

BREXIT: POLITICO-ECONOMIC CHALLENGES FOR THE EUROPEAN UNION

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DEDICATION

With utmost devotions, I dedicated my whole work to my beloved and affectionate Parents, Better Half, Brothers, Friends and Respected Staff of International Relations Department who have always been source of encouragement, knowledge, illumination and wisdom for me, whose pray and guidance showed me the right path and made the blessing of God shower on me.

LIST OF ABBREVIATION

| | |
|-------|--|
| AfD | Alternative für Deutschland |
| AfD | Alternative for Germany |
| CDU | Christian Democratic Union |
| CFSP | Common Foreign and Security Policy |
| CSDP | Common Security and Defence Policy |
| DUP | Democratic Unionist Party |
| ECJ | European Court of Justice |
| EU | European Union |
| EEC | European Economic Community |
| EMU | European Monetary Union |
| EC | European Communities |
| EII | European Intervention Initiative |
| FTA | Foreign Trade Agreement |
| FDI | Foreign Direct Investment |
| MEPs | Members of the European Parliament |
| MNCs | Multinationals Corporations |
| NATO | North Atlantic Treaty Organization |
| PESCO | Permanent Structured Cooperation |
| SPD | Social Democratic Party |
| TTIP | Transatlantic Trade and Investment Partnership |
| UK | United Kingdom |
| UKIP | United Kingdom Independence Party |
| WTO | World Trade Organization |

ABSTRACT

Thesis Title: Brexit: Politico-Economic Challenges for the European Union

In history of the European Union, the exiting of Britain from the EU is considered as a serious prospect of a member state. As it was already decided by the UK, that Brexit would only happen if majority of people vote to leave the EU in a referendum. Right after World War II the economic and cultural changes were growing in terms of globalization. In that time period, the European Union was very much flourishing in political integration. Brexit marks a departure from this trend. Here as per the UK to leave the European Union means to extract itself from the supranational political institutions. On 31st January 2020, the UK formally left the EU. Although the UK has decided the terms of its EU withdrawal but there is still a lot to talk about their future relationship will look like as months of negotiations to come. During the transition period this will need to be worked out because soon after Brexit day it directly began and this time period ends on 31st December 2020. Still the national interests of British regarding stability, security and prosperity will be remaining on the top priority. But here it just not only about the UK exits from the EU, but it will further be having some serious political as well as economic consequences, not only for the UK but for the EU as well. In the light of Complex interdependence that involves the possibility that states are woven in a spider web can no longer work in isolation and need to communicate with one another in all political, economic, social just as military circles, the Brexit is remarkable both nationally and universally. From one viewpoint the world is concentrating on coordinated effort and political, economic, social integration through various multilateral stages, there are no such instances of withdrawal like Brexit. The theory of Complex Interdependence is appropriate regarding the underlying problem and best explains the issue as it talks about interdependence and integration. The research design use to conduct this study is qualitative in nature. Both primary and secondary sources are used for data collection. As the UK had playing the major role in the EU membership therefore its withdrawal would have been serious repercussions not only on the EU but for the UK also. Brexit could lead towards genuine political and economic ramifications for both the EU and the UK even a few researchers contend that it will additionally break down, however in the period of globalization and interdependence both will discover that seclusion or crumbling is certifiably not a decent system to manage developing complex economic, political and social threats. Thus, keeping these factors in consideration EU and UK will ultimately revise their policies and will find new cooperative means and inland partnership to make a continental bloc.

INTRODUCTION

In history of the European Union, the exiting of Britain from the EU is considered as a serious prospect of a member state. As it was already decided by the UK, that Brexit would only happen if majority of people vote to leave the EU in a referendum. The Brexit is a remarkable event being the only incidence of the international institutionalism within the international politics. The decision seemed wilful at outset, but it was rebellion against the political mainstream. The results provoked a revolt against the establishment, which has seen losing its moral authority to lead. This victory would not be that great because it is based upon a few hundred thousand votes out of more than thirty millions, Britain took a side from European integration the most successful supranational organization in the modern world. Nonetheless, public ignored the advice of their top politicians, business community, and the leadership of trade union leaders, and called time-on Britain's membership of the EU. The political establishment was not successful in presenting the positive case for staying in the European Union. Despite repeated warnings of the forthcoming dangers of a "leap in the dark", i.e. the outlook of economic depression, the loss of trade markets, a greater danger of conflict and terror attacks and a smaller power of speech on the world stage.

On June 23, 2016, the United Kingdom held a referendum on its membership in the European Union. Although most of Britain's establishment had supported the UK's stay in the EU, yet 52 percent of voters disagreed and handed a surprise victory to the "leave" campaign. Brexit, as the act of Britain exiting the EU, is likely to occur in early 2019¹ that lead towards a major constitutional uprising in EU politics due to British vote for withdrawal. Right after World War II the economic and cultural changes were growing in terms of Globalization. In that time period, the European Union was very much flourishing in political integration. Brexit marks a departure from this trend. Here as per the UK to leave the European Union means to extract itself from the supranational political institutions. The UK will confront with new kind of barriers in terms of exchange of goods, services and people with the remaining member states of the EU.

¹ Thomas Sampson, "Brexit: The Economics of International Disintegration," *Journal of Economic Perspectives* 31, no.4 (Fall 2017): 163.

Apart from that major question was raised related to the future constancy of the EU will persist and further Globalization is inevitable.

The United Kingdom officially announced a proper notification regarding its intention to leave the European Union on March 29, 2017.² Soon after that they started negotiation on withdrawal agreement. According to the Lisbon Treaty agreement Article 50, which allows the states to withdraw willingly from the EU without any negotiation and last membership within two years but member state shall inform European Council (EC) of its intentions. But if there is no proper treaty or agreement, until the remaining member states solidly decide to prolong the negotiation.

On 31st January 2020, the UK formally left the EU. Although the UK has decided the terms of its EU withdrawal but there is still a lot to talk about their future relationship will look like as months of negotiations to come. During the transition period this will need to be worked out because soon after Brexit day it directly began and this time period ends on 31st December 2020. The UK will remain to follow all of the EU rules throughout this time period and its trading relationship will remains the same.

Now the Britain is trying to find the best way as per their assumption about economic and financial consequences for leaving the European Union. As indeed, in the wake of the Brexit, uncertainty - the archenemy of economic growth and financial stability - would abound. But it is quite important if Britain withdraws from the continental bloc that will directly affect geopolitically and will shake the balance of power among members of the EU. It will ultimately lead the remaining EU member states to reconsider their role in world politics.

There are some consequences that the EU and the UK will face. The first condition is if the EU drops the UK then how UK would deal on the outside of European Union. Secondly, it will show the efforts of the EU that it would put to keep the UK as its member. Brexit is not just a question for the EU but as for the British political and public elite as well; who needs to calculate British significance to the EU. If Britain leaves with

² Thomas Sampson, "Brexit: The Economics of International Disintegration," *Journal of Economic Perspectives* 31, no.4 (Fall 2017): 164.

or without deal, then what kinds of post-withdrawal relationship follows will also depend to a large extent on what the remaining EU is willing to grant. This will in turn depend on how the EU is changed by the loss of the UK.

It will also create problems for the UK as well. Now the most important debate started that after UK withdrawal what kind of new relationship will developed between the UK and the EU-member states. What would be political and economic consequences create for the UK. It is totally depended on what sort of union the EU become and future trade agreement between the UK and the EU members. Still the national interests of British regarding stability, security and prosperity will be remaining on the top priority. But here it just not only about the UK exits from the EU, but it will further be having some serious political as well as economic consequences, not only for the UK but for the EU as well.

Although Brexit has severe political and economic consequences for the EU and according to some scholars it will further disintegrate but in the era of Globalization and interdependence the EU and the UK will find some other way to collaborate with each other as a continental bloc.

Statement of the Problem

For European unity, Brexit is being considered as strong hammer blow for the regional integration and cooperation. Internal balance of the EU has disrupted due to Brexit. The financial markets of the nineteen nations, Eurozone will turn into more sensitive due to the vulnerabilities because of Brexit. Within the EU, the political and economic preeminence of Germany will be increased, and Eurozone and the EU institutions could be more backed for integration by Germany for self-interests. In addition; Brexit confronted international reputation, self-confidence and coherence of the European Union with serious harm i.e. liberal, political and economic order will demoralize in European Union for which Britain itself, the European Union and their followers and associates stand and support around the world.

The period when the European Union needs and struggle for more internal consistency, influence and ability to address several trials, in the last couple of years as revealed by various external shocks i.e. the problems related to carrying out the Banking Union,

accommodating the burden sharing mechanism to take hold of the refugee crisis i.e. common concern about the migration or environment, terrorist attacks, sharing of sovereignty, international and European financial calamity, hostile behavior of Russia, European neighborhood deteriorating condition and existing structural design of European integration remain imperfect and is not good enough in effect. Within various European member states, its assured the growing power to Eurosceptic with new anti-integration point of view. In addition to the current situation, the balance of economic power in North Atlantic zone may not be in the interest to split-up by the UK and the European Union that ultimately diminishes their influence or shifts of power from the region. The above mentioned existing scenario could be upheld as disaster not only for the European Union but as well as for the UK also. Due to all these major consequences, the UK and the EU may go for continental partnership and new form of cooperation.

Research Questions

This study revolves around following questions:

Q1. Why has the Brexit occurred?

Q2. What would be the emerging economic challenges for the European Union after Brexit?

Q3. How can the political challenges of Brexit be envisioned for the European Union?

Objectives of Research

The objectives of the study are as follow:

- To recognize the nature of connection between the UK and rest of the European Union
- To identify the underlying factors which caused the Brexit
- To emphasize the challenges facing by the European Union States after Brexit
- To find out the opportunities for the European Union after Brexit
- To dig out the policy recommendation for the European Union after Brexit

Literature Review

Andrew Glencross in *Why the UK voted for Brexit: David Cameron's Great Miscalculation* (2016) saw the UK electorate vote to leave the EU, turning David Cameron's referendum gamble into a great miscalculation³. The author analyzes the renegotiation that preceded the vote, before examining the campaign itself so as to understand why the government's strategy for winning foundered. Glencross at that point assesses the suggestions that this choice has for the nation's universal relations just as for its household governmental issues. The creator's last reflections are on the political way of thinking of Brexit, which is established on scrutinize of delegate majority rules system. However the utilization of direct vote based system to trigger the EU withdrawal leaves the as far as anyone knows sovereign British individuals at a stalemate. For it is dependent upon the individuals' agents to arrange the terms of Brexit.

Harold D. Clarke, Matthew Goodwin and Paul Whiteley's *Brexit: Why Britain Voted to Leave the European Union* (2017) examines the background to the campaign analyzing in particular the public mood present in the country and the role played by David Camerons' renegotiations of the terms of the EU membership.⁴ D. Clarke, Goodwin, Whiteley delineate the contending stories offered to voters by the Remain and Leave squares. When the writers set out the scene, the book goes to examine drifts in broad daylight support for the EU participation since 2004. Researching what is behind the unstable help for the EU communicated by British voter's additional time permits the creators to comprehend why the nation proceeded to decide in favor of Brexit. With this analysis the authors show how the rise of UK Independence Party (UKIP) brought issues of Europe and immigration on the forefront of the political debate. The authors focus on the long-term economic and political consequences of Brexit by examining some potential scenarios.

³ Andrew Glencross, *Why UK Voted for Brexit: David Cameron's Great Miscalculation* (United Kingdom: Palgrave, Macmillan, 2016), 14-16.

⁴ Harold D. Clarke, etal, *Brexit: Why Britain Voted to Leave the European Union* (United Kingdom: Cambridge University Press, 2017), 18.

