of trade policy will be adopted (with respect to the extent of protectionism). The estimates show that if Britain resorted to protectionism post-Brexit, this course of action could cost 2.2% of GDP by 2030. By contrast, if free trade is adopted, Britain could outperform the European Union, as Brexit could add some 1.6% to national income by 2030."

Negative social impacts should also be mentioned. As commented above, one of the main bases of support for Brexit has been based on the recovery of the country's sovereignty, as many British claim that UK control and immigration control has been lost to the European Union, relying to a large extent on labour competition.

This idea could suppose many social consequences related to racial intolerance and thus racism. It comes from statements like, on one hand, the following from The Week¹⁵ newsletter: "Fewer people coming to the country would mean less competition for jobs among those who remained and, potentially, higher wages - a point conceded by Stuart Rose, leader of the pro-Remain Britain Stronger in Europe campaign." On the other hand, it states, "Writing for the London School of Economics, Professor Adrian Favell said limiting freedom of movement would deter the "brightest and the best" of the continent from coming to Britain."

Also, S.P Westermann states, "The leave camp, led by Dominic Cummings, also linked immigration to shortages of primary school places, difficulty in getting a GP appointment, and depressed wages."¹⁶

In addition, the negative consequences that can be deduced from the extreme control of immigration regarding the labour market are mentioned¹⁷: "Reduced immigration could also cause damaging skills shortages in the UK workforce, said Remainers, as well as dampen demand for

¹³ Martín, J.L. (March 25, 2016). Consecuencias del "Brexit" para la economía y los negocios. Retrieved June 8, 2019, from <http://www.nuevaempresa.com/brexit-pros-contras/>

¹⁴ Ramiah, V., Pham, H. N., & Moosa, I. (2017). The sectoral effects of Brexit on the British economy: early evidence from the reaction of the stock market. *Applied Economics*, 49(26), 2508-2514.

¹⁵ Brexit: pros and cons of leaving the EU. (February 26, 2019).

¹⁶ Westermann, S.P. (2017) Brexit and the Tourism industry of the Canary Islands.

¹⁷ Brexit: pros and cons of leaving the EU. (February 26, 2019).

goods and services. For the UK it would also mean the loss of a well-prepared and economic workforce. It is estimated that approximately 4 million employees will be lost, mainly in the chemical and automotive sector.”

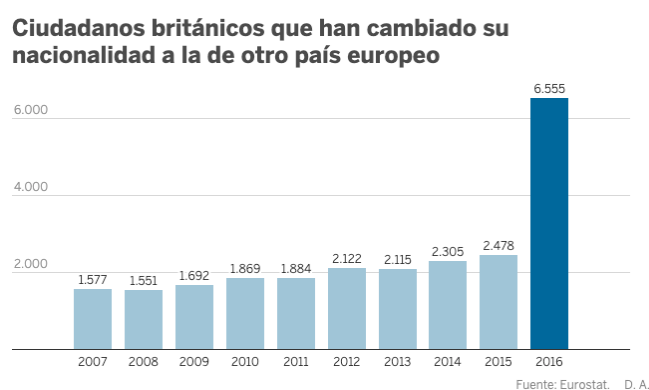
One of the main drivers of the Brexit proposal was the intention to reduce immigration. As a matter of fact, in this sense, it seems that even if the effects have not totally materialised, they have already been achieved to some extent.

According to El País newspaper in its article “Record drop in migration to the United Kingdom one year after Brexit,”¹⁸ “there are still more European citizens who come to live in the United Kingdom (230,000) than those who leave (123,000). But the number of the former fell by 54,000 and that of the latter rose by 28,000, putting the EU's net immigration at its lowest level since 2013. And, while the number of people coming to a given job remains stable, the number of people coming to look for work has dropped by 43%.”

This may have an impact on the British economy, as European immigration is one of the net contributors to the British public coffers and a major source of labour, as discussed in this article.

On the other hand, emigration is also being affected. The United Kingdom is the European country with the highest number of residents outside its country in the EU. If we take this into account, we can deduce that there could be a conflict when it comes to forcing them back to the UK because we are talking about millions of people. Perhaps this is why, as El País daily states¹⁹, the number of Britons who obtain another European nationality has risen by 165%. Among the countries chosen are Germany, the Netherlands, and Sweden.

In the graph below, obtained from Eurostat, we can observe the sudden increase of British who obtained another European nationality and the difference between the years prior to the year of the referendum, 2016.



Furthermore, the Brexit movement embodies a fear that other countries could take the situation as a precedent to proceed with a process of separation from the EU, which would put an end to the

¹⁸ Guimón, P. (November 30, 2017). Caída récord de la migración a Reino Unido un año después del Brexit. *El País*. Retrieved June 8, 2019, from https://elpais.com/internacional/2017/11/30/actualidad/1512058421_688428.html

¹⁹ Guimón, P. (November 30, 2017)

main reason why the EU was created. As the New York Times says,²⁰ “it increases the possibility of further separatist movements in countries like the Netherlands, France, Hungary and Italy.”

Finally, security and tourism could also be adversely affected by Brexit. According to former ULL student S.P Westermann, “the fight against crime and terrorism could be weakened. Some of the EU following crime-fighting and other counter-terrorism measures could be affected:

- Europol: the EU's law enforcement agency. It assists the 28 current EU Member States in their fight against serious international crime and terrorism.
- The European Arrest Warrant: a legal framework introduced to speed up the extradition of individuals between member states to face prosecution or serve a prison sentence for an existing conviction.
- Passenger Name Records: an agreement on a new scheme to share airline passenger information. Airlines will be required to provide law enforcement agencies with access to data including names, travel dates, itineraries and credit card and contact details from flights entering or leaving the EU. The Government said the measure will make it harder for organized criminals and terrorists to hide their movements.
- Prum: a scheme allowing EU countries to search each other's' databases for DNA profiles, vehicle registration data and fingerprints to identify foreign criminals and solve offences.
- The Second-Generation Schengen Information System (SIS II): a database of "real time" alerts about individuals and objects of interest to EU law enforcement agencies. It contains information on thousands of people wanted under the European Arrest Warrant, as well as alerts on suspected foreign fighters.
- The European Criminal Records Information System (ECRIS): this was established in 2012 to provide for the exchange of information on criminal convictions between member states.” (The Telegraph, 2017).²¹

This particular aspect is also related to tourism just as mentioned by S.P Westermann in her TFG: “Tourism is irrevocably bound up with the concept of security. Tourist behaviour and, consequently, destinations, are deeply affected by perceptions of security and the management of safety, security and risk” (C. Michael Hall, et al., 2004).

3.2.2. Positive consequences

We have just talked about the negative consequences of Brexit. These are usually realised in the short term, paying special attention to a possible hard Brexit. However, when we mention the positive consequences, we must consider them in the long term.

