
BREXIT AND THE MUTUAL CONSEQUENCES REGARDING GREAT BRITAIN AND EUROPEAN UNION

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Abstract: This research paper assesses the likely impact and consequences of Brexit on the European Union, together with some scenarios for the terms of the UK's future secession. For the EU, the ongoing process is considering that the losses are found to be highly significant. The key research targets of this paper are the following; Britain is deeply divided over its membership of the EU. There is a risk of 'political contagion' from Brexit as it could fuel Euro skepticism elsewhere, particularly if the UK is seen to benefit in politically sensitive areas like migration. Brexit would mean years of uncertainty and wrangling to establish a new relationship between Britain and the EU, which would be damaging for businesses trading with and partners invested in the UK. All member states of the Union will feel the collision of Brexit as Europe will lose international esteem and foreign policy influence and have less leverage in trade negotiations. Brexit will harm the EU's cohesion, confidence and international reputation. The biggest consequence of all, therefore, is that Brexit will undermine the liberal political and economic order. The future policy of European continent won't compete to the continents over Pacific Ocean. This paper makes a comprehensive overview of the events that led to the referendum, which was the breaking point in the history of the UK. Accordingly, there has been made an investigation about the escalating events and the debates that led to Brexit as well as the key arguments for staying or leaving and the effect of the whole process on UK. There are also general facts about important economical, political, social consequences that the European Union is expected to experience in the very near future followed by the dramatic changes that had been made by the exit of UK from the EU. Methods that are used while conducting this research paper are: Comparative, descriptive, and narrative methods

Keywords: Brexit, membership, international, consequences, policy.

INTRODUCTION

Brexit is a word that has become as a shorthand way of saying the UK leaving the European Union (EU) – merging the words Britain and exit to get Brexit i.e. Brexit is the nickname for "British exit" from the EU. Britain voted Thursday to leave the European Union, a decision that surprised many and one whose consequences still aren't totally clear.

In February 2016 the UK announced that the nation's population will vote on June 23 to decide its future relationship with European Union. The results will show either of the two outcomes, namely Britain continue being a part of EU or leave the Union make an individual country status. The former, Britain remaining in EU was a term coined as "Bremain" while the term signaling the UK exit from EU was popularly known as "Brexit". Brexit is the June 23rd, 2016, referendum where the United Kingdom voted to leave the European Union. The residents decided that the benefits of belonging to the unified monetary body no longer outweighed the costs of free movement of immigration.

The major interest and the key point of elaboration of this paper is Brexit and its inevitable impact on EU. There are four key areas of change: the euro currency system, the EU's overall budget of the Union and liberalization, the nexus of immigration and border management, and foreign and security policy in general.

The current and the upcoming consequences on the European Union are described step by step and every single main point is represented through detailed described elaboration. Throughout this period of time from the announcement of Brexit there has been elaborated the major important outcomes of the exit and all of them are divided and listed by many researchers.

In the first part of this paper reveals a comprehensive overview of the events that led to the referendum, which was the breaking point in the history of the UK. Accordingly, there has been made an investigation about the escalating events and the debates that led to Brexit as well as the key arguments for staying or leaving and the impact of the whole process on UK.

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CONSEQUENCES FOR THE EUROPEAN UNION

In the second chapter you can find general facts about important economical, political, social consequences that the European Union is expected to experience in the very near future followed by the dramatic changes that had been made by the exit of UK from the EU. In a historic move, Britain voted "Leave", opting to quit the European Union and end a 43-year relationship with the continent. It was a decision that remained too close to call right up until the very last moment, dividing the nation down the middle with 52 percent of Britons choosing to leave. It was the culmination of four months of bitter campaigning that exposed deep rifts in British society and in the continent too.

"Brexit was the first significant victory in foreign policy for the radical right ... and it clearly has inspired Marine Le Pen, Geert Wilders and others," explains Cas Mudde, the author of *The Ideology of the Extreme Right*.¹⁷⁵

Prime Minister David Cameron promised to hold a referendum if he won the 2015 general election, in response to growing calls from his own Conservative party MPs and the UK Independence Party (UKIP), who argued that Britain had not had a say since 1975, when it voted to stay in the EU in a referendum. The EU has changed a lot since then, gaining more control over their daily lives, they argued. Cameron had said: "*It is time for the British people to have their say. It is time to settle this European question in British politics.*"¹⁷⁶ Eligible to vote were British, Irish or Commonwealth citizen over the age of 18 and residents in the UK as well as UK nationals who has lived overseas for less than 15 years. UK residents took to the polls and over 17 million people voted that the UK should leave the European Union. While the overall vote was very close (51.9% to 48.1%), there was a clear divide among younger UK residents who wanted to stay in the EU (64%), and the older UK residents who wanted to leave (58% of those over 65).