Benjamin Martill and Uta Staiger (2018) have established that Brexit will have significant consequences for the country, for Europe, and for global order.⁵ The authors look at the outcomes of Brexit for the eventual fate of Europe and the European Union, receiving an unequivocally local and future-arranged point of view missing from many existing investigations. The author examined alternate points of view on the eventual fate of Europe, diagramming the reasonable impacts of Brexit over a scope of zones, including institutional relations, political economy, law and equity, remote undertakings, fair administration, and the possibility of Europe itself. While the benefactors offer disparate expectations for the eventual fate of Europe after Brexit, they share a similar conviction that cautious academic investigation is in requiring – presently like never before – in the event that we are comprehend what lies ahead for the EU.

Ian Dunt in *Brexit: What the Hell Happens Now?* (2017) has stated that the Brexit vote took the nation by surprise.⁶ For those who voted to Leave, exiting from the EU can't happen fast enough. But few seem to appreciate what is actually involved in achieving this. Ian Dunt's examines the options and implications, and makes clear that the referendum result was only the start of a long period of discussions, negotiations, decisions and agreements which will take years, if not decades, to conclude. Britain's departure from the European Union is loaded up with purposeful publicity and fantasy however the dangers are genuine. Brexit could bring down worldwide status of the United Kingdom, decrease its personal satisfaction, and toss its lawful framework into strife. The author manages the exchange and lawful bluff edge that Britain will confront except if it can protect a transitional arrangement with the European Union, why the situation is anything but favorable for the UK government in its dealings with Brussels, and how the World Trade Organization (WTO) is not the fix to leaving the EU that the Brexiters accept. This is the primary full open investigation of Brexit, deprived of the unrealistic reasoning of its supporters in the media and Parliament. It is the genuine image of a nation going to experience a sharp and self-caused seclusion. The writer

⁵ Benjamin Martill and Uta Staiger, "Introduction: Brexit and Beyond," in *Brexit and Beyond: Rethinking the Futures of Europe*, ed. Benjamin Martill and Uta Staiger (London: University College London Press, 2018), 4-12.

⁶ Ian Dunt, *Brexit: What the Hell Happens Now?* (United Kingdom: Canbury Press, 2017), 15.

suggested that this book is for individuals who despite everything have confidence in proof and in specialists.

Tim Oliver in article “Europe’s British question: the UK–EU relationship in a changing Europe and multipolar world” (2015) describe that Britain's frequently uncomfortable relationship with the European Union has become progressively stressed prompting theory that Britain is – at some point or another – took towards an in-off submission that will bring about its withdrawal . Such an improvement would introduce both Britain and the EU with exceptional difficulties. Britain's discussion about its future in the EU - its 'European inquiry' - makes an 'English inquiry' for the EU, the responses to which could change the EU's solidarity, initiative, flourishing and security with suggestions for more extensive European legislative issues and scholastic examination of European incorporation. The author sets out the connections between these two inquiries. It does as such by thinking about what the eventual fate of UK-EU relations could mean for the provincial legislative issues of Europe in a developing multipolar request.

Rafal Kierzenkowski, Nigel Pain, Elena Rusticelli, and Sanne Zwart in “The Economic Consequences of Brexit: A Taxing Decision” (2016) describes that Membership of the European Union has added to the monetary thriving of the United Kingdom. Vulnerability about the result of the submission has just begun to debilitate development in the United Kingdom. A UK exit (Brexit) would be a significant negative stun to the UK economy, with monetary aftermath in the remainder of the OECD, especially other European nations. The stun would be transmitted through a few channels that would change contingent upon the time skyline. In the close to term, the UK economy would be hit by more tightly money related conditions and more vulnerable certainty and, after proper exit from the European Union, higher exchange boundaries and an early effect of limitations on work portability. In the more drawn out term, auxiliary effects would grab hold through the channels of capital, movement and lower specialized advancement. Specifically, work efficiency would be kept down by a drop in outside direct venture and a littler pool of abilities. The impacts would be bigger in an increasingly critical situation and stay negative even in the idealistic situation. Interestingly, proceeded with UK

enrollment in the European Union and further changes of the Single Market would improve expectations for everyday comforts on the two sides of the Channel.

The House of Lords in the debate “Leaving the European Union: Future UK-EU Relationship” (2016) recognizes various potential choices accessible to the Government in attempting to meet them and sets out a portion of the issues that may emerge in every territory. Issues shrouded in the principal segment on law making remember the job of Parliament for conjuring Article 50 of the Treaty on European Union (TEU) and in revoking and looking into residential enactment when the UK's withdrawal, the locale of the Court of Justice of the European Union after the UK's exit, and the conceivable impact of the withdrawal on the decayed organizations. The second area on migration thinks about whether the UK may keep up free development of individuals in any future concurrence with the EU and looks at the potential effect of the UK's withdrawal on both the UK residents in the EU and the EU residents in the UK. The fourth area on exchange considers the UK's future exchange relationship with the EU and the remainder of the world after withdrawal, including issues identifying with the vulnerability raised by the prospective arrangement and the potential ramifications for various segments of any adjustment in the degree of access to the single market following the UK's withdrawal from the EU.

American Chamber of Commerce to the European Union in the report “Brexit and the future EU-UK relationship - Cross-sectorial analysis and recommendations from the US business community in Europe”⁷ stated that the UK looming withdrawal from the EU is bringing up significant issues for the US business network in Europe. US organizations – who are intensely put resources into both the EU and the UK – require conviction about the way ahead for the new EU-UK relationship. Noteworthy disturbance or changes to this relationship, or to the EU Single Market, could affect sly affect the capacity of US organizations to work in these business sectors. It is fundamental that the different sides convey another relationship that expands on the profound and far reaching joins that

⁷ “Brexit and the future EU-UK relationship - Cross-sectorial analysis and recommendations from the US business community in Europe,” American Chamber of Commerce to the European Union, April 19, 2017, accessed April 16, 2018, <http://www.amchameu.eu/position-papers/position-paper-brexit-and-future-eu-uk-relationship-cross-sectorial-analysis-and>.

support EU-UK ties, while restricting disturbance and vulnerability in the meantime. Any understanding should protect the uprightness of the Single Market – the key driver for US speculation. The American business network will be intently following the dealings, and stands prepared to give helpful contribution to the EU and the UK all through the procedure.

Jean Pisani-Ferry, Norbert Röttgen, André Sapir, Paul Tucker, Guntram B. Wolff in the paper “Europe after Brexit: A proposal for a continental partnership” (2016) describes that after the British choice to leave the EU, Europe's direction, even its predetermination, has again gotten a matter of decision. In an inexorably unstable world, neither the EU nor the UK have an enthusiasm for a separation that lessens their impact as the equalization of financial force moves from the North-Atlantic world. We propose another type of joint effort, a mainland association. The UK will need to have some authority over work portability, just as deserting the EU's supranational dynamic. The proposed mainland organization would comprise in taking an interest in products, administrations, capital versatility and some brief work portability just as in another arrangement of between legislative dynamic and requirement of normal guidelines to secure the homogeneity of the profoundly coordinated market. The UK would have a state on the EU arrangements yet extreme conventional authority would stay with the EU. This outcome in a Europe with an internal circle, the EU, with profound and political combination and an external hover with less coordination. As time goes on this could likewise fill in as a dream for organizing relations with Turkey, Ukraine and different nations.

Research Hypothesis

Brexit, creating severe political and economic instability in the European Union in terms of future of European integration and cooperation, would be an incomparable occurrence with indeterminate consequences. In order to overcome the existing challenges and uphold the interests of the EU and the UK in the region, both parties will sit together to redraw their new positions in order to boost up political and economic collaboration in Europe.

Theoretical Framework

Theory plays an important role in analyzing the subject as it provide reliable explanations and bring rationality to the phenomena. It further helps in shaping consistent future predictions. Therefore, theory is significant in conducting research. The theory of Complex Interdependence is appropriate regarding the underlying problem. The theory of Complex Interdependence best explains the issue as it talks about interdependence and integration. It is also noted that the UK had been the major partner and key player in the EU therefore Brexit will have serious repercussions on both sides. As all member states of European Union share common border so if the Britain exit with or without deal it will affect the UK's import-export policies of trading goods, immigration policies and its citizens working inside other member states of the EU. On the other hand, the EU will also have to face the troubles regarding its banking union as majority of the head offices are in the UK. Moreover, it will shake the balance of power as economic power will trembled and will shift to other regions. Thus, keeping these factors in consideration the EU and the UK will ultimately revise their policies and will find new cooperative means and inland partnership to make a continental bloc. The theory of Complex Interdependence is emerged as the criticism against political realism.

The idea of Complex Interdependence was given by Robert O Keohane and Joseph S. Nye in 1970's challenging the major concepts of traditional realism and structural realism.⁸ The theory entails the idea that the international trends related to national security and military power has been changed. States quest for stable international system that encouraged their economic growth and development. The developed countries due to their past experience concluded that only military muscle and sophisticated weapons are not enough to gain power and to fulfill their national interests rather they need strong economic connections and technological advancements. Contrary to the realist school of thought that argues in the favors of strong military establishment, Complex Interdependence theorists do not neglect the significance of military power but they consider economic power as equally important as military power.

⁸ Waheeda Rana, "Theory of Complex Interdependence: A Comparative Analysis of Realist and Neoliberal Thoughts," *International Journal of Business and Social Science* 6, no. 2 (February 2015): 290.

Furthermore, the theory signifies the importance of transnational players' vis-à-vis states. The main emphasis was on the emergence of international organizations and regimes that intermingled traditional military power means and new warfare techniques and trade trends in foreign policy associated with security issues.⁹ International organizations also play an integral role in promoting security concerns of weaker states as transnational bodies prefer to attain their own objectives and goals rather than states interests. Complex Interdependence theory widely shares the core idea of neoliberal perspective and while examining the state's behavior in international political order, it is discovered that despite living in international anarchy states willingly indulge in cooperative alliance with each other.

As Complex Interdependence emphasis on the role of international organizations and regimes, the theory is said to have included the concept of Globalization.¹⁰ According to Keohane and Nye states cannot live in isolation, they have to interact with each other due to nature of international relations that has been changed and the states are now more interdependent woven in a cobweb in all the aspects political, social, economic, and military. The more emphasis is on economic interdependence.

The concept of Complex Interdependence by Robert O. Keohane and Joseph S. Nye was presented in their famous book 'Power and Interdependence' while contributing towards the development of international relation theories.¹¹ As it is argued that 20th Century marked significant changes not only to international relations but also challenged realist perspective regarding international system, it is not wrong to say that Robert O. Keohane and Joseph S. Nye noticed these challenges earlier to 20th Century. The nature of world politics is changing in the era of Globalization and interdependence, the very basic assumption of their theory, thus Keohane and Nye in 'Power and Interdependence' indicated "to provide a means of distilling and joining the positions in both modernist and traditionalist perspectives by developing a coherent and theoretical framework for the

⁹ Waheeda Rana, "Theory of Complex Interdependence: A Comparative Analysis of Realist and Neoliberal Thoughts," *International Journal of Business and Social Science* 6, no. 2 (February 2015): 290.

¹⁰ Waheeda Rana, "Theory of Complex Interdependence: A Comparative Analysis of Realist and Neoliberal Thoughts," *International Journal of Business and Social Science* 6, no. 2 (February 2015): 290.

¹¹ Hüseyin Isiksal, "To What Extend Complex Interdependence Theorists Challenge to Structural Realist School of International Relations?," *Turkish Journal of International Relations* 3, no. 2&3 (Summer & Fall 2004):139.

political analysis of interdependence”.¹² In the era of Globalization and world politics transformation, states in international system are interconnected and interdependent economically, politically and socially.

States are not only the key actors in contemporary world politics but non-state actors like international institutions, multinational corporations and transnational movements are getting equally important. Moreover, states do not only possess military threats or military concerns are not only on states high priority but states are facing multiple issues with no hierarchy between them. Both theorists define interdependence as mutual dependence between states due to which any loss generates unbearable effects to each side. Hence, Complex Interdependence or mutual interdependence does not refer to mutual benefits as in case of any damage both sides have to suffer.

To endorse the authenticity of complex or mutual interdependence, both theorists comprehensively articulated the theoretical framework that can demonstrate the changing dynamics of contemporary international politics. According to Keohane and Nye Complex Interdependence entails following characteristics:

- States as well as non-state actors are key player of world politics connected with multiple channels.
- There is no hierarchy among issues of states or military issues are now less important as compared to other issues.
- In contemporary international political system, role of military power become less as “it is not used by governments toward other governments within the region, or on the issues, when Complex Interdependence prevails.”¹³

¹² Hüseyin Isiksal, “To What Extent Complex Interdependence Theorists Challenge to Structural Realist School of International Relations?,” *Turkish Journal of International Relations* 3, no. 2&3 (Summer & Fall 2004):139.

¹³ Hüseyin Isiksal, “To What Extent Complex Interdependence Theorists Challenge to Structural Realist School of International Relations?,” *Turkish Journal of International Relations* 3, no. 2&3 (Summer & Fall 2004):139.

Research Methodology

In the field of International Relations, it is essential to know about the research methodology and its significance in order to conduct a research. It is important to understand that research techniques in social science are not as identical as research in natural science as defined by different scholars and international experts. This study is largely based on qualitative and analytical research methods, yet it will seek explanation of different events regarding Brexit through critical analysis of available data and would be tested through the theory of Complex Interdependence which makes this study based on the deductive reasoning. Therefore deductive argument gives logically conclusive support to its conclusion. Like, in this study Brexit is an independent variable, UK and the EU dependent variables and politico-economics as intervening as well as dependent variables. Following carefully analyzing the collected data from different sources, then study would try to put together a general outline concerning the Brexit and its politico-economics challenges for the European Union. Thus an effort is being made to add new dimension of relationship between the UK and the EU continental partnership.

Data collection techniques would include secondary sources such as books, research articles and reports published by international organizations and research think tanks, documents review, indirect observations, research journals, newspaper, web sources and as well as other social media reports will be added as per requirements during the course of research. The research study would also in-depth monitoring the official statements and press release of the UK government regarding the issue of Brexit and their policy recommendations in future.

Significance of the Study

This research is significant to explain and give in-depth analysis of underlying factors behind the Brexit and its politico-economics consequences for the European Union. The study also explores the importance of key building blocks for future United Kingdom and European Union relationship including extent of the UK influence over the EU rules, requirements placed on the EU and the degree of access to the UK has to Single Market of European Union. This study is important as it is focused on the strategies that the EU will adopted for sit together and enhance their cooperation in political and

economic sector in order to protect their interests in the region and respond to the potential issues after Brexit. Thus an effort is being made to add new dimension of relationship between the UK and the EU continental partnership. In the context of all the above highlighted factors, this research will be spotlighted on the imminent events and its impacts on the regional stability.

The purpose of this research work has been undertaken due to it being an important and affirmative as well as applicable adding-up to the exiting body of knowledge. This research would be helpful and improve the understanding of international relations students and it can open up the prospect for additional academic and policy research.

Delimitation

As the Brexit is still in process and has to be concluded by December 2020, the undertaken research has been focused at the era from 2015 to Feb, 2020. The study is an endeavour to find out emerging as well as future challenges in politico-economic dimensions for the UK and the EU following the Brexit.

Organization of Study

Introduction will be comprised of research proposal which would help to explain the main subject matter of the study and it would be an over-sight of the entire research work.

Chapter 1 “Historical Overview: Nature of connection between the UK and the EU” will deal in-depth analysis of relations between the UK and the European Union and will underline the main causes and factors behind the Brexit.

Chapter 2 “Economic Implications for the European Union” will emphasize the main economic consequences for the European Union by following Brexit and it will also cover the financial strength and the capacity of the EU to react to the UK and global challenges.

Chapter 3 “Political Implications for the European Union” will deal with the logical explanation of political unrest and challenges in the region and will provide details about the political implications for the European Union due to Brexit.

Chapter 4 “Future of the European Union”, will comprised of the UK and the EU future relationship. It will be deal with that how the EU will manage the Economic and Political crisis in the region and accommodate the exit of the UK from the EU in future.

‘Conclusion’ will deal with the findings in the entire course study and will also discuss a concise set of recommendations and way-forwards.

CHAPTER 1

HISTORICAL OVERVIEW: NATURE OF CONNECTION BETWEEN THE UK AND THE EU

The term Brexit, which is the combination of two words, British and Exit, embodies departure of the United Kingdom from the Union of the European countries which is known as the European Union. It is a geo-political unit that includes a major land of the European continent. It is based upon a number of treaties, and in the beginning there were only 6 members but it expanded up to 27 numbers and majority of the European states are part of it. A referendum was held in June 2016, in which residents of the UK decided to leave the EU. Although the margin was close as 52% voted to leave the EU while 48% voted to remain a part of the EU but since the referendum was in favor of leaving, British government announced the withdrawal of the country in a formal manner in March 2017 which initiated the procedure of Brexit. But this withdrawal was hindered due to British Parliament's deadlock. Later on, after the general election, the British parliament endorsed the agreement of withdrawal and finally the UK left the EU on January 31st, 2020 at 11 P.M. GMT. This began a transition period that is set to end on 31 December 2020, during which the UK and the EU will negotiate their future relationship.

1.1 The Brexit: Discussion at Home and Abroad

The debate over Brexit at home is based on blinkered approach. Britain has to absorb and find out answer to the main question what actually "exit" could or should mean for the UK. While debating over Brexit, slight domestic attention is also echoed in the rest of the 27 European Union member states. As outcome of some aspects determined to the United Kingdom, these likely to structure Brexit i.e. it is not systematized constitution, its fanatical press values, its protectionist attitude are some of the factors as the outcome of the wider problems of European regional political affairs. First, Opponents of the EU argued that it is a dysfunctional economic entity. The EU failed to address the economic problems that had been developing since 2008; for example, 20% unemployment in southern Europe. The difference between the lives of

southern Europeans and Germans, who enjoy 4.2% unemployment, is profound. Europe as a whole has stagnated economically. The argument for remaining in the EU was that the alternative was economic disaster. However, staying in a stagnated organization to solve British problems seemed shortsighted and made little sense to opponents.

Second, the immigration crisis in Europe was a trigger. Some the EU leaders argued that aiding the refugees was a moral obligation. But the EU opponents saw immigration as a national issue, as it affected the internal life of the country. Steering clear of this issue was an important driver for the “leave” vote.

Finally, the political leadership of Britain faced a profound loss. The “leave” voters rejected both the Conservative and Labour parties. Both parties had endorsed remaining with the EU and saw many of their members go into opposition on the issue. Ultimately, it was a three-way struggle. Two established parties wanted to remain in the EU, and a third faction, drawn from both parties, opposed it. People in this third group saw both of the establishment parties as hostile to their interests. This should be considered in the broader sense. The possibility of Brexit frightened financial markets. They said so loudly. What they did not grasp was the degree to which they had lost legitimacy in 2008. Voters thought politicians, business leaders, and intellectuals had lost their right to control the system and they thought that the elite had contempt for their values, for their nationalism and interests.

Ultimately this has further directed to generate an excessively hopeful debate related to the upcoming future of the European development among the EU member states. The risks to cover comprehensive social and political changes inside Europe dual narrow-mindedness in the debate adopted that possibly persuade the British elect the vote to exit. These aspects are not only distressing and affecting the UK, but at the same time, the other EU member states are also affected in a considerable manner and as per the current situation this would not be left to pause by British exit.¹⁴

¹⁴ Michael Leigh, “*Brexit and the British Election: Limiting the Damage*” (German Marshall Fund of the United States, 2017).

In order to understand the main cause of Brexit and its ultimate significance for Europe, pan-European fact and occurrence must keep in mind because it is believed that the main way for Brexit slightly link with this phenomena and then it is far ease to look for restore this disparity and restlessness in the UK and the rest of the EU member states along with the repercussions for the Europe due to exit.

1.2 Understanding the European Basis of Brexit

The act of British exit from the European Union not only creates a tension just in the UK but this withdrawal of the UK from the EU needs to be recognized as an illustration of uncertainty prevailing throughout the Europe. First, the European institutions are currently facing the rising legitimacy calamity whose self-governing authorizations are never seen as under growing critical observation.¹⁵ As compared to earlier decades, the Treaty of Maastricht 1992 did the non-restrictive consent in which mostly economic welfare legality had been protected at that time by European Economic Community and as well as protected these benefits for the citizens of European states. From assistance in foreign policy and court and legal matters to common currency, Maastricht lobbied European integration by further put on a number of up to date and controversial strategy zones.¹⁶ Due to all these, significant distributive trade-offs introduced by the EU within policy zones as a result of which a series of major confrontation has seen by the EU to its rules and validity. The unsuccessful Constitutional Treaty of 2004, possibly one of the most significant to the EU which was refused in the year of 2005 by the people of the Netherlands and France.¹⁷

Although further supremacy has been given by European Parliament over the long time period but democratic as well as legitimacy scarcities has become stay connected with the EU. The discussion over the Constitutional Treaty has given further growth to the United Kingdom Independence Party while Maastricht opposition has further went on high ever

¹⁵ Anthony Dworkin and Mark Leonard, “*Can Europe Save the World Order?*” (European Council on Foreign Relations, 2018), doi:10.2307/resrep21509.

¹⁶ Licínio C. Lima and Paula Guimarães, “The European Union: Strategies for Lifelong Learning,” in *European Strategies in Lifelong Learning*, 1st ed., A Critical Introduction (Verlag Barbara Budrich, 2011), 69–112, doi:10.2307/j.ctvbkk36d.7.

¹⁷ Mark Leonard, “*The British Problem and What It Means for Europe*” (European Council on Foreign Relations, 2015), doi:10.2307/resrep21569.

since for European Economic Community/European Union.¹⁸ Another addition to this, throughout the continent Eurosceptic and populist thoughts gain strength due to the economic crisis from 2008 to 2009.¹⁹ The EU comprehensive system for monitoring budgetary policy was also effected by economic crisis and this crisis uncovered the imperfect execution of the strength and development pact and the sketchy plan of monetary integration. The member states were not capable to devalue their currencies because of the monetary integration and ultimately confronting with increasing in expanding public debts, economic unproductivity and unemployment. The entire continent led to critical reductions to public facilities and predominant citizen disappointment with the administrative inauguration because of difficult national economic situation created by government for thinking to rule in goods and services side. Overdue to the non-existence of and the EU comprehensive finance controller, it was also tricky to managing the crisis comeback. This situation left it to the financially influential member states to organize for surety savings and also giving financial support to an economy in order to protect it from downfall. To resolve these institutional fissures that monetary union had been a huge value disbursing, the Fiscal Compact 2011 and Banking Union had adopt some mechanism as they approached too late to reassure majority of citizens.²⁰

The continent has embarked into a phase of discouragement through European Monetary Union (EMU) “one size fits all” approach; the public from north to south and east to west become hostile, creditor and debtor nations compelled for a heavy sensitive narrow space, twisted the actions and procedures of the EU institutions, southern Europe become underprivileged, and dishonestly with a generation of new young talented people appear to move away from opportunities and employments.²¹ Extensive political ups and downs have been making up after the crisis condition throughout the continent. On the Eurosceptic political edging, establishment parties assisted new opponents, whereas a

¹⁸ Irina Tsertsvadze, “Britain and the Common Security and Defense Policy of the European Union,” *Connections* 16, no. 3 (2017): 73–86, doi:10.2307/26867921.

¹⁹ Thanos Dokos et al., “Eurocriticism: The Eurozone Crisis and Anti-Establishment Groups in Southern Europe” (*Istituto Affari Internazionali (IAI)*, 2013).

²⁰ Giulia Rosa Maria Cavallo, “European Banking Union: An Immediate Tool for Euro Crisis Management and a Long-Term Project for the Single Market” (*Istituto Affari Internazionali (IAI)*, 2014).

²¹ Anna Konarzewska, “Outside the European Economic and Monetary Union: Consequences for the United Kingdom,” *Connections* 7, no. 1 (2008): 123–40.

modification of European party arrangements and structures was ongoing. The parties of the moderate-left stressed to obtain advancement under the bulk of public distress concerning immigration and less national recognition have been badly affected. The EU's governmental policy was slightly impacted by the Eurosceptic-UK Independent Party (UKIP) and the populist in the UK, although they held not any seats in the British Parliament.²²

With the alliance of Social Democratic Party with Chancellor Angela Merkel, leader of the center-right Christian Democratic Union (CDU), Alternative fur Deutschland (AfD), the Right-Wing Populist Party in Germany, also known as Alternative for Germany, was the biggest and leading political party in the German federal parliament, Bundestag.²³ The Socialist Party was almost cleaned out by the President of France Emmanuel Macron because he had reorganized the liberal-left by La République En Marche, also known as En Marche (France liberal, centrist and social-political party), while only 34 percent of the vote reserved by a nominee of the far right front, National Marine le Pen, President of the National Front. Since 2014 in the Italian parliament, the second largest party has been the populist Five Star Movement. On the other hand, Sebastian Kurz Chairman of the Austrian People's Party and Chancellor of Austria were in alliance with the right-wing populist and national conservative political party, also known as far-right Freedom Party in Austria.²⁴

In the ex-communist states of Eastern Europe the shift is also obvious, like in Poland, Hungary and the Czech Republic where populist managements took in authority. In the Brexit discussion, altogether factors that appeared immense in exit from the EU are resentment at policy non-fulfillment and seriousness in reaction to financial hardship, popular disappointment with the EU and decreasing hold up for conservative parties and phenomena of pan-European involving most of the nations of economic union. British domestic problems like political institution, media, culture, identity were essential to

²² "General Election 2019: A Simple Guide to the Brexit Party," *BBC News*, accessed December 19, 2019, <https://www.bbc.com/news/election-2019-50338070>.

²³ Cas Mudde, "What the Stunning Success of AfD Means for Germany and Europe," *The Guardian*, accessed December 20, 2019, <https://www.theguardian.com/commentisfree/2017/sep/24/germany-elections-afd-europe-immigration-merkel-radical-right>.

²⁴ "Convincing Win for Conservatives in Austrian Poll," *BBC News*, accessed December 20, 2019, <https://www.bbc.com/news/world-europe-49867930>.

understand but these were not the appropriate reasons of British leaving of the EU because we cannot anticipate to create logic of British vote for exit and nor recognize additional challenges confronting Europe in the EU-27 in the absence of knowledge of Europe wider institutional, political and systemic complications.

1.3 The EU: Contrast Perspective of Member States

In the members of union, Conservatives are Eurosceptic while on the other hand Liberal Democrats are pro-European and it is important to understand the main difference between them. In the election campaign of 2010,²⁵ the policy statement by the less power states in the union specified their purpose as they consider that Britain support with Europe is perhaps the finest way to attain prosperity, safety and golden chance for the country and also it is the finest approach to be dominant and powerful in the future prospective as well, that is why to achieve all these at once they stated their plan and desire to put the Britain at heart of the Europe. They emphasized to relocating the “green” economy including new jobs, improving fiscal and common agriculture rules, formation of asylum institutions and arrangements, regulation of banking and financial zones internationally were some of the basic issues which want closer cooperation and teamwork with the EU.

1.4 Different Approaches of Member States to the EU

For further engage in conflict and additional disburse in Brussels, the Liberal Democrats Party was in demand to make European institutions more educated and effective and reinforcing of their concern to the citizens of the Union regardless given the incomplete procedure of the European Union. Given the incomplete procedure of the EU, the Liberal Democrats were in support of refining the effectiveness of the institutions of Europe and reinforcing of their duty to the EU citizens, for the war against extra expenditure in Brussels. In addition, the Party also does not object to holding a referendum for over Belgium's membership in the EU, should the issue of indispensable

²⁵ “General Election 2010 as It Happened: 6 April,” *Telegraph*, accessed December 20, 2019, <https://www.telegraph.co.uk/news/election-2010/7562500/General-Election-2010-as-it-happened-6-April.html>.

changes in interconnection between the UK and the EU rise.²⁶ On the contrary, the Conservatives held a self-protective position; they emphasized on the protection of national interests of the UK in their election manifesto. Furtherance of such objectives depends on effective collaboration with the Union; nevertheless the Conservatives cautioned that they would not give additional powers in any sectors to the EU's supranational bodies. The Democrats envisioned forbidding the creation of a federal state within the EU and association of the UK with such a union. Conservatives proceed towards the 2010 elections as a reasonably Eurosceptic party having interest in making the country a member of the EU, but not leaning away to take part in the significant integration areas.²⁷

Tories did not dismiss the integrating role of the EU and its part in extending rule of law and democracy in Europe. They were confident that any state should not be confining itself to just endowments and that Europe, including the UK, has to assist further to encourage economic growth, complete forming single market, combat the global poverty and worldwide climate change. Moreover, the Conservatives continued to be convinced that it was vital to build up the Commonwealth as a primary structure for the elevation of liberal values, standards and development. For the military realm, the Democrats desired to recuperate a broader cooperation and collaboration with the Union in defense area. However, Tories did not demonstrate interest in the procedure of open cooperation and coordination for notifying the European unification idea.

As far as the economic cooperation is concerned, the Liberal Democrats insist that connecting the Eurozone is primarily in the interest of Britain (when satisfactory economic circumstances for it are there), which the Conservatives considered as objectionable. Still, their stance is related as they both take it as obligatory to put the matter to the referendum. The Conservatives too opposed partaking in the Economic and Commercial Union. For the illegal and jurisdictional cooperation, the Democrats consider

²⁶ “*Party Politics in the EU*,” accessed December 22, 2019, <http://www.leeds.ac.uk/politics/cbl/int/party/eldrman.htm>.

²⁷ Heather Stewart et al., “Conservative Party Manifesto: What It Says and What It Means,” *The Guardian*, November 25, 2019, sec. Politics, <https://www.theguardian.com/politics/2019/nov/24/conservative-manifesto-the-key-points-policies-boris-johnson>.

that the UK should remain in the global system to fight crime and play a part in the European arrest warrant as assemblies on combating law-breaking.

Contrarily, David Cameron considered it obligatory to return some powers in those domains moved to Brussels as the matters relating to criminal law must be concluded at the nation state level.²⁸ Moreover, for the Conservatives, it was important to return alike powers, previously given to Brussels, such as the legal rights, criminal justice powers, legislation over social issues and employment. In this regard, they assured to search for a mandate for discussing these affairs. Tory, at the same time, was against the expansion of Brussels' powers and authorities in these domains. This was the reason that the Conservative Party opposed the UK's involvement in creating position of the European Public Prosecutor as well as spreading its control to the UK.

The Conservatives also intimated in their manifesto that there is a need to eliminate the Human Rights Act, which was used by the UK in 1998 to embody the European Convention on Human Rights in its national law. For them, the current Act restrained fighting against global terrorism conclusively as the UK cannot expel terrorist suspects and people charged of criminalities considering their basic right for the respect of family and private life and promising use of anguish or unfair trial if they were deported. They also called for replacing the said Act with British Bill of Rights, which was not supported by the Liberal Democrats.

Notable controversy among the coalition parties was created by the Lisbon Treaty issue. The Conservatives hold a rather unexpected position on it. Their election manifesto called for the Labour government to approve Lisbon Treaty without conducting a referendum, which was against the democratic conducts of the UK. They noted that many provision of this treaty may allow increasing the EU's powers in the coming future without accepting new treaties. In this respect, the Party showed intention to revise the European Communities Act of 1972 in order to give power to the UK to regulate the implementation of future legislative endeavors in the Union. The Party wanted that the

²⁸ Ian Traynor, Nicholas Watt, and David Gow Patrick Wintour, "David Cameron Blocks EU Treaty with Veto, Casting Britain Adrift in Europe," *The Guardian*, December 9, 2011, sec. World news, <https://www.theguardian.com/world/2011/dec/09/david-cameron-blocks-eu-treaty>.

UK should be allowed to vote in additional transfer of the privileges to the institutions of the EU. It was also noted that it would also like to approve the law over the UK's sovereignty to sanctify the fact that British Parliament is the final authority to decide such matters. Such lawmaking on sovereignty can come into power instead of the constitution for avoiding the EU's interruption into different domains of legislation.

David Cameron caused further divide in the alliance on the Lisbon Treaty by the veto he forced in December 2011 over the proposal to revise the Treaty, and by negating to sign the fresh EU financial agreement. He blocked the Franco-German offer, at the EU Summit held in Brussels, over changing the EU's fundamental documents, especially, to modify the EU's treaties to deliver for a larger budget regulation.²⁹ The proposal associated to anti-crisis actions and established firm monetary rules. The Lisbon Treaty was intended to assure that countries in the Eurozone did not gather enormous debts. The Premier remarked that he required taking few guarantees from the EU about safeguarding the UK's financial sector. According to him, such changes do not come across the UK's national interests. The UK did not sign the agreement.³⁰

The Former Deputy Minister of the United Kingdom Nick Clegg stated that the decision taken by Britain was a bad approach and in the European Union it could lead towards isolation. In December 2011, talking to the BBC, Clegg said that the outcome of last week summit bitterly disappointed him because exactly so now there is a danger as he think within the European Union the UK will be disregarded and isolated. Clegg also said that he did not think that was good for families up and down in the City or somewhere else and also for development of the country. As Nick Clegg noted, the veto power used at the summit not only could defend the City from Brussels' control (this was Cameron's main goal), but also contrarily weakened this shield. According to him, later on, the UK had to face the threat that it would be isolated in Europe and could play a little role in the world. He raised concerns that the UK may tear out further from Europe and no state

²⁹ "Cameron Vetoes EU Treaty: What Does This Decision Mean?," *NewStatesmanAmerica*, accessed November 23, 2019, <https://www.newstatesman.com/blogs/the-staggers/2011/12/cameron-britain-treaty-british>.

³⁰ Nicholas Watt and Ian Traynor, "Cameron Set to Go to Referendum without EU Ratifying Treaty Changes," *The Guardian*, June 26, 2015, sec. Politics, <https://www.theguardian.com/politics/2015/jun/25/david-cameron-set-to-go-to-referendum-without-eu-ratifying-treaty-changes>.

would consider it even USA. He also vowed to try his level best to avert this situation which is constantly threatening Britain and widening the rift between the Europe and the UK.³¹

1.5 Liberal Democrats, Tories and the UK's Policy in the EU

After the announcement of general elections results of May 2010, David Cameron (leader of Conservative Party) and Nick Clegg (leader of Liberal Democrat) formed a coalition government.³² The new British Cabinet had major influence on the foreign policy regarding the trans-Atlantic and European issues. But unlike previous Labour ruling government, the new government had no interest in seeking directions from USA regarding the decisions of foreign policy of UK. The EU was still remained as an important factor in the foreign policy of the UK. Cameron was known to be a head-headed leader and after coming in to power, he visited Europe in May 2010 and visited Paris in the same visit.³³ With intent to raise the influence in every major organization and institution, Great Britain increased its presence in parts of the EU and European Commission.

Due to the new policies of the recently formed coalition government regarding the EU, the members reached a settlement upon several issues. Liberal Democrats are known to be Britain's most pro-European party and due to their presence in the coalition, the Euroscepticism of Tories was moderated up to a great extent and resulted in abandoning few of the commitments regarding the EU which they made during election campaign. For instance, they dejected on agreeing upon new terms regarding justice and labor law as the terms of agreement with the EU. Some of the political analyst mentioned it as "strange death" of the Euroscepticism of the party.³⁴ On the other hand, new laws regarding the domain of criminal law was considered to be taken more seriously as they

³¹ Haroon Siddique, "Nick Clegg Dismisses Nigel Lawson's Call for EU Exit," *The Guardian*, May 7, 2013, sec. Politics, <https://www.theguardian.com/politics/2013/may/07/nick-clegg-nigel-lawson-eu>.

³² "British General Election of 2010," *Encyclopedia Britannica*, accessed November 27, 2019, <https://www.britannica.com/topic/British-general-election-of-2010>.

³³ "Cameron Heads to Paris, Berlin in First Foreign Trip," *Www.Euractiv.Com*, May 19, 2010, <https://www.euractiv.com/section/uk-europe/news/cameron-heads-to-paris-berlin-in-first-foreign-trip/>.

³⁴ Brendan O'Neill, "The Strange Death of Left-Wing Euroscepticism," *The Spectator*, accessed March 30, 2020, <https://www.spectator.co.uk/article/the-strange-death-of-left-wing-euroscepticism>.

might directly affect the security situations of Britain and the freedom and rights of the citizen by preserving the criminal justice system of Britain.

The Democrats made few adjustments in abandoning the shift of powers from British to Brussels and took few steps in this regard. The leadership of Conservatives was interested in formation of coalition and was initially quiet peaceful and did not show any will to their return to United Kingdom. But later, they were influenced by the Eurosceptics and Tories helped to strengthen their position. While both parties agreed to adopt a joint document titled, “The Coalition: Our program for Government”, it was agreed by both parties the no one would attempt to engage in the formation of public prosecutor of Europe.³⁵ Despite assigning the major posts regarding foreign policy for Tories, it was believed by Liberal Democrats the D. Lidington was a pragmatic person as Minister for Europe, as compared to M. Francois who was considered as a Eurosceptic. It was observed that somehow even Cameron had become a moderate Eurosceptic. Afterwards, due to influence of society and changes within the party, he turned into strong Eurosceptic by following other members of his party.

The government was clearly opposing the idea of granting additional powers to the EU and even the PM was convinced that numerous legislations of the EU affect Great Britain in the social sphere. The ruling party kept his promise and avoided further enlargement without prior any approval from the British. A bill was introduced by government before the parliament which presented the future plan of conducting a referendum on the topic of transferring the entitlements from the UK to the EU. The coalition program stated that the mentioned approach would provide the balance among the practical engagements with the EU which has a diverse effect on everyone, so sovereignty must be protected. All of this had good outcomes and such critical issue of relations with the EU, the UK became secure through referendum.

The newly formed coalition government, as a whole, has not depicted any change in approach regarding the cooperation, but it is supposed to be within a certain network of freedom, justice and security areas. In these fields, Britain exhibits a good amount of

³⁵ “*UK Coalition to Push for ME Peace*,” The Jerusalem Post, accessed March 30, 2020, <https://www.jpost.com/International/UK-coalition-to-push-for-ME-peace>.

cooperation. The UK became a part of Schengen acquis in recent years, which was a beneficial thing as it was designed to fight against drug trafficking and illegal immigration, and allows cooperation regarding criminal and police information but it works under the Schengen Information System. Britain also became a part of directive on mutual recognition of decisions for expulsion of national from third country. Government is concerned about the formation of cooperation in the areas of immigration policy and prevention of crimes and supports several proposals in this regard. For instance, the EU proposed 39 decisions and laws in 5 years, from 1999-2004, which were regarding asylum policy and immigration, and out of those 39, the UK participated in 18. To be specific, the UK participated in implementation and approval of regulations to establish European Asylum Support Office (EUSO). All of these acts clarified the stance of new coalition government regarding being a part of Eurozone. It is easy to forecast the political tradition of Britain which includes promises such as gaining special status in the EU, defending the national interest and independence and the upcoming EU budget discussions.

Britain took ambivalent position regarding the crisis and solutions of the crisis in Eurozone. But at the same time it wants the normalization of Eurozone participant's financial position and the stability of European currency. David Cameron stressed that Eurozone states provide about more than 50% of total trade of the UK, so reliable partners are essential for the EU. But the plan of not entering Britain and not remaining member of euro area is seen as caution or precautionary measure due to major changes and possible fall of Economic and Monetary Union (EMU) which was essential to introduced to Eurozone states to get out of the financial crisis. This ideology strengthened by veto imposed in December 2011 by David Cameron over the alteration in Lisbon Treaty provision regarding contraction of financial losses.³⁶ The politicians of Britain stands on same page and acknowledge the close ties with the EU and Eurozone state and looking forward for stabilization of Eurozone. The coalition government did not seem to raise any question regarding membership of Britain in the EU as it plays a major role in trade and future of the economic situation. Tony Blair devised a new course of society

³⁶ Traynor, Watt, and Wintour, "*David Cameron Blocks EU Treaty with Veto, Casting Britain Adrift in Europe.*"

issues in Saint-Malo about more than a decade ago and this course is continued by the current coalition government which is being led by Conservatives who don't have a history of being much euro-enthusiasts.

On the other hand, they criticized the labor leader for his engagement and interest to the ESDP while they were in opposition and also warned that they will reconsider the decision of British military being a part of the EU Rapid Reaction force and never welcomed this idea. The new course of action regarding European security was idea of Tony Blair which was indeed a great step allowing to strengthen the position in such critical area of integration, which probably changed the position of Cameron and made him follow the same courses of action. Keeping in view of the recent events such as a desire of the country to shift the military expenditure burden to allies in the EU and the weakling interest of the US in the EU, this step was quiet important to take. Henceforth, current coalition decided to follow the strategy carved by Tony Blair in Saint-Malo and achieved its goals by strengthening the political as well as military influence in the EU and solidified its position as the mediator between the US and the Europe.³⁷

1.6 Eurozone Crisis and the UK-EU Disagreement

The newly formed coalition government had to face major problems in the EU within a year of its formation and the Eurozone became the epicenter of these problems. Not only banks, whole countries had a risk of going bankrupt and Italy, Greece and Spain were on top. It gave rise to spiky question of survival of Eurozone and the actions of coalition government of Great Britain depicted their seriousness regarding their partners in the EU.

European partners and the UK shared a good relation but it was strained due to Eurozone crisis. Britain was for sure interested in overcoming the crisis and to stabilize the euro but the suggestions of Brussels to overcome the crisis was not satisfactory for the UK. Belgium, Italy, France and Spain aimed for a speculative game which was not supported

³⁷ T. Casey, *The Blair Legacy: Politics, Policy, Governance, and Foreign Affairs* (Palgrave Macmillan, 2009).

by Britain.³⁸ These suggested solution included the consolidation of states of the EU, similar rules for finance related operation which would have lead toward a fiscal trench

In order to combat the crisis in August 2011, summit of Eurozone states was prepared on emergency basis, but it rather revealed the member states had quite different approaches for this issue. G Osborne, Chancellor of Exchequer justified that the measure of coalition was to cut the public-spending stressing which allegedly turned the country into an Island of Relatability and economic stability and termed it as a safe haven in storm of global debt. He also highlighted the importance of upholding the rights of British national. London was not blinded and was well aware of the possible collapse of Eurozone and worked out the action plans for emergency purposes with the other EU countries.³⁹

France and Germany were considered as close allies in the EU and they used to guide and control development and integration process and it got London worried very much through the period when the EU started to enlarge too east. The ally becomes prominent when they offered remaining 15 countries a common course for the stabilization of Eurozone in a summit conducted in August 2011 in Paris. It was a question of economic governance being headed by European Council's President H. Van Rompuy where the aim was to manifest a "single tax policy" for the states of Eurozone. London got worried that next phase of this plan would be to have single Mister of Finance, Minister of Economy and single economy. Inclusion of member state through state provisions regarding cost vs income ratio of single state budget was included in this along with organizing summits to coordinate the Eurozone states regarding the macro-economic policy. Such policy was being designed in order to develop monetary and economic union and wasn't liked by Britain. Daily Mail and other media houses in Britain stated the views of Eurosceptics and regarded the possible economic rise of Germany in Europe and the possible authority among its partners as the rise of the Fourth Reich. It was mentioned that unlike Hitler, no military means would be used and with help of financial and economic measures, same goals would be achieved.

³⁸ Jo Ritzen and Jasmina Haas, "A Sustainable Euro Area with Exit Options" (IZA Policy Paper, 2016).

³⁹ Chris Giles, "Osborne Urges Eurozone to 'Get a Grip,'" *Financial Times*, July 20, 2011, <https://www.ft.com/content/e357fe94-b2ec-11e0-86b8-00144feabdc0>.

The dominance of Germany in Franco-German ally become evident after N. Sarkozy's resignation and it evidently became a political heavy weight. Despite the fact that the EU foundations are located in various urban areas and summits are organized in Berlin and attended by Chancellor A. Merkel, Berlin was quoted a 'Capital of Europe', an article of Financial Times mentioned Berlin as 'Capital of Europe' and this idea kept on growing with the enhancing crisis of Eurozone.⁴⁰

Britain did not like the idea of single singular economic government in Eurozone as it would take the country to edge of Europe where it would be standing along with countries like Poland, Sweden and others. The integration process in Eurozone can speed up due to tandem among France and Germany and it would throw away the need to recall London and would establish its rank further in Europe⁴¹. Europe was on the verge of changing into a multi-level structure and Berlin was progressing to control federal development in the EU, and researchers like A Keletsky, considered that if France refused to have connections with Germany and Germany existed from the zone, it would be an ideal choice for rescuing the Eurozone.⁴²

The fact that the EU, having 17 memberships from Eurozone and 10 members from the Europe, can take measures in industry and trade, was overlooked in summits of October 23 and 26 organized at Brussels in 2011⁴³ and the risk de-ranking of the UK in Europe was assured. It was unpleasant that the country outside the euro-region was requested to walk out the meeting and rescue strategy was developed without their involvement added the concerns of the UK. It proved the prediction of 'Two speeds' made in mid 90s by Conservative Party. Open discussion between Nicolas Sarkozy (French President) and David Cameron was held on October 24 which was a demonstration of new stability of

⁴⁰ Hugo Greenhalgh, "Berlin Buffs up Its Appeal as a Post-Brexit Haven," *Financial Times*, November 14, 2017, <https://www.ft.com/content/619c8942-72e9-11e7-93ff-99f383b09ff9>.

⁴¹ Wolfgang Glomb, *The Franco-German Tandem Confronts the Euro Crisis*, 2011.

⁴² Anatole Kaletsky, "A Dramatic Comeback for Europe," *Project Syndicate*, March 28, 2017, <https://www.project-syndicate.org/commentary/eurozone-confidence-boost-france-and-germany-by-anatole-kaletsky-2017-03>.

⁴³ "Euro Summit Statement" (Council of the European Union, October 26, 2011), https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/125644.pdf.

powers in Europe.⁴⁴ In this discussion, the French President rejected the UK's request to participate in Eurozone leaders' conference and the UK Prime Minister wasn't successful in established coalition of states neglecting the Eurozone which include Denmark, Hungary, Bulgaria, Latvia, Czech Republic, Lithuania, Romania, Poland and Sweden. Except for Sweden and Denmark, remaining seven countries showed interest in being part of it. This made it impossible for London to form a significant group inside Europe to oppose 17 contributors of Eurozone which would have a great impact on Eurozone countries.⁴⁵ The UK generally take risk by not receiving any help and it was confirmed when London vetoed against inter-governmental financial pact in January 2012 during an emergency Europe summit, and the same pact was adopted by the eight EU counties and Eurozone states. Stiff conditions regarding fiscal discipline were created due to agreement supported only by Czech Republic and the UK.⁴⁶

In order to save the place of London as center of global finance, the UK called to protect companies and banks regarding undertaking to fight against the EU's financial control. David Cameron clarified the vision of the UK to not be a part of Banking Union in December 2012 during Europe summit and it was supported by Sweden and Czech Republic. Due to Germany's preparation for huge reform in labor market of Europe and societal program, the UK become more conscious and its anxiety was triggered by the statistics. Strategies to empower a certain part of the EU parliament and agreements among the European Parliament, the EU Council and the EU Commission for coordination in handling crisis made Britain uncomfortable and concerned.⁴⁷

Parliament of the UK passed an act regarding 'Referendum lock' in 2011 according to which, an approval of residents through referendum was required for signing any treaty which include authorities from Brussels and the UK and approval was required from the residents. Several major issues such as adoption of euro, establishment of European

⁴⁴ Allegra Stratton and David Gow, "Nicolas Sarkozy Tells David Cameron: Shut up over the Euro," *The Guardian*, October 23, 2011, sec. World news, <https://www.theguardian.com/politics/2011/oct/23/cameron-sarkozy-euro-debt-crisis>.

⁴⁵ "Timeline: The Unfolding Eurozone Crisis," *BBC News*, June 13, 2012, sec. Business, <https://www.bbc.com/news/business-13856580>.

⁴⁶ Richard Anderson, "Eurozone Summits: Moments of Truth or Waste of Time?," *BBC News*, October 22, 2012, sec. Business, <https://www.bbc.com/news/business-19959759>.

⁴⁷ Traynor, Watt, and Wintour, "David Cameron Blocks EU Treaty with Veto, Casting Britain Adrift in Europe."

public Prosecutor, elimination of border controls, social policy, security and foreign policy, financial and social security etc. came under this law and required referendum.⁴⁸ In 2012, while discussing seven year budget of Europe, the UK vetoed to oppose Germany on freezing the spending of Europe.⁴⁹ The leaders of Germany and Britain reached an agreement in December 2010 for limiting the budget of the EU with increase in the inflation. But contrary to this agreement, it was insisted by European Commission to increase the spending by about 5 percent. In such scenario, it would increase the contribution of Britain substantially from 2014-2020 which was about 10 billion pound sterling and already a big amount for Britain.⁵⁰ David Cameron stated that he did not put tough settlement in his country so that they don't have to go to Brussels for signing up the huge increase in the spending of Europe. This stance by London deprived the Eastern Europe states of major financial support.⁵¹

Head of Foreign Office William Hague announced in October 2012 during his German visit that they want Britain to regain the powers transferred to Brussels up to some extent. He mentioned the minimization through reformatory vision of Britain. The Union must be a single market with less political interests so Britain is favoring coordination and convergence of members in the realm of foreign policy. Apart from that, there was also a split in the Europe through the previous decade during the crisis of Iraq which divided Europe into new and old ideology which also made this task complicated.⁵²

British government vouched and supported the enlargement of the EU and its stance hasn't changed till now. It was assumed by Britain that global community would give more weightage to an enlarged union. The main motive behind this assumption was to prevent the intensification of integration process by enlarging the EU by adding countries

⁴⁸ "The Letter Sent by David Cameron's Political Private Secretary," *Express.Co.Uk*, August 7, 2011, <https://www.express.co.uk/news/uk/263461/The-letter-sent-by-David-Cameron-s-political-private-secretary>.

⁴⁹ Jane Merrick, "Storm Looms for PM over EU Budget," *The Independent*, November 18, 2012, sec. UK Politics, <http://www.independent.co.uk/news/uk/politics/storm-looms-for-pm-over-eu-budget-8326456.html>.

⁵⁰ "EU Budget - British Contributions," *Politics.Co.Uk*, accessed November 15, 2019, <http://www.politics.co.uk/reference/eu-budget-british-contributions>.

⁵¹ "European Union: Fixit or Brexit?," *Times of Malta*, October 25, 2012, <https://timesofmalta.com/articles/view/European-Union-Fixit-or-Brexit-.442570>.

⁵² "Speech at Bletchley Park" (The UK Government, October 18, 2012), <https://www.gov.uk/government/speeches/speech-at-bletchley-park>.

who are member of European Free Trade Association. Due to adaptation of new condition of the Union, it won't be possible for these counties to be a part of integration's advanced forms especially joining the single European currency, and London believed that this would lead to slowdown the integration process which was the desired objective of London.

The enlargement of the EU would not only provide the solutions regarding the security issues but it would protect the powers so that they can't be transferred to supranational entities. By advocating expanding the EU, Britain unknowingly and unwillingly contributed to Eurozone crisis and its approximation which in the long run, affected the UK seriously and it became weaker in the EU. Britain had a firm stance and the Euroscepticism was growing so they abstained themselves from integration and wanted to keep their national currency and they did not seem to exchange the decision making powers within Eurozone as it would be breach of sovereignty of the British Parliament. Another reason for not signing up was the condition that countries who sign the pact of budget had to surrender their rights to formulate their national budgets and European Commission will examine their budgets. Besides that, the past government ruled by the Labour party sacrificed the sovereignty to the EU at several fronts and current government of David Cameron was planning to return the parts of their national sovereignty.

These parts include the withdrawal from few programs which are related to domestic affairs (such as European arrest warrant and crime fighting) and legal values and norms regarding labor market (refutation or weekly 48 hours work). The UK refused to pay its share to help in Eurozone's debt crisis by donating 30 billion euros to International Monetary Fund in December 2011.⁵³ The coalition government made an announcement in 2012 that before preparing the reports of next parliamentary election, a kind of audit will be conducted regarding the membership of the UK in the EU.⁵⁴ This idea was already discussed in 2010 and the member of coalition had agreed upon this. While the

⁵³ AFP, "Eurozone Agrees €150bn for IMF Bail-out despite British Refusal to Contribute," December 19, 2011, sec. Finance, <https://www.telegraph.co.uk/finance/financialcrisis/8966741/Eurozone-agrees-150bn-for-IMF-bail-out-despite-British-refusal-to-contribute.html>.

⁵⁴ Stuart Wilks-Heeg, Andrew Blick, and Stephen Crone, "How Democratic Is the UK? The 2012 Audit" (Democratic Audit, Liverpool, July 2012), <http://democracyuk-2012.democraticaudit.com/>.

Conservative part of the parliament had already demanded to have a free hand in human rights, immigration, refusal to follow 130 standards against crime fighting etc.

This idea was supported by Cameron in summer 2012 as a try to bring down the moods in party against the leadership and responded to Tory MPs' requirement of conducting a referendum.⁵⁵ This proposal was repeated by him in February 2013 along with the hope that Britain will not exit the European Union and the Union can regain the trust of people of Britain by merely conducting the demanded reforms only. A referendum was held by Cameron to ensure the victory of Conservative in the parliamentary election in 2015. The government was supposed to offer referendum only after gaining victory and having negotiations with partners in Europe, so that it could be decided that whether the UK will remain in the EU (with new terms) or will leave the EU. The PM of the UK suggested that either a new treaty between all members' states of the EU should be signed or a separate agreement, giving more powers, should be given to the UK. Idea was referendum did not make Liberal Democrats much excited. Cameron had a desire to pacify his party's Euroscepticism who had threatened him to dismiss him from the post of Tory leader.⁵⁶ It was quiet evident that the idea of referendum was a sort of blackmail tactic to threaten the EU to return the powers to the UK or it will withdraw itself from the EU. It was done in the past too in 1974-1975 where through referendum threat; labor government ruled by Harold Wilson managed to revise the membership terms in the EEC towards auspicious direction for the UK.⁵⁷

In such statements, the UK got close to the idea offered by Thatcher which she mentioned in her political will in the form of book named *Statecraft*, and basically was to exit from the EU. She stated explicitly that Britain should no more deceive them by believing that they could stop or slow down the process of rise of European super state so she supported the idea of withdrawal from the EU. She was considered as extremist by government at

⁵⁵ Toby Helm and political editor, "David Cameron Pledges Referendum If EU Demands More Powers," *The Observer*, June 30, 2012, sec. Politics, <https://www.theguardian.com/politics/2012/jun/30/david-cameron-referendum-eu>.

⁵⁶ Hannah Furness, "Grassroots Tories 'betrayed' by David Cameron over Same-Sex Marriage," February 3, 2013, sec. News, <https://www.telegraph.co.uk/news/politics/david-cameron/9845610/Grassroots-Tories-betrayed-by-David-Cameron-over-same-sex-marriage.html>.

⁵⁷ Thomas Robb, "Wilson Returns: 1974–76," in *A Strained Partnership?*, US–UK Relations in the Era of Détente, 1969–77 (Manchester University Press, 2013), 128–74, doi:10.2307/j.ctt18mvm15.8.

that time and they distanced her from themselves. Another attempt was made under John Major which was faced by the idea of weakening the British influence on the EU during the initial stage of integration, but the present government decided to choose and follow the basics of conservatism which was the position of Thatcher.⁵⁸

The establishment in Britain was not much interesting and parting its way with the EU because it would ultimately lead to reduction of influence of the UK on the Europe and ultimately to the globe affairs up to a great extent. So any government lead by any party was hesitant to push the idea of holding referendum as its outcome could be remorseful. The disagreements of the UK with partners in the EU regarding major issues has been growing and the UK does not seem to further compromise its national sovereignty which is leading it to periphery of Multispeed Europe, so ultimately like the past, Britain can try to compensate its loss of influence in the EU by growing its relationship with countries outside the EU.

⁵⁸ Margaret Thatcher, *Statecraft* (HarperCollins Publishers, 2003).

CHAPTER 2

ECONOMICS IMPLICATIONS FOR THE EUROPEAN UNION

In the history of mankind, there are numerous historical events put forward to illuminate the current political crisis of Britain in the form of Brexit. Although it is a human nature since the Stone Age to stay in the shape of clans or groups for survival yet, there is no shortage of events when an ally of a consortium decided to leave and continue as an individual entity.

Whether it is the Civil Wars of 1650s, or the Hungarian Revolution of 1956, or Indo-Pak division of 1947, or any other territorial or political conflict, numerous events in the history show trends of parting ways from an alliance. On the other hand, it is a fact that one should not be comparing the past to the present events as the analogies does not justify the ground realities, although the historical analogies provide us lessons to be learned. History has taught us that such events always give rise to political as well as economic challenges to both parties. British crown ruled India for about a century from 1857 to 1947 and when Britain decided to leave India, the residents of India were divided in two groups based on religion (i.e. Hindus and Muslims) who demanded a separate homeland. Given the circumstances and chances of religious anarchy, the demand seemed legitimate but it had adverse effect on newly born Pakistan and India as the newly born states were financially unstable, state infrastructure was next to nothing and the fear of waging war from both sides caused panic and distress. Another example is the English Civil War which started in 1642 and ended in 1651 where Parliamentarians and Royalists fought over the manner of England's governance. The war ended in 1651 with the victory of Parliamentarians and as an outcome the Royalists faced executions, exile and English monarchy was replaced with the Commonwealth of England.

The UK has taken exit from the EU and is no longer part of the EU's political bodies or institutions, however, the Kingdom would remain subject to the EU law and remains part of the Customs Union and single market during the transition. Brexit will surely have its political as well as economic effects on both the UK and the EU. The detailed discussion regarding the economic implications of Brexit on the EU are discussed in this chapter in

detail and various aspects of effects of this happening are highlighted. But before that, for the assessment of the broader implications of Brexit for the EU and for Globalization requires understanding why the United Kingdom voted to leave. For that we need to discuss the historical background of the event which will be discussed in next topics but the economic implications of Brexit will be discussed in the light of the Complex Interdependence theory which is the main theory being used in this research.

2.1 Historical Background

In order to understand the Brexit and its implications, first we need to go through the concept of the Complex Interdependence Theory. There has always been a debate among the realists and liberals regarding whose concepts are more prevail over the global trends. The post-Cold War era witnessed a realization among the nation-states that the criteria for achieving real power was something beyond hard power, rather it required a secure economic and technological advancement. This led to an interesting debate between realists and liberals and the neoliberal perspective was supported by the idea of Complex Interdependence. It highlighted the emergence of transnational actor vis-à-vis the state. Complex Interdependence model tried to synthesize the realist and liberal perspectives.⁵⁹

The international scenario changed up to a large extent after the cold war. The traditional military power and matter of national security were driven by the political agendas and were dominated by the idea of “quest for a stable and peaceful global order conducive to their economic development”.⁶⁰ Developed countries started to realize that real power cannot be achieved only through gigantic military establishment and sophisticated weapons, but it requires a strong foundation in the form of technological advancement and economic efficiency.

In the case of Brexit, the UK no more wanted to remain a part of the European Union to establish its own identity and get the financial and economic benefits which allegedly

⁵⁹ Rana, Waheeda. "Theory of Complex Interdependence: A comparative analysis of realist and neoliberal thoughts." *International Journal of Business and Social Science* 6, no. 2 (2015).

⁶⁰ Bhatti, Maqbool Ahmad. (1996). *Great Powers and South Asia: Post-Cold War Trends*, Islamabad: PanGraphic Ltd.

been comprised by the EU. The UK is well aware of the fact that in terms of military establishments and weaponry, it cannot gain the status of world leader so economic. But at the same time, the ideology of the EU to keep the UK as its member state is another side of this coin as their vision also supports the idea of interdependence to get economically strong in order to stand out in the global scenario. This approach can be considered aligned with the Complex Interdependence theory. This theory was developed by Robert O Keohane and Joseph S. Nye in the late 1970s.

Complex Interdependence actually became a central component of the neoliberal perspective and has been widely used in the analyses of international politics making an attempt to understand willingness of states to enter into cooperative alliances with one another under conditions of anarchy and dependence. This theory states that “Dependence means a state of being determined or significantly affected by external forces. Interdependence is most simply defined as mutual dependence. Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries.”⁶¹ Under this mutual dependence or interdependence, cooperation and competition defines the relationship among the actors involved including the states and other transnational actors. So the sense of cooperation from the UK expected by the EU and the sense of competition from the EU by the UK can explain the Brexit scenario in the light of theory of Complex Interdependence.

There has been a turbulent relation among European integration and the UK. The UK stepped down from engaging the Schuman Declaration (1950) for steel and coal industry integration. It also withdrew itself from Spaak Committee in 1955 for the predation of the European Economic Community (EEC). Britain government think of itself as a world power and it considered Europe as one of the segments which it is influencing. Mr. Harold McMillan who was the Prime Minister of the UK from 1957-1963, put an effort regarding the post-Suez policy shift and applied for the affiliation of European communities (EC) but those efforts got failed as the ministries in the cabinet were divided in this stance. But later on, after re-shuffling, it was again presented in the cabinet where

61 Keohane, Robert O., and Joseph S. Nye.(1977). *Power and Interdependence: World Politics in Transition*. Boston: Little, Brown & Co.

it succeeded in April 1961.⁶² But in 1963, president of France Mr. Charles de Gaulle vetoed the bill. Meanwhile opposition was declared by Leader of Labor Part Mr. Hugh Gaitskell in party conference held in October 1962 during negotiations were being held in Brussels. The opposition was raised on the argument that gaining a membership would end the British history spanned over thousands of years and Britain would no longer be an independent state⁶³. Upon such arguments, Hugo Young labelled Mr. Gaitskell as the first European sceptic. All the events became a foundation of the followed events.

There were certain challenges which were caused by the EU itself and affected the UK-EU relationship. For example, de Gaulle rejected the membership twice in the year of 1963 and 1965; policy made by European budgetary systems and Common Agricultural policy was not suitable for the UK; and last but not the least, other members of the EU developed policies against the UK preferences which resulted in opt-out situation several times. Moreover, clashes were evolved due to conflicts in values and mutual misunderstandings, such as, failure of integration terms by the earlier UK governments; affinity towards the Atlanticist options instead of the EU; and the approach of the EU diplomacy which was adversarial but it should've been alliance-building diplomacy with other partners of the EU.

It is a well-known fact that the British politics persistently had controversies within itself. The lobbying existed among political parties and sometimes the divisions were found within the political parties which are worsened by the adversarial or negative politics within the Westminster and it has been an everlasting aspect of their politics. In the political rhetoric upon the EU integration, there have been repeated appeals to maintain the internal and external sovereignty. The opportunities to highlight and discuss the benefits of the EU have been rarely availed by the political elites and this topic merely remained as more of a controversy in the politics of the UK. The government of Mrs. Margaret Thatcher had succeeded to promote the neo-liberal policies in the EU and played a role of protagonist in mid 1980s regarding the Single Market. In her Burges speech of 1988, she had a hostile stance about social policy and the EU spillover toward

⁶² Tratt, Jacqueline. *The Macmillan Government and Europe: A Study in the Process of Policy Development*. Springer, 1996.

⁶³ Young, Hugo. *This blessed plot: Britain and Europe from Churchill to Blair*. Overlook Press, 1998.

the monetary union.⁶⁴ Mr. Tony Blair was then Prime Minister of the UK and he put efforts in improving the EU-UK relationship but it all went in vain and the public opinion couldn't be changed, reason being the vision of joining single currency, which was not supported by the masses and hence no steps were taken to achieve that goal. There are numerous reasons which ignited the European issue and relationship with the UK and it persisted because of evolving and competing views.⁶⁵

One basis of disagreement about membership was the conservative appeal made in the earlier years regarding the global and Commonwealth relations of Britain. While recently, the stance and position of conservative party grew into a 'Euroscepticism' populist phenomena that originated from speech of Mrs. Thatcher given in Burges and opening to Maastricht Treaty which ignited due to the divisions among political parties. More particularly, when the UK left the Exchange-Rate Mechanism in September 1992, it strengthened the evolving rift within Conservative party and this event was quoted as the First Brexit.⁶⁶ The United Kingdom Independence Party (UKIP) played a role of outrider in the position of national conservative stance.

The financial aspects of joining were formed on the basis of original idea of Centre-right Trade vision of integration that was adopted and endorsed by Prime Ministers McMillan and Heath who belonged to Conservative party of the UK. This idea was further strengthened by efforts of Mrs. Thatcher to convey idea of liberalization to the EU through the Single Market. Following the above mentioned Burges speech, divisions in conservative party started but it was later compounded by the neo-liberal view of the EU within the party. Some aggressive politicians demand Global Britain as they assume the EU as an obstacle to liberal trade.

The left wing of party was concerned about the debates of 1970 and 1980 and had reservations whether the social and financial welfare of the citizens can be achieved by staying within the EU or not. This confusion caused a split within the Labor Party when

⁶⁴ Thatcher, Margaret. "Speech to the College of Europe ('The Bruges Speech'), 20 September 1988." (1988).

⁶⁵ Bulmer, Simon, and Scott James. "Managing Competing Projects: Unpacking the Domestic Politics of Brexit." In *UACES Conference, Cracovie*. 2017.

⁶⁶ Keegan, William J., and David Marsh. *Six Days in September: Black Wednesday, Brexit and the Making of Europe*. OMFIF, 2017.

they came into power in 1974. This problem could only be resolved by re-negotiating the terms of the membership with the EU. In 1975, a referendum was conducted in which 67% people voted in favor to stay in the European Council, and it subsequently helped over the partitions developed within and outside the parties.

The withdrawal from the EU was policy of the ruling party from 1980 to 1987 but the dominant role was played by the ones who preferred to take the national route in the labor part. Mr. Jeremy Corbyn was the leader of party at that time and was in National Camp on the other hand, a number of Members of Parliament (MPs) from his party which belonged to the Blairite generation were following the pro-EU idea for social and economic welfare and it clearly shows the efforts of party from the referendum of 1975 till date.

With the passage of time, the divisions were evolving and somehow explain what lead toward the referendum. The coalition government was formed in 2010-2015 which combined liberal democrats which is known to be the most pro-EU party and the Eurosceptic Conservative Party which was post-Maastricht. The European policy was opposed widely. The speech of David Cameron in Bloomberg (2015) was after the rise of the UKIP and arising of divisions and concerns about elections.⁶⁷ In the speech, he presented the vision for the UK and it also argued about coming up with new settlement with the EU regarding this matter, and in the same speech he made a promise to conduct a referendum. Re-elections were conducted in May 2015, and after his win, he had to fulfill the promises he made to his countrymen. The re-negotiations were terminated in EC agreement which was made in February 2016. His achievements were underwhelming as per the major part of print media and his backbenchers. A tone was set during the campaign of referendum but unfortunately, his own party was divided on this as Mr. Corbyn seemed to be committed to remain in the EU and this act was seen as un-enthusiastic and affecting the campaign.

For the Prime Minister Theresa May, it was a challenge to deliver Brexit. She was being confronted with two-level game. On the first level, she had to convince the EU partner to

⁶⁷ Cameron, David. “*EU Speech at Bloomberg.*” GOV.UK URL: <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg> (2013).

come to common grounds and set principles which she had already mentioned in her speeches. But at the same time, she had to follow the divisions outlined earlier which are running through the core of her political party. The support of Democratic Unionist Party (DUP) of Northern Ireland was necessary for her but it also caused to weaken her position and increased the complexities regarding the issue of Irish border. Voters from Northern Ireland, Scotland and London voted in favor of staying in the EU which worsened the situation in regard of domestic dimension as well as territorial dimension.⁶⁸

Theresa May figured out the dynamics of negotiations regarding Brexit in wake of referendum, and knew that she had to take a firm stand for clear break from the EU in order to win over the support of Eurosceptic backbenchers which are necessary for her. The main goal for the UK was to leave the EU safely with achieving their benefits but at the same time, the UK wanted to hold its sovereignty as well as the faith of remaining members of the EU. Both the EU and the UK started negotiating that when, how and upon which terms the UK would be leaving the EU. Details of those negotiations are given in the next topic.

2.2 Brexit Negotiation

Prime Minister Theresa May was already aware that she needs to win the hearts of the people at the same time; she had to save the sovereignty of the UK, relationships with other members of the EU. She inferred that the results of referendum are clear statement of the voters that the UK should control the EU immigration and wants a ‘hard’ Brexit, which means the UK would have to leave the single market and the Customs Union.