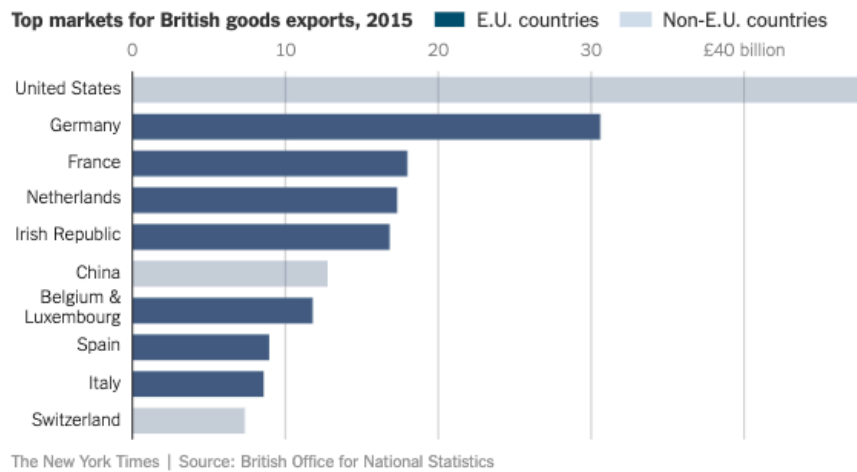
For example, while the depreciation of the pound can be a negative aspect, it can also be seen

²⁰ Russell, K. & C. Lee, J. (June 29, 2016). Fallout From Britain's Exit: Markets, Immigration and Trade. *The New York Times*. Retrieved June 8, 2019, from <https://www.nytimes.com/interactive/2016/06/23/international-home/brexit-leave-repercussions.html>

²¹ Westermann, S. P. (2017) Brexit and the Tourism industry of the Canary Islands.

from a positive point of view as it favours exports. According to the New York Times²², the majority of UK exports are outside Europe, which also makes this an advantage.

We can observe these aspects in the graph below:



This bar chart illustrates the top markets for British goods exports in 2015 and is part of the article “Fallout from Britain’s Exit: Markets, Immigration and Trade.”²³

It can be seen that British exports to the United States (Non-E.U. country) are considerably bigger, with more than 40 billion pounds, than the exports to other European countries, such as Germany, France or the Netherlands. However, while the number of exports to the United States is single-handedly bigger than to anyone else, there are more countries part of the EU where the United Kingdom exports goods and services than non-E.U. countries. On the other hand, the fact that taxes are lowered (the costs of membership are eliminated) leads to a decreased incorporate tax, which in the future could lead to what we call a tax haven.

Seen from another point of view, the regulation of migration could allow for an increase in resources as well as flexibility in the labour market.

Finally, contrary to what has been said previously, this may generate a European sentiment that favours union among the rest of 27 countries. In an interview, Spanish Foreign Minister Josep Borrell²⁴ claimed that “it has not had the domino effect that some predicted, but rather the opposite, it has united citizens, institutions and states around the desirability of remaining united despite differences in matters such as the euro or refugees. The negotiating position of the Twenty-seven has been, at least until now, unbreakable.”

²² Russell, K. & C. Lee, J. (June 29, 2016).

²³ Russell, K. & C. Lee, J. (June 29, 2016).

²⁴ Borrell, J. (January 26, 2019). La Europa del 'brexit' no va (tan) mal. Retrieved June 8, 2019, from http://www.exteriores.gob.es/Portal/es/SalaDePrensa/Articulos/Paginas/Articulos/20190126_ARTICULO_MINISTRO.aspx

3.3. REAL IMPACT DATA

In this section we will outline some effects that Brexit has had even before it materialised. We will look at four aspects in particular: consumer behaviour, the pound sterling, airlines, and racism. These four consequences have great relevance and importance as far as tourism is concerned and that is why we will pay special attention to them and then start with the complete tourist analysis.

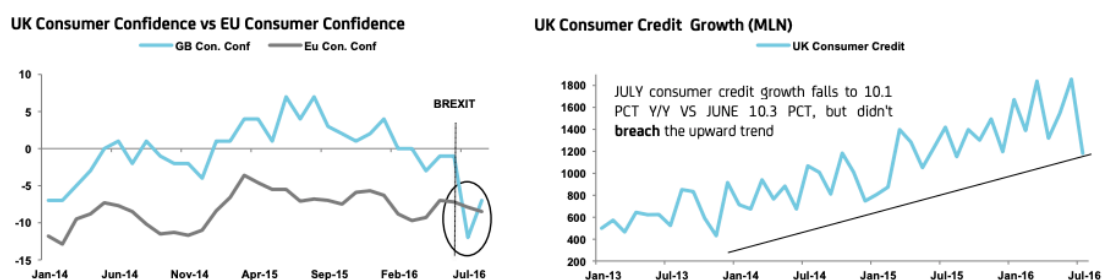
3.3.1 Consumer behaviour

From the beginning of this process it was clear to many that one of the negative effects of Brexit would be on an economic level. The idea was raised that the depreciation of the pound sterling would harm the population and the economy of the country. As a matter of fact, this was finally observed from the first months shortly after the Referendum.

As we can see in both graphs below, Brexit has had an effect on consumer behaviour.

On the one hand, the first graph represents consumer confidence in the UK compared to consumer confidence in the EU. Observing both behaviours, we can notice that the British consumers decreased their level of confidence notably in July 2016, one month after the Brexit Referendum. Meanwhile, European consumer behaviour remains stable. On the other hand, in the right graph we can see that although the upward trend didn't breach, the costumer credit growth falls to 10. 1 PCT vs June 10. 3 PCT.

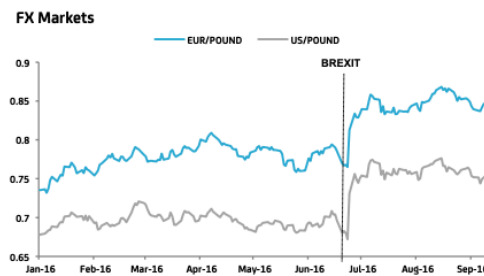
Therefore, these two graphs obtained from the study "The impact of the outcome of the UK referendum on the money market and the outlook going forward,"²⁵ conducted by the European Central Bank, leads us to understand that there is a consumer distrust due to the uncertainty generated by the UK leaving the UE, which favours neither, the British economy, nor Europe in general.



²⁵ European Central Bank. (September 27, 2016) Uni Credit, Market Update. Retrieved June 8, 2019, from https://www.ecb.europa.eu/paym/groups/pdf/mmccg/20160927/2016-09-27_MMCG_Item_2i_impact_UK_Referendum.pdf?a49bd6e4915dcd5345da45f1bc6fb680

3.3.2. Pound sterling

Likewise, the depreciation of the pound sterling has been one of the key factors when determining the negative consequences that have been observed since the beginning of the period in June 2016. As we can see in the graph obtained from the same source as the previous two (European Central Bank)²⁶, the pound sterling is at its lowest levels, which meant in June-July 2016 a high inflation rate and a retention of sales in the UK. However, we can also observe a recovery in August and September of the same year.



We looked at these data for the year 2016. However, there are general data on developments from then until the beginning of 2019. As the newspaper *La Vanguardia*²⁷ states in the article "Brexit has slowed down the British economy by 3%, according to S&P," Brexit has meant considerable changes in the British economy and in order to make these statements it is based on the study carried out by S&P on the current situation in Great Britain.

In addition, it specifies that "immediately after the referendum, S&P notes that the pound fell by 18%, pointing to the collapse of the British currency as "the most relevant indicator of the impact of voting and the ballast caused, through inflation, throughout the economy.""

3.3.3. Airlines

As for airlines, the CEO of British airline EasyJet, Johan Lundgren, said on 1 April this year that "We are seeing a weak situation in the UK and Europe, which we believe comes from macroeconomic uncertainty and many unanswered questions about Brexit, factors that, together, are leading to a greater weakness in customer demand."²⁸

Despite this, EasyJet believes it has the solution to the problems that Brexit could mean. As magazine *Preferente* states in its updated article of 10 April 2017, Frances Ouseley, the director of EasyJet in Italy, comments on how to overcome the obstacles that Brexit can put in front of them.

²⁶ European Central Bank. (September 27, 2016)

²⁷ Agencia Londres. (April 4, 2019). El Brexit ha ralentizado un 3% a la economía británica, según S&P. *La Vanguardia*. Retrieved June 8, 2019, from <https://www.lavanguardia.com/economia/20190404/461455923059/brexit-ralentiza-economia-britanica.html>

²⁸ Ramón Vilarasau, D. (April 25, 2019) EasyJet: las ventas del verano caen por el efecto del Brexit en la demanda. Retrieved June 8, 2019, from https://www.hosteltur.com/127816_easyjet-las-ventas-del-verano-caen-por-el-efecto-del-brexit-en-la-demanda.html

"We will maintain the British operator's certificate while at the same time we are creating a European one." In this way, by securing the European certificate, the airline will be able to fly in the European Union and in turn in Great Britain.

In the case of Ryanair, for example, if it opted for a similar option, it would have to apply for a British certificate, because being an Irish airline although dependent on Great Britain, they could fly across Europe without any problem. The main concern of this company is none other than the procurement of the necessary material for the repair of the aircraft breakdowns, which they have so far received from the Stansted headquarters in the United Kingdom.

Apart from that, the European Commission proposes a number of measures to prepare the sectors most affected by a possible hard Brexit such as air traffic. In relation to this sector, they propose two main options:

- Air services: Temporarily (12 months) guarantee the provision of certain air services between the UK and the EU.
- Security Certificates: Temporarily (9 months) extend the validity of certain aviation security certificates.

3.3.4. Racism

Finally, one of the most serious social consequences has been the increase of racism after Brexit. As the article published by *El Mundo*²⁹ newspaper states, "The environment before, during and after the referendum has made them all more vulnerable to racial discrimination and intolerance." This was stated by Tendayi Achiume, United Nations Special Rapporteur on Racism and Xenophobia.

On 11 May 2018, the UN³⁰ publishes an article on its news page mentioning Tendayi Achiume's visit to the UK. After her visit, she assures that ethnic minorities suffer widespread discrimination. The rapporteur focuses her fears on three main aspects: the disproportionate impact on ethnic minorities of the austerity measures carried out, her alarm at the number of hate crimes and her concern at the normalisation of hate speech.

The reason for having chosen these four sections as an example of the consequences observed during this period of time, is none other than to put in antecedents what can be the impacts on the tourism sector, which will be analysed in the following section.

²⁹ Muñoz, A. (May 12, 2018) La ONU asegura que Reino Unido se ha convertido en un país más racista tras el Brexit. *El Mundo*. Retrieved June 8, 2019, from <https://www.elmundo.es/internacional/2018/05/12/5af6ddfd46163f5c4e8b461c.html>

³⁰ Musni, O. (May 11, 2018) Conmoción ante la criminalización de los jóvenes negros en el Reino Unido. Retrieved June 8, 2019, from <https://news.un.org/es/story/2018/05/1433492>

3.4. BREXIT AND THE TOURISM SECTOR

As we have already mentioned, Brexit generates a situation of complete uncertainty. This is due to the fact that it is an unprecedented situation, so we cannot put ourselves in front of it, nor can we guarantee what its impacts are going to be. The tourism sector, with all that this entails, would be one of the sectors that could be most affected by this situation both in Europe and in Britain. However, we must specify that the consequences of the UK's rupture with Europe with agreement would be not that harmful compare to what they could be with a hard Brexit. That is why the possible consequences for the tourism sector will therefore depend to a large extent on the terms of the final decision.

In this specific case we are going to analyse how it can affect Spanish tourism, paying special attention to an analysis of the island of Tenerife.

3.4.1. Spanish tourism sector.

While the fact that the pound sterling has been devalued favours the increase in foreign tourism in the UK, this has a negative impact on Spanish tourism, as it is affected by the decline in the economic capacity of British tourists.

According to information gathered by the National Statistics Office³¹, the main trends in visits and spending are the following: "UK residents consistently make more visits abroad than foreign residents make to the UK. The total amount spent by UK residents during visits abroad is also higher than the total spent by foreign residents visiting the UK."

The United Kingdom tourist supposes almost a quarter of the international tourists arriving in Spain. This is why withdrawal of the UK from the UE worries the Spanish tourism sector so much. Taking into account the data obtained by the Ministry of Industry, Commerce and Tourism of the Government of Spain, the British tourist issuing market has not been damaged during last year 2018 and the beginning of 2019. Data provided specifies the following "In 2018 we were visited by 18.5 million British tourists, representing 22.4% of the total number of tourists received, with the United Kingdom being our main issuing market, which also occupies a position in the ranking of total expenditure (17,976 million euros) and hotel overnight stays (56.6 million euros). The year closed with a slight decrease in the flow of tourists (-1.6%), and in hotel overnight stays (-0.9%), while total expenditure showed a growth (+2.8%).

Average expenses per person per day also increased, amounting to 972 and 127 euros respectively, while the average stay, which stood at 7.7 nights, declined slightly." "The first month

³¹ Blake, A. (May 24, 2019). Short-Term International Migration for England and Wales: year ending June 2017. Retrieved June 8, 2019, from <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/shortterminternationalmigrationannualreport/yearendingjune2017>

of 2019 shows growth, be it in the flow of tourists (+1%), expenditure (+7.9%), or hotel overnight stays (+2.1%).”

This stability in the British tourist market despite the depreciation of the pound sterling is due to what the same Ministry also states and that is that British do not perceive holidays as a luxury, but as a necessity. Therefore, they travel independently of their economic situation, although this may determine the number of nights of stay or the number of trips per year.

These data are encouraging as they confirm that, for the time being, the situation is under control and the tourism sector is not being particularly affected during the decision-making process.

The negative effect of Brexit may come, among other things, from the complication of air traffic with the British Isles and the devaluation of the pound sterling since the devaluation of the currency would erode the purchasing power of British tourists, as explained by several members of the tourism industry linked to British tourism in Fitur. And while, as we said earlier, the British will most likely continue to travel, the fact that their purchasing power could be axed will hurt our economy.

As the director of the Spanish Tourist Office in London, Javier Piñanes, commented in a statement in 2018, the free movement of passengers through air transport is the Spanish Government’s main concern.

We can talk about the specific case of the company International Consolidated Airlines Group, Anglo-Saxon, resulting from the merger of Iberia LAE and British Airways. This company is staggering because of Brexit. This is because if by the time the final decision of the process is made, the company does not have a majority of European shareholders, it may have to stop travelling openly in Europe, in what is called “the single sky.” That is why the company has asked British shareholders to sell their shares to Europeans, and since February 2019 it has prohibited the sale of shares to the British. As stated in the *La Información*³² newspaper, the company is going through a bump and more during this last week, in which on Friday 24 May 2019, after the news of the resignation of Theresa May, its shares fell 2% to 5.3 euros. The EU has decided to give it more time - at least 7 extra months until 26 October 2019 and up to one year until March 2020, - to restructure its shareholding.

Therefore, the idea is to reach an agreement between the UE and the Spanish Government on the regulation of air transport.

Former foreign minister Alfonso Dastis, who lived the first two years of the Brexit process until June 2018, commented in an interview with *El País*³³ newspaper in April 2017, “Spain is closer to the soft

³² Editorial *La Información*. (Mayo 24, 2019). Moody’s ratifica a IAG (British Airways) con ‘grado de inversión’ pese al Brexit. *La Información*. Retrieved June 8, 2019, from <https://www.lainformacion.com/mercados-y-bolsas/moody-s-ratifica-a-iag-british-airways-con-grado-de-inversion-pese-al-brexite/6502206/>

³³ Pérez, C. (April 2, 2017) [Entrevista a Alfonso Dastis]. “España está más cerca del ‘Brexit’ blando”. Retrieved June 8, 2019, from

Brexit. We regret that the United Kingdom is leaving. We want a balanced, reasonable and rigorous agreement, but it is true that if you are going to leave the common market and the customs union, it is difficult for that to be exactly soft Brexit. Spain wants to have a close relationship with the United Kingdom: as close as possible to what we have now.”

We are aware that the Spanish government has carried out a series of meetings and encounters with important people involved in this Brexit decision, such as Michel Banier, negotiator of the Brexit Commission. According to the information consulted on the website of the Spanish Ministry of Foreign Affairs, European Union and Cooperation, until 2018 there had already been 5 meetings between Josep Borrell and Michel Barnier in which the Minister of Foreign Affairs has been in charge of recalling Spain's priorities in the Brexit negotiations.

As the Spanish government states,³⁴ “Throughout the negotiation period, the Spanish government has worked loyally with the Commission and together with the other Member States to ensure that the negotiations were successful while preserving Spanish and European interests.” Therefore, the British tourism situation in Spain would depend mainly on whether an agreement is reached or, on the contrary, a hard Brexit is materialised.

In an interview with foreign minister Josep Borrell for Onda Cero in January 2019, he commented that the only option to save the situation was to prolong the decision until an agreement was reached. This is what happened, lasting until October 31st. It is understood that in that time negotiators will try to reach an agreement that reduces the impacts. This could favour Spanish tourism, as in this way we will be able to reach an agreement that benefits us or at least does not harm us too much.

However, the current situation puts at risk the agreements and a possible soft Brexit since the news of Theresa May's resignation came out. It will take place on 7 June and it puts in the spotlight the possible successors of the prime minister, the majority of whom are real Eurosceptics such as the ex-mayor of London Boris Johnson, who has always criticised May's strategies in her dealings with Brussels. He claims that a hard Brexit would do the will of the electors.

These are not good news at the moment for Europe, nor for Spain in this case. Once again, Brexit and its terms are hanging by a thread and hand of uncertainty.

3.4.2. Tenerife market analysis.

The British market has always generated for Tenerife a large annual income, becoming the first in importance for the island not only for its contribution to the island's economy but also for the number of tourists who visit it. Tenerife even participates in the World Travel Market in London, the most

http://www.exteriores.gob.es/Portal/es/SalaDePrensa/Entrevistas/Paginas/ENTREVISTAS/20170403_ENTREVISTA.aspx

³⁴ La Moncloa (n.d.) El proceso negociador. Retrieved June 8, 2019, from https://www.lamoncloa.gob.es/brexit/estado2/Paginas/111218_proceso2.aspx

important tourist fair in the world, coming as a leading island in the Canary Islands for the British market.

That is why tourism entrepreneurs see in danger the future of the island as a tourist destination for the British against the decision of Brexit. In this section we are going to analyse the documents obtained through Turismo de Tenerife as well as contrast this published information with the perception and analysis of a reputed Tourism player on the Canary Islands. In a rare interview Marcos Albornoz van Aken, Director of Sales and Operations at Ten Travel DMC (Destination Management Company), explains how the Brexit issue is affecting (or not) their sales and operations and how they are planning ahead to accommodate their business model to the future in light of the Brexit scenario. Through the Turismo de Tenerife source we will be able to study what has been the real impact of the news of a possible Brexit, since its inception in 2016, on British tourism in the island. This will give us an idea of whether or not an impact has been observed even before the final decision is made. In addition, we will discuss what the island's plans might be to counterbalance the possible effects of Brexit.

Firstly, we are going to analyse the real data obtained by Turismo de Tenerife referring the summary of the years 2016, 2017, and 2018. As we already know, 2016 was the year of the beginning of Brexit's uncertainty. This generated fear among tourism entrepreneurs in Tenerife. The fear that British tourists would affect their economy and reduce travel to the archipelago was one of their biggest concerns, among others as for example air traffic.

Our attention will focus on one hand the evolution of the number of tourists accommodated as well as, on the other hand, passenger arrivals. In 2016, the island of Tenerife had a number of 2,049,093 British tourists accommodated, which was 16.1% more than the previous year and a share of 36.6% of total tourism on the island. In terms of passenger arrivals, there was an 18.2% increase regarding the previous year.

Even taking into account the uncertainty generated by Brexit in June of the same year, the British market surprisingly maintained its growth during 2016, even reaching the highest record of British tourists accommodated in the historical series.

Despite this, according to data collected in this report, in Tenerife, British tourism spending in euros suffered a cut of -8.7%, while spending in pounds increases around +10%. This indicates that British tourists may intend to take advantage of the opportunity to travel now that it is possible for them, before their intentions to travel may be frustrated but, nevertheless, they see their economy in danger due to the uncertainty of Brexit and the devaluation of the pound, so they decide to decrease their spending. This has a negative impact on our economy, as although the situation is compensated for by the increase in the number of tourists, British income per capita is reduced.

However, when analysing this growth in British tourists, other relevant aspects must be taken into account, such as the increase in conflicts in competing Arab/Muslim destinations such as Turkey or Tunisia. Restricting travel to Egypt, for example, and discouraging travel because of terrorist threats were undoubtedly reasons that have influenced the growth of tourism from the UK to the

islands. As specified in the Turismo de Tenerife study, “The data on passenger departures from the United Kingdom (Civil Aviation Authority) for the accumulated to October 2016, show a significant decrease in traffic to these countries: Egypt (-70.4%), Tunisia (-86.2%) and Turkey (-18.7%). At the same time, total departures from the UK increased +6.9% and, specifically, those to the Canary Islands (+17.6%).”

This year positive forecasts were made for 2017 with a forecast of continued growth of the British market on the island. That is what we can effectively observe in the 2017 study. It shows a growth, though rather more moderate, of British tourism with +0.8%. It should be noted that compared to the growth in 2016 (+16.1%) the number of tourists accommodated has increased not that much. However, the fact that it has kept growing is an aspect to consider.

During this year British tourism was affected by the depreciation in the pound sterling -3.5% against the euro. This undoubtedly affected British tourist spending in euros by -0.46%. The British therefore compensated for this cost increase by contracting cheaper valuation services.

Another of the key factors in slowing growth is the recovery of competing destinations in the Eastern Mediterranean. Thus, in 2018 the previous upward trend changes, with British tourism declining by -2.4%, which meant a loss of just over 46,000 tourists. This analysis was carried out in November 2018, and it specifies that at the beginning of the winter season 18/19 a positive behaviour can be appreciated that goes hand in hand with the increase in air capacity despite the uncertainty of Brexit and the recovery of competing destinations.

This decline in the number of Britons is particularly affecting hotel establishments. The most affected by the situation are the 4* and 3* categories, while non-hotel establishments have increased their figures by 2% of British. With this we deduce that perhaps it is the middle classes that are most affected by the situation.

This situation is not new. In recent months, a new trend has been observed among the upper classes. This is based on the fact that luxury classes are not sensitive to economic cycles. This is why it is not new at the moment, although it is in relation to the trends of these social classes in previous years. As specified in the study conducted by Turismo de Tenerife on the first quarter of 2019 (January-March), passenger arrivals on the island from the United Kingdom have increased by 5.5% over the same quarter last year, 2018. Considering that the November 2018 results were negative, these are good news for the sector. This study also specifies that the forecast for the following months would be stable in the air market from the UK but without neglecting the possible drawbacks of a slowdown and weakness in British demand due to the uncertainty of Brexit among other reasons.

This stability and lack of growth in the arrival of passengers translates into a brake on the part of British tourists to travel. These figures coincide with what Tourinews³⁵ stated on Wednesday 2

³⁵ Redacción Tourinews. (January 2, 2019) Uno de cada tres británicos no viajará al extranjero por culpa del Brexit. Retrieved June 8, 2019, from https://www.tourinews.es/resumen-de-prensa/notas-de-prensa-mercados-turismo/uno-de-cada-tres-britanicos-no-viajara-al-extranjero-por-culpa-del-brexit_4452216_102.html

January 2019, which specifies the following: “A third of the British will not travel abroad next 2019, all due to doubts generated by the departure of the UK from the EU.” According to this article, following a survey of approximately 2000 people by VouchersCodes, the data show that one in four Britons will reduce their holiday spending and that one in three will give up travelling abroad altogether.

Bearing in mind these aspects mentioned in the previous paragraph, I have carried out a study on the data also provided by Turismo de Tenerife, but in this case in a study that summarizes, in general, the data on tourists staying in Tenerife by nationality and category of accommodation. As we can see in the table below, taken from this study, the year-on-year variation of British tourists in hotels of 1* has been -0.8%, 2 stars of 12.1%, 3* have suffered with -11.3%, 4* with a decrease of 5.2% while 5* hotels have grown 0.7%.

With these data we can deduce that it is the British middle class the ones that may have suffered most from the consequences of the uncertainty of Brexit. Thus, while 3* hotels suffered a decrease of 11.3%, 2* hotels experienced an interannual variation of 12.1%. This means that tourists who have decided to travel to Tenerife have decided to spend less. At the same time, we can observe an increase in the number of tourists staying in 5* hotels, which suggests that the upper classes have also been affected but not to the same extent as the rest.

In short, we can deduce that the middle and lower classes have behaved more prudently when it comes to travelling because the consequences of a possible Brexit, and even more so in the case of a hard Brexit, could affect them economically to a significant extent.

However, as we can see in the last table of the study provided by Turismo de Tenerife, in the island during the first quarter of 2019 the accumulated tourists accommodated from the United Kingdom amount to 496,922, with an interannual variation of 9.5%, while for example Germany only amounts to 157,462, with a decrease of 4.7%. In addition, if we look at the rest of the countries in the table, the UK is the country with the highest number of tourists accommodated accumulated over the year 2018, which had 453,819 accumulated tourists accommodated with an interannual variation of -1.8%.

Therefore, judging by the official figures we cannot state that the situation of Brexit has so far affected the tourist sector in Tenerife significantly, taking into account that both the variation of tourists accommodated and passenger arrivals is in turn pending the recovery of other destinations.

Turning now onto the interview mentioned at the beginning of this section, Marcos Albornoz van Aken leads the department of a reputed Destination Management Company called Ten Travel, on the island of Tenerife and in order to obtain first-hand information concerning the issue of Brexit and how it may be affecting the company, he shared with us his more than valuable views at their central offices.

During this interview we were able to see first-hand what the company's forecasts are for the British market, as well as the current situation and how the company has had to adapt to the situation. First of all, our interviewee commented that the island of Tenerife has always been at the top of the British lists in terms of holiday destinations. This is due to a number of key reasons that differentiate Tenerife from other competitors, such as political stability, legal framework, low VAT racing, and flight proximity. And for these reasons, it still is fairly prominent in their principal choices to travel even after Brexit boomed.

As particularly relevant data, Mr. Albornoz commented that Ten Travel has not seen its numbers damaged as regards the British market. The situation for them remains stable and he mentioned that customers have tended to ask more for their services now, due to the uncertainty about what will happen with their purchasing power in the future. Even so, he mentions a series of relevant aspects to be taken into account regarding possible impacts of a hard Brexit:

I think a Hard Brexit would be counterproductive for British families wanting to travel to the Canary Islands. I fear increasing airfare costs, an increase in taxing / or levies for "cross border" flights and especially and more importantly, we fear a slowing of the British economy and how this will affect families and companies in their disposable income. A slower economy, with the implication of job losses, less saving options, higher interest rates, could certainly affect the holiday plans of many families choosing perhaps destinations nearer to home or basing their choices purely on budget and not on added value for their money.

For this reason, the company has chosen to offer the greatest number of possibilities to adapt to the needs of customers as well as win-win situations for both parties. As for the future, he says they are, of course, on guard but not "excessively worried," since what is clear is that British will always have their holidays as a priority³⁶.

It seems that the serious consequences a Brexit could have depend entirely on the form in which Brexit is finally completed. For this reason, the possible consequences of a Brexit of which there is still no news have given rise to a series of questions about how to act in the event it is actually carried out. For its part, the Canary Islands, as stated by Tourinews on January 3, 2019, propose the option of not charging the IGIC (Canary Islands VAT) if the United Kingdom ceases to belong to the European Union. In this way, British tourists after Brexit will be able to apply for a refund of the money paid under the IGIC as it is done in general with non-European tourists. The Canarian Government could implement this measure thanks to the loss of the status of European citizens. With this initiative purchases in the archipelago could be promoted.

In addition, as mentioned earlier, we are aware that island bodies are working to promote the island in the UK. A clear example of this is the participation in the most important tourism fair in the world held in London, the World Travel Market³⁷. The president of the Cabildo de Tenerife, Carlos Alonso,

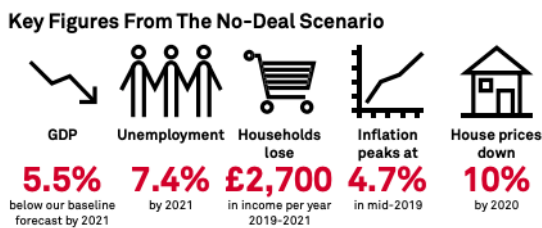
³⁶ To read the complete interview, please check the Annexes, pp.34-6.

³⁷ Europa Press. (November 6, 2017) El mercado británico genera para Tenerife unos ingresos de más de 1.535 millones de euros anuales. Retrieved June 8, 2019, from <https://www.europapress.es/islas-canarias/noticia-mercado-britanico-genera-tenerife-ingresos-mas-1535-millones-euros-anuales-20171106164619.html>

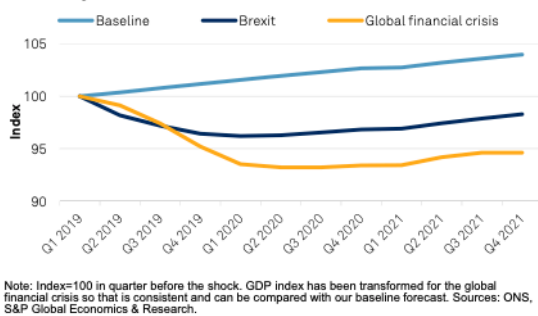
has sometimes come to promote the island with projects such as the sale of the renovation of public spaces or the fact that Tenerife is the only Canary Islands with Michelin-starred restaurants, in recognition of the quality of its cuisine. To this end, Carlos Alonso had more than 50 appointments during the fair in 2017 with professionals in the sector, such as airlines, tour operators, travel agencies, etc.

All this is because one of the greatest fears of the Canaries is that Brexit, as mentioned above, could lead to the devaluation of the pound sterling and hence the economic capacity of the British.

The forecast for 2019 onwards will depend on whether or not there is finally an agreement concerning Brexit. At the moment the forecasts without agreement according to the European Central Bank would be the following until 2019:



A No-Deal Brexit Would Be 60% As Damaging To The U.K. Economy As The Global Financial Crisis



This could greatly affect Tenerife as a tourist destination and as we commented earlier, a depreciation of the pound would greatly impair tourism spending on the islands, particularly in Tenerife.

4. ANALYSIS OF RESULTS

This research work and investigation of Brexit situation has delivered results that are, in my estimation, striking.

If at the beginning of the project I had had to give my opinion on the situation of Brexit and its

impacts, this would have been the complete opposite of what I have at the moment. Due to all the rumours that were being heard about the consequences that Brexit could cause, I had created a very negative image of the situation. However, after the process of analysing data, statistics, studies and articles, this opinion has changed greatly.

While it is true that I still do not believe that Brexit is a workable solution to the situation and that it can do some damage, including to the tourism sector, I do not believe that it can be as serious as I originally thought.

My opinion regarding this situation is determined mainly because, although the negative consequences analysed are considerably greater than the positive ones, during these three years of processes and tug-of-war, at least in the Tenerife tourism market, no major changes have been observed in the behaviour of British tourists. It remains the island's market par excellence and although the British economy has been affected by the situation, holidays remain a fundamental pillar in their lives.

The analysis carried out and therefore the conclusions drawn in this project are based on the tourism market and therefore final analysis will also be focused on this sector.

For it, apart from the results obtained in the analysis of the documents that reflect the little tourist impact that Brexit has had in Spain and specifically in the island of Tenerife, I have carried out a number of surveys in which the opinion of people who are experiencing first-hand both Spaniards living in Great Britain and British residents on the islands, is reflected. These 17 surveys conducted between 9th May 2019 and 1st June 2019, are a small sample of various opinions of people between 18 and 65 years old. Although it does not serve as a precedent since the number of respondents is certainly small, it serves to bring us a little closer to reality and give us an idea of how Brexit may affect citizens.

On one hand, taking a look to the results of this survey, 64.7% of the respondents are against Brexit, although 52.9% feel Brexit could benefit them in some way, taking as major results economic benefits and more employment. On the other, while they think there could be some benefits, disadvantages won them by far: 82.4% consider that they will be more harmed by Brexit instead of benefited.

Nevertheless, as we have observed in the development of this project, impacts have not caused that damage in citizens' way of life. This is reflected also in this survey, since 52,9% did not change at all their behaviour after knowing about Brexit all throughout these three years.

Concerning tourism, questions regarding this sector show the respondents are concerned about the possible influence of this process in their vacations' future. 17.6% tourism will be seriously affected by Brexit and 58.8% that it will affect tourism in some way. Apart from that, answers to the question "Did you travel during the last 3 years, after knowing about Brexit process?" were absolutely overwhelming, with 94.1% yes and only 5.9% no, in addition to the fact that 50% have travelled more than five times.

These data corroborate the analyses carried out previously in which we commented that the effect of Brexit in the tourist market has not been so intense until now. The British have continued to travel and the Spaniards living in Britain, too, without major problems. Therefore, if we take as an example the surveys carried out, we observe that Brexit, in spite of generating uncertainty, has been able to serve as an impulse to travel, because of the fear of what will happen in the future and, in addition, it has in fact not generated great changes in the lives of tourists so far, so the situation of the tourist market could be predicted to be stable as long as if Brexit were to be carried out, provided this would be by means of an agreement and not abruptly.

Results are also supported by the interview with Marcos Albornoz van Aken, which reflects a certain tranquillity before Brexit and shows a clear example that to date the impacts have not been decisive for tourism on the island. In addition, in one way or another, even company clients have been driven to travel and hire services, for fear of the possible future consequences that Brexit may have on their economy, ensuring the present. This is therefore in line with what has been said above about the impacts observed so far, where it can clearly be seen that the British have to some extent decided to travel and hire services now that they can still benefit from all the good that the EU brings to them.

5. CONCLUSIONS

The TFG presented has addressed the main points of importance of this process, begun in 2016 and continuing at present. Both economic and social aspects have been analysed in order to understand the possible impact this could have on the tourism sector.

The main intention of this project was to study the impacts observed during the three years of development, as well as to study the possible impacts if and how Brexit materialised. Finally, the analysis of the evolution of the British market on the island of Tenerife has brought us closer to a real example in which we can appreciate the effect that the idea of Brexit has had, with particular appreciation given to the contribution of Mr. Albornoz, who has brought us first-hand to the current situation, providing us an example of the circumstances affecting his company and giving us an idea of how the tourist market in Tenerife may be acting in the face of this process.

This process has been marked from the beginning by uncertainty for both citizens and politicians themselves and after carrying out this project, it is clear that even today the situation in Britain and the European Union is still hanging by a thread.

Therefore, both the situation of the population and, in particular, of the tourism sector will be affected to a lesser or greater extent depending on whether the Brexit is finally materialised by means of an agreement or a hard Brexit is eventually carried out. Therefore, what will happen in the markets remains in the hands of simple speculations and theories at the expense of the situation being resolved as soon as possible. Be as it may, it is not far-fetched to think that this process may have a view of extending even to a period of 5 to 10 years. Which means, of course,

that further analyses and assessments will be necessary in years to come. This chapter in British and European, hence Canarian, history is far from over.

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7. ANEXES

7.1. MR. ALBORNOZ INTERVIEW

What are the areas of your activity, Mr. Albornoz? We are one of the very few local agents left on the island (not belonging to a large conglomerate) and we have four areas to our business. My department organizes conferences, incentives, congresses, product launches and day events on the seven Canary Islands. We have a shore excursion department, with which we organize day trips, themed dinners, and on-shore experiences for our Cruise line passengers. We represent the likes of the Carnival UK group (Cunard and P&O), Saga Cruises, Disney Cruise line, Noble Caledonia, and economic magazines, newspapers, blogs or websites CroisiEurope, among others. We have a tour operator department, where we handle the transport, reservations and hotel contracting process for two clients based in the United Kingdom (Prestige Holidays and Mercury Direct. Finally, we have a FIT (Free Independent Traveller) department, where we organize, and coordinate tailor made programs for individuals and small parties wanting a specific, custom-made program on any of the islands. We have now been in operation for more than 30 years as a family-run business, having developed very strong commercial and business partnerships in the United Kingdom all along these years.

What, if any, has been the impact of the Brexit issue meant for your company to date? I have to start by saying that Tenerife has an incredible repeat business base out of the UK. The British market has Tenerife as top of the list when it comes to the selection of their holiday options and this has been so since the beginning of tour operation travel back in the 1970s. Despite emerging destinations such as Egypt, Tunisia, Turkey, Malta and Portugal, none of them offers the

consistency where weather conditions, political stability, a legal framework within the European Union, low VAT tax rating, and flight proximity are concerned. It is these factors that make Tenerife such a popular destination on the UK market; this is firmly embedded in the culture of the British Isles and we do not see this changing despite Brexit.

Undeniably, the political debate, the headlines, the uncertainty and media frenzy around the Brexit issue does not contribute to the stability of the British economy and this in turn to the stability of families' home budgets and holiday plans. Ten Travel has not had a negative effect on numbers out of the UK in its tour operator figures. However, there is a factor which has become apparent over the last two years in the conference and meeting segment of the market. British companies choosing Tenerife as their destination for their annual conference / incentive trip have decided, by and large, to buy advance Euros (pay higher deposits on their events in advance), in order to guarantee themselves the lower exchange rate existent at the moment. Companies are nervous about the impact of a hard Brexit and what this means for their buying power vis-à-vis the euro and therefore try to secure as many advance payments as possible. This is definitely a reverse trend from the time when companies tried their best to defer their payments as much as possible.

So, in this context, what have you done / are you doing to accommodate this uncertainty?

Well, we make our payment structure as flexible as possible in order to accommodate the needs of our clients; we come to a consensus with them and create payment scenarios where we create win/win situations for both parties.

Do you think a hard Brexit will affect you at all? I think a Hard Brexit would be counterproductive for British families wanting to travel to the Canary Islands. I fear increasing airfare costs, an increase in taxing / or levies for "cross border" flights and especially and more importantly, we fear a slowing of the British economy and how this will affect families and companies in their disposable income. A slower economy, with the implication of job losses, less saving options, higher interest rates, could certainly affect the holiday plans of many families choosing perhaps destinations nearer to home or basing their choices purely on budget and not on added value for their money. Companies choosing to celebrate their conferences at home, as opposed to abroad, because they want to avoid the risk of getting caught in a devaluation process of the GBP in the context of their already organized event is worrying and not a scenario Ten Travel are comfortable with.

Finally, what do you think will happen? If I really knew for certain, Yolanda, I would not be sitting here with you but rather on an advisory board in London!!!! My very personal opinion is that irrespective of the colour of the ruling party in parliament, the economic, financial and monetary forces will determine the real nature of Brexit. I feel there will be a lax, weak Brexit option imposed by the Euro Partners, which will leave the UK with a certain autonomy in certain areas of European legislation but will keep in place the very strong ties which the UK and the Euro zone have developed over time. People will continue wanting to go on holiday, wanting to spend time in the sun and having a good time and companies will want to continue to improve their financial results, drive their workforce and create incentives for the better performance of their employees. We are "on guard" but not excessively worried.

We thank Mr. Albornoz for his time and first-hand input and incorporate his views into the project.

7.2. SURVEY EXAMPLE

BREXIT SURVEY

My name is Yolanda, student at Universidad de La Laguna. This Brexit survey is carried out with the intention of gathering current and first-hand information on the situation of Brexit and how it has affected the population. With it I will be able to analyze the situation for my final project.

Thank you very much for your collaboration in advance.
Best regards,

Yolanda Alonso.

Age range *

- 18-24
- 25-49
- 50-64
- +65

Nationality *

- Spanish residents in the United Kingdom
- British residents in Spain
- British residents in the United Kingdom
- Europeans residents in the United Kingdom

Are you for or against Brexit?

- For Brexit
- Against Brexit
- No answer

Do you think Brexit could have some benefits for the UK?

- Yes
- No
- Maybe
- No answer

If your answer is yes, what type of benefits?

- Economic benefits
- National essence recovery
- Less criminality
- More employment

Do you think Brexit could have some disadvantages for the UK?

- Yes
- No
- Maybe
- No answer

If your answer is yes, what type of disadvantages?

- Economic disadvantages
- Racism
- Lower quality of life
- Less inbound and outbound tourism

Would you be benefited or harmed from Brexit?

- Benefited
- Harmed

Did you change your lifestyle after knowing about the Brexit?

- Yes, a lot
- Not at all
- Yes, in some way
- Not that much

Is Brexit going to influence tourism in the UK?

- Yes a lot
- Not at all
- Yes, in some way
- Not that much

Did you travel during the last 3 years, after knowing about Brexit process?

- Yes
- No

Regarding the previous question, how many times?

- One time
- Between 2 and 5 times
- More than 5 times

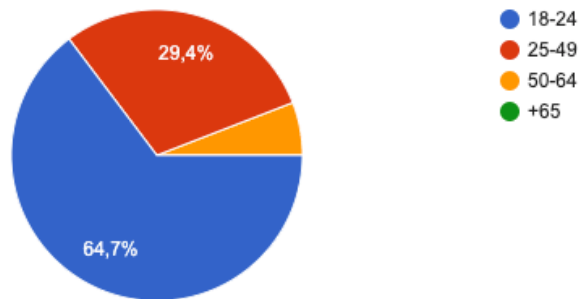
Were you used to travelling that much/so little before the Brexit process started?

- Yes, that much
- Yes, that little
- Not that much
- Not that little

7.3. SURVEY SUMMARY

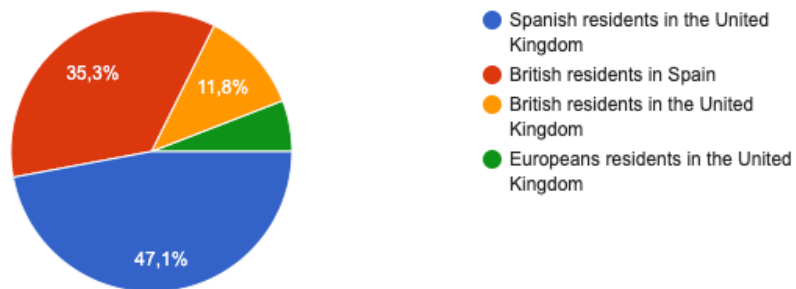
Age range

17 respuestas



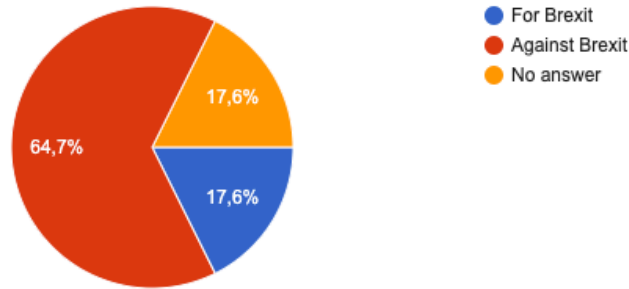
Nationality

17 respuestas



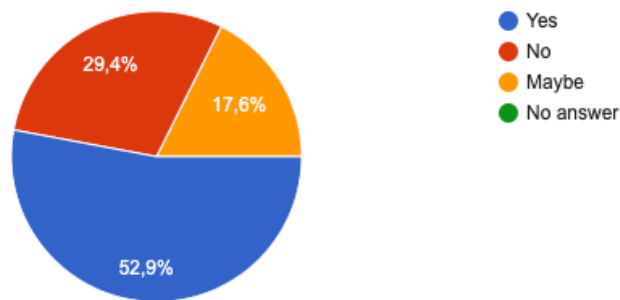
Are you for or against Brexit?

17 respuestas



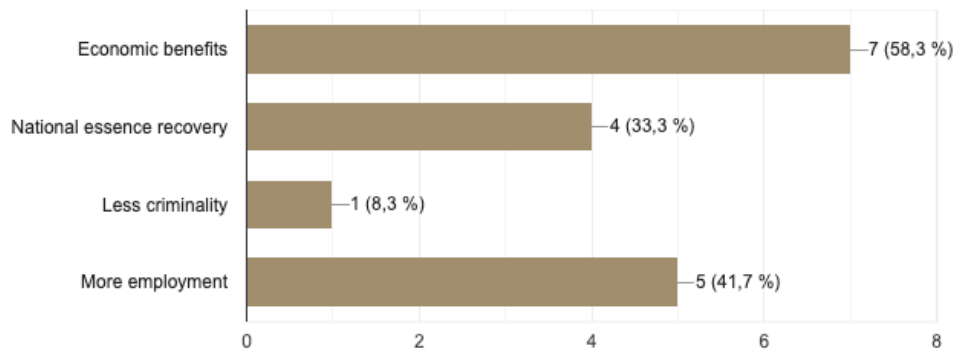
Do you think Brexit could have some benefits for the UK?

17 respuestas



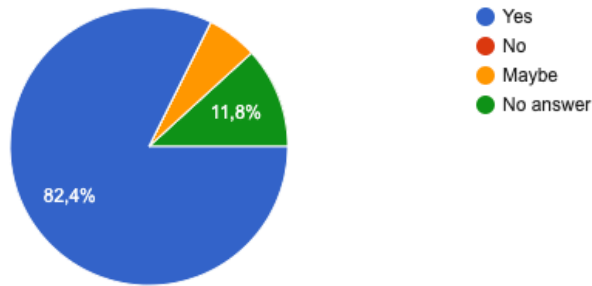
If your answer is yes, what type of benefits?

12 respuestas



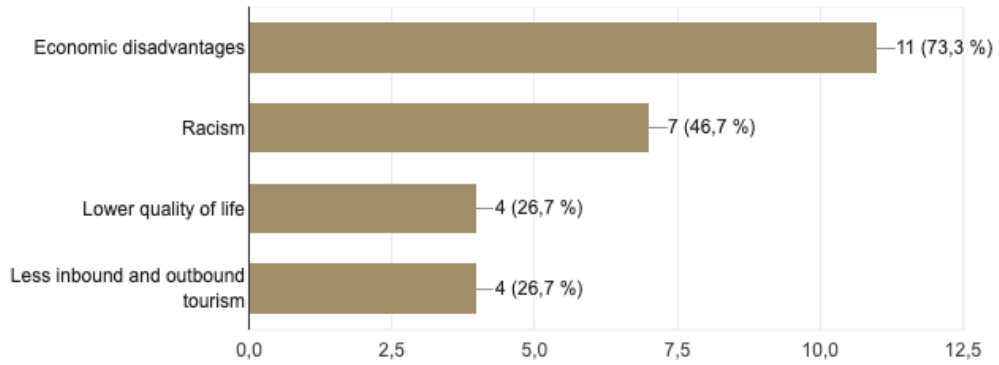
Do you think Brexit could have some disadvantages for the UK?

17 respuestas



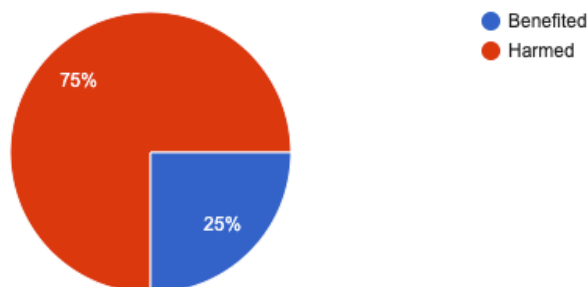
If your answer is yes, what type of disadvantages?

15 respuestas



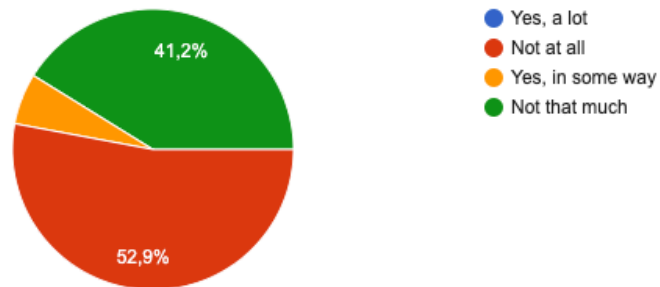
Would you be benefited or harmed from Brexit?

16 respuestas



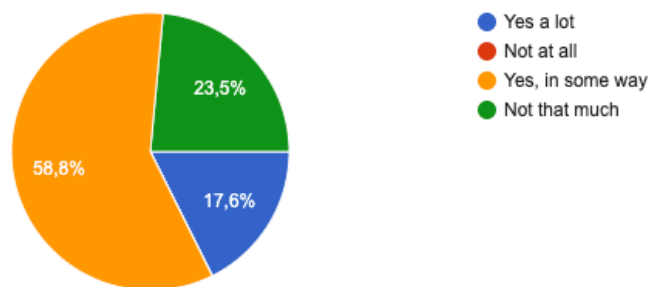
Did you change your lifestyle after knowing about the Brexit?

17 respuestas



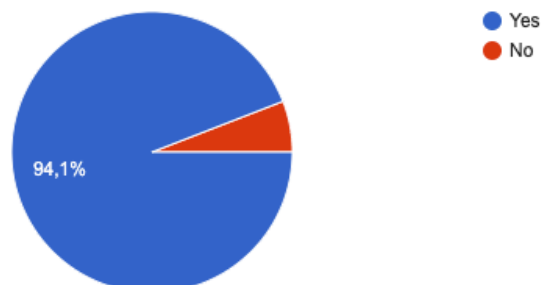
Is Brexit going to influence tourism in the UK?

17 respuestas



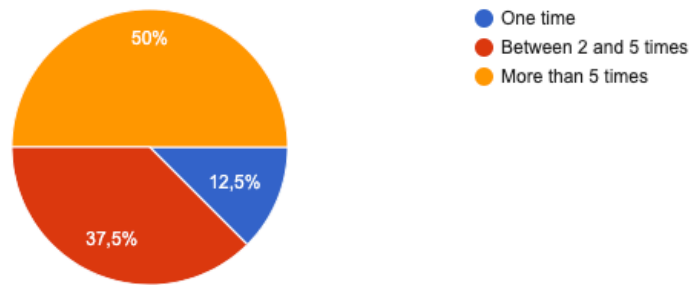
Did you travel during the last 3 years, after knowing about Brexit process?

17 respuestas



Regarding the previous question, how many times?

16 respuestas



Were you used to travelling that much/so little before the Brexit process started?

16 respuestas