WHO WANTED THE UK TO LEAVE THE EU, WHY DO THEY WANT THE UK TO LEAVE AND KEY ARGUMENTS TO LEAVE?

The British public was fairly evenly split, according to the latest opinion polls. The UK Independence Party, which won the last European elections, and received nearly four million votes – 13% of those cast – in May's general election, campaigns for Britain's exit from the EU. About half of Conservative MPs, including five cabinet ministers, several Labor MPs and the DUP were also in favor of leaving. They believe Britain is being held back by the EU, which they say imposes too many rules on business and charges billions of pounds a year in membership fees for little in return. They also want Britain to take back full control of its borders and reduce the number of people coming here to live or work.

One of the main principles of EU membership is "free movement", which means you don't need to get a visa to go and live in another EU country. They also object to the idea of "ever closer union" and what they see as moves towards the creation of a "United States of Europe".

Key Arguments for Leave:

- **Foreign affairs:**
EU membership limits Britain's international influence, ruling out an independent seat at the World Trade Organization.
- **Sovereignty:**
Britain would have more control of its laws and regulations, without risk of having counterintuitive policies forcefully imposed.
- **Security:**
Britain's domestic security would benefit more from greater border control than political union.
- **Money:**
Britain contributes billions of pounds in membership fees to the EU every year.
- **Trade:**
Membership in the EU keeps Britain from fully capitalizing on trade with major worldwide economies like Japan, India and the UAE.

¹⁷⁵ How will Brexit affect the European Union? (2017). *Aljazeera*. Retrieved March 19, 2017 from: <http://www.aljazeera.com/indepth/features/2017/03/brexit-affect-european-union-170310121554584.html>

¹⁷⁶ Hunt, A., Wheeler, B. (2017). "Brexit: All you need to know about the UK leaving the EU" *BBC News*. Retrieved June 19, 2017 from: <http://www.bbc.com/news/uk-politics-32810887>

- **Business:**

The EU subjects Britain to slow and inflexible bureaucracy, making it more prohibitive for smaller, more innovative companies.

- **Jobs:**

Improved global trade agreements and more selective immigration would have a positive effect on the British job market.

- **Consumer goods:**

The average person in Britain loses hundreds each year owing to policies regarding VAT contributions and agricultural subsidies.

Conservative leader Theresa May has said one of the main messages she has taken from the Leave vote is that the British people want to see a reduction in immigration. She has said this will be a focus of Brexit negotiations as she remains committed to getting net migration - the difference between the numbers entering and leaving the country - down to a "sustainable" level, which she defines as being below 100,000 a year.¹⁷⁷

WHO WANTED THE UK TO STAY IN THE EU, WHY DO THEY WANT THE UK TO STAY AND WHAT WERE THE KEY ARGUMENTS FOR STAY?

Prime Minister David Cameron wanted Britain to stay in the EU. Sixteen members of his cabinet also supported staying in the EU. The Conservative Party pledged to be neutral in the campaign – but the Labour Party, SNP, Plaid Cymru and the Lib Dems were all in favor of staying in.

US president Barack Obama also wanted Britain to remain in the EU, as did other EU nations such as France and Germany. As mentioned above, according to polls, the British public seems largely split on the issue. Those campaigning for Britain to stay in the EU agreed that Britain gets a big boost from membership – it makes selling things to other EU countries easier and, they argue, the flow of immigrants, most of whom are young and keen to work, fuels economic growth and helps pay for public services. They also believe Britain's status in the world would be damaged by leaving and that they are more secure as part of the 28 nation union, rather than going it alone. What has been largely ignored are the 12.9 million who did not vote. Australia has a democratic process where voting is compulsory, the polls indicate the result would have been to Remain from day zero, and would still be Remain. Of course, there is a criticism of the non-voters but, for various very based reasons some were reported as simply not being able to vote.

Key Arguments for Stay:

- **Foreign affairs:**

As part of a 500 million-strong economy, Britain has greater influence over international matters.

- **Sovereignty:**

Britain has proved that it can opt out of EU policies it considers counterintuitive, such as the euro, the Schengen Agreement and enforced migrant quotas.

- **Security:**

A union better equips Britain to tackle threats to security, including terrorism and cross-border crime.

- **Money:**

Europe provides Britain with billions of pounds' worth of investment each year.

- **Trade:**

Membership in the EU gives us the strength to negotiate favorable trade agreements with countries around the world.

- **Business:**

Free trade within the EU reduces barriers and enables UK companies – particularly small ones – to grow.

- **Jobs:**

Millions of jobs linked to Britain's membership would be put at risk.

- **Consumer goods:**

The average person in Britain saves hundreds each year thanks to lower prices of goods and services facilitated by the EU.