She delivered a speech at Lancaster House in January 2017, in which she described the objective of negotiations for Brexit by the UK government.⁶⁹ She eliminated the option of staying in Customs Union and Single Market and demanded vision of Global Britain, so that the UK would be able to strike trade deal with the UK as well as new agreements of trade with other countries. The main agendas of the government was to rehabilitate the

⁶⁸ Bulmer, Simon, and Lucia Quaglia. “*The Politics and Economics of Brexit.*” (2018): 1089-1098.

⁶⁹ May, Theresa. “*The Government's Negotiating Objectives for Exiting the EU: PM Speech.*” GOV.UK, January 17, 2017. <https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech>.

British laws and taking control of immigration; to finish authority and implication of the European Court of Justice within the UK; to sidestep the possibility of having a hard-border with Ireland; and last but not the least, to ensure the rights of citizens of the EU living in the UK and rights of citizens of the UK living in other states of the EU. The UK government issued a White Paper in February 2017, which elaborated the points that were raised in speech of Lancaster House. Article 50 was invoked in March 2017, and the UK government initiated the negotiations on withdrawal from the EU.

On the other hand, the European Council (2017) adopted the negotiations guideline in April 2017, which delineated the basic principles for conducting the negotiations and it basically demanded a phased approach for the exit. It clearly stated that a state which is a non-member of the EU, is not expected to live under the rules or obligation of member but it will also strip that state to enjoy same rights or benefits which the member states enjoy. It stated that cherry picking would not be allowed and the four freedoms of Single Market are indivisible. This document suggested that negotiations among two parties can be divided in two phases: the first phase would discuss the exit terms and second phase would discuss the relation of the EU-UK in future. Initiation of second phase would start after having sufficient progress in the first phase. In a nutshell, the EU made it quite clear that no separation negotiations would be held between the UK and individual states member.⁷⁰

The European Parliament has power of accepting the agreements of withdrawal and relationship of the EU-UK in future, and in the same month, EP floated basic principles and the approach of phases which were delineated by the European Council. The European Parliament reiterated that to gain or retain the membership of Customs Union and Internal Market, a state has to follow the basic requirements, contributions to general budgetary, jurisdiction of Courts of Justice and obedience of the EU's common commercial policy. It emphasized upon obligations which the UK has to follow in terms of budgetary contributions and the wellbeing and good treatment of the EU nationals who are living in the UK. And finally it warned the UK and prohibited to conduct any kind of

⁷⁰ Simon Bulmer and Lucia Quaglia, "The Politics and Economics of Brexit," *Journal of European Public Policy* 25, no. 8 (August 3, 2018): 1089–98, doi:10.1080/13501763.2018.1467957.

bilateral arrangements or agreements with one or more member states of the EU in the area of the EU competence and jurisdiction.

There were several issues discussed in the first stage of negotiations of Brexit, such as

- The contribution of the UK to the EU budget, ending of spending programs in the UK and assets and the division of pension liabilities.
- The basic rights, social obligations and healthcare for the UK nationals living in the EU and the EU nationals living in UK.
- The arrangements for borders regarding Gibraltar and Northern Ireland.

Theresa May played a gamble in general elections of 2017 which was supposed to strengthen the negotiating hand but instead it back-fired for her party and it caused the need of parliamentary support of DUP in order to maintain the working majority.

The estrangement of Conservatives voters in favor of Remain-movement was proving to be one of a deadly factor in the election results. Due to parliamentary difficulties and divide of Conservative Party from inside caused the Brexit vision of government to be ambiguous. Phillip Hammond (who was the Chancellor of the Exchequer) demanded to retain access to the EU's Single Market and suggested to do back-tracking on clean-break but other than him, most of the minister emphasized upon existing policies.

Theresa May gave a speech in September 2017 when the crucial step of the phase one negotiation was approaching, and she pledged to respect and follow the UK's financial commitments which were made during the membership, offering to develop a legal protection of citizens of the EU residing in the UK and make it a part of actual exit treaty; accepting the importance of the ECJ in disputes settlements; accepting the significance of Irish border issue; and calling for two year period of transition. She also wanted to include security and defense in the deal with the EU.

But the second key characteristic the Complex Interdependence Theory, "Absence of Hierarchy among Issues," states that there is no hierarchy among the issues; the dividing line between domestic and foreign policy becomes blurred and there is no clear agenda in interstate relations. The issue of security is not given much weightage in the speech of

May rather it was more focused upon the legal protection of the citizens, and the financial and economic policies. Among other things, “military security does not consistently dominate the agenda.”⁷¹ The foreign affairs agendas become more and more diverse. As opposed to the realists’ assumption where security is always the most important issue between the states, in Complex Interdependence, any issue-area might be at the top of the international agenda at any particular time and it was quiet evident from her speech.

The UK and the EU issued a joint statement in December 2017 mentioning the key issues discussed and agreed upon the negotiations of first phase. First of all, it was made sure the rights must be protected for the citizens of the EU in the UK and citizens of the UK and the EU who exercised the right of free movement by withdrawal date. Secondly, it was reiterated by both parties to avoid the possibility of hard-border in Ireland. The UK was intended to achieve its objective through the overall UK-EU relationship. In case of failing to have agreed solutions, the UK was committed to keep aligned fully with the EU and IM rules now and in future and supporting the North-South cooperation. And third, that both the EU and the UK agreed to a mutually accepted way of calculating the economic settlement (which is said as divorce bill) but in the documents, specific numbers or figures of the financial terms were not mentioned.

It was evident that considerable progress was made in the first phase which was enough to move toward the second phase which was related to the relations of the EU and the UK in future. Especially the main issues discussed were: the conditions for any agreement of free trade/customs among the UK and the EU; and the period of transition. The agreement on the transition period was achieved in March 2017, and transition period started from 29 March 2019 (Brexit Day) up till the end of December 2020.

The UK was supposed to allow the movement of people freely and to continue to the ECJ jurisdiction during the period of transition but regarding the EU-UK trade, no cliff-edge would occur on Brexit Day. Right after the agreement, May delivered a speech in 2018 mentioning realism about the negotiation objective of the UK. The thorny issue of Irish

⁷¹ Robert O. Keohane and Joseph S. Nye, “*Power and Interdependence: World Politics in Transition* (Boston, Little and Brown),” 1977.

border had reached and no final agreement was made regarding that issue up till that speech.⁷²

One more thing which remained under negotiation was the future relations between both parties regarding the security, foreign policy and police cooperation. The government of the UK was aimed to achieve comprehensive and deep free-trade agreement with the EU which deemed to be building on but also moving beyond; and Canada-EU free-trade agreement, titled as ‘Canada, Plus, Plus, Plus’ agreement that included services such as financial services.⁷³

2.3 Analysis of Economic Implications of Brexit

The Brexit is indeed a huge step and it will have both political as well as economic effects that will be far reaching for both the EU and the UK and it is required to have scholar examination of these effects. The analysis of the economic implications of Brexit is discussed in this chapter of the current study.

In order to investigate the effects for both the EU and the UK in long-term as well as short term relations, there are various fields being affected through Brexit which needs to be focused.

2.3.1 Economic Effects of Brexit in Various Fields

In this section, economic implications of Brexit on the EU and the UK in various field of economy will be discussed. The discussion will also cover the application of Complex Interdependence Theory on the implication of Brexit in terms of economy and other actors as well. As Complex Interdependence emphasizes on the role of international institutions, organizations and regimes on the basis of mutual cooperation and interdependence not only in the areas of economies but all walks of life, the theory became the fundamental ideology of the EU. According to Keohane and Nye states cannot live in isolation, they have to interact with each other due to nature of

⁷² May, Theresa. “PM Speech on Our Future Economic Partnership with the European Union.” *GOV.UK*, March 2, 2018. <https://www.gov.uk/government/speeches/pm-speech-on-our-future-economic-partnership-with-the-european-union>.

⁷³ Bulmer and Quaglia, “*The Politics and Economics of Brexit*.”

international relations that has been changed and the states are now more interdependent woven in a cobweb in all the aspects political, social, economic, and military. The more emphasis is on economic interdependence.

As we discussed earlier, negotiations were done for coming down to mutually agreed points regarding, trade, economy, immigration law and other aspects. Brexit will not only affect the UK but it will have its implications upon the EU-27 as well, but it's a known fact that since the UK withdrew itself from the EU, it will have to face more consequences regarding trade and economy. Before discussing the economic effects of Brexit in various fields, here are some key characteristics of Complex Interdependence discussed by Robert O Keohane and Joseph S Nye in their book, *Power and Interdependence: World Politics in Transition*.⁷⁴ According to the authors, there are three key characteristics of this theory which are multiple channels, absence of hierarchy among issues and minor role of military force.

In this complex world of interdependence not only formal and informal interaction between governmental elites are a source of connecting societies but informal ties among non-governmental elites and transnational organizations are gaining increased importance. Multinational firms and banks have a great impact on the domestic as well as interstate relations. These actors, besides pursuing their own interests, also “act as transmission belts, making government policies in various countries more sensitive to one another.”⁷⁵

There is no hierarchy among the issues. The dividing line between domestic and foreign policy becomes blurred and there is no clear agenda in interstate relations. There are multiple issues which are not arranged in a clear or consistent hierarchy. Among other things, “military security does not consistently dominate the agenda.”⁷⁶ The foreign affairs agendas have become more and more diverse as well as broader in term of scope. As opposed to the realists' assumption where security is always the most important issue

⁷⁴ Keohane and Nye, “*Power and Interdependence: World Politics in Transition* (Boston, Little and Brown).”

⁷⁵ Robert O. Keohane and Joseph S. Nye, “*Power and Interdependence: World Politics in Transition* (Boston, Little and Brown),” 1977:26

⁷⁶ Robert O. Keohane and Joseph S. Nye, “*Power and Interdependence: World Politics in Transition* (Boston, Little and Brown),” 1977:25

between the states, in Complex Interdependence, any issue-area might be at the top of the international agenda at any particular time.

As opposed to the central role that force is given in realist's world, i.e. an ultimate necessity to guarantee survival, Complex Interdependence assumes that in international relations force is of low salience. When Complex Interdependence prevails, military force could be irrelevant in resolving disagreements on economic issues among members of an alliance, however simultaneously be very important for the alliance's political and military relations with its rival bloc. According to Keohane and Nye, intense relationships of mutual influence may exist but force is no more considered an appropriate way of achieving other goals such as economic and ecological welfare which are becoming more important, because mostly the effects of military force are very costly and uncertain.⁷⁷ In fact due to modern nuclear, biological and chemical weapons, all the actors are aware of the maximized cost of war.

Thus, the significance of military force as key policy tool for resolving disputes has declined in the globalized world. However, its role as bargaining tool is still important and may vary from issue to issue. Its role cannot be completely ignored. In an asymmetric relationship, the less dependent actor may use it as a bargaining tool. In fact the changing role of force has made the situation more complex

2.4 Trade Effects of Brexit and Dynamics with International Community

The EU's Single Market has been a source of benefit for all member states and the UK enjoyed these benefits too. Since the UK has bailed out, it will surely effect the trade of the EU but ultimately, the EU-27 is still a greater union of financially stables states so it can overcome from the cons of the divorce bill, but on the other hand, after the withdrawal, the UK would be standing alone in the international market and will have to bear the financial consequences.⁷⁸ It was evident that any possible scenario which included a Hard-Brexit will eventually harm economy of Britain and would benefit the

⁷⁷ Robert O. Keohane and Joseph S. Nye, *Power and Interdependence: World Politics in Transition* (Boston, Little and Brown), 1977:28

⁷⁸ Ries, Charles P., Marco Hafner, Troy