¹⁷⁷ Hunt, A., Wheeler, B. (2017). "Brexit: All you need to know about the UK leaving the EU" *BBC News*. Retrieved June 19, 2017 from: <http://www.bbc.com/news/uk-politics-32810887>

- **Peace and democracy**

The EU has helped secure peace among previously warring western European nations. It helped to consolidate democracy in Spain, Portugal, Greece and former Soviet bloc countries and helped preserve peace in the Balkans since the end of the Balkans War. Euro just helps UK authorities work with other EU countries' to tackle international organized crime such as drug smuggling, people trafficking and money laundering

CONCLUSION

Finally, Brexit will disrupt the EU's internal equilibrium. With Britain out, the bloc's seven non-euro countries will account for only 15 per cent of EU economic output, as opposed to more than 30 per cent with Britain in. Brexit will increase Germany's political and economic supremacy in the EU — a prospect neither Berlin nor its partners welcome.

Brexit will harm the EU's cohesion, confidence and international reputation. The biggest consequence of all, therefore, is that Brexit will undermine the liberal political and economic order for which Britain, the EU and their allies and friends around the world stand.

Britain is deeply divided over its membership of the EU. Most business people and economists see access to EU markets as beneficial. The government does too, hence its attempts to defend Britain's interests against the euro zone, which it fears may gang up on EU countries that are not members of the currency union. But many Conservative parliamentarians, some business leaders and many voters would prefer Britain to withdraw, arguing that Britain's economy would be liberated by doing so, and that the UK could in any case negotiate access to European markets if it were outside the Union. This report has shown these assumptions to be doubtful.

The tradeoff that the UK must make is quite simple: it is between regulatory sovereignty – which would not transform Britain's growth prospects – and unimpeded access to the EU's single market. Eurosceptics are wrong to say that the EU off the little market access for a good deal of red tape, or that it constrains Britain's trade with fast growing economies outside Europe. The EU has no tariff s and quotas on internal trade, while common rules have further reduced trade costs. These policies work: Britain's membership of the EU has led to increased trade with the other member-states. At the same time, there is no evidence that membership of the EU constrains Britain's trade with the rest of the world. The EU's eff orts to promote trade in services have been half-hearted – a shame for Britain, given that it has a comparative advantage in this sector. Nonetheless, the UK is the largest recipient of foreign direct investment in the EU – and much of this investment in the services sector.

Half of Britain's FDI stock is owned by companies with headquarters in other EU countries. A sizeable chunk of the rest is from non-European companies who seek a base for their European operations in a lightly-regulated economy. The EU's single market has brought sizeable benefits to Britain that it could not have won without sharing some sovereignty in the European institutions. Conclusion Britain is deeply divided over its membership of the EU. Most business people and economists see access to EU markets as beneficial. The government does too, hence its attempts to defend Britain's interests against the euro zone, which it fears may gang up on EU countries that are not members of the currency union.

But many Conservative parliamentarians, some business leaders and many voters would prefer Britain to withdraw, arguing that Britain's economy would be liberated by doing so, and that the UK could in any case negotiate access to European markets if it were outside the Union. If it leaves the EU, the UK will have to negotiate terms. Britain will face an invidious choice: access to the single market, but less influence on the rules that govern it; or freedom from the rules, but loss of access to the single market. If Britain joins the EEA, it will have to sign up to all new single market rules with little hand in their drafting. Even Switzerland, which has a set of bilateral agreements with the EU, has limited access to those areas of the single market whose rules it cannot stomach, such as financial services.

Britain could trade with the EU under WTO rules in order to regain regulatory sovereignty. But its exporters would face EU tariff s, and would have to comply with EU product standards if they wanted to sell their wares on the continent. And as Britain has one of the least regulated economies in the world, according to the OECD, any economic gains from repealing the EU's rather limited social legislation would be small.

The UK would be free to negotiate trade agreements with countries outside the EU. But it would not inherit the EU's existing bilateral trade agreements that are already in existence: it would have to negotiate new ones. So, upon exit, it would have less access to markets outside the EU, not more. And it is hard to believe that Britain would find it easy to forge new deals. To persuade a trading partner to start negotiating, it would need to be able to offer something attractive. Britain's economy is far smaller than the EU's – and would be less of a priority for the US or China.

The UK is already very open to imports and inward investment, so it would have little to offer in return for its demands that other countries reduce tariffs and other trade barriers. Britain benefits from the EU's size in trade negotiations, which gives it something to bargain with. The alternatives to EU membership are unsatisfactory: they either give Britain less control over regulation than it currently enjoys or they offer more control but less market access. In a referendum, Britain will have to choose between national sovereignty and unimpeded access to EU markets. While membership of the EU is as much about broader, political questions as economics, the economic case for staying in the Union is strong.

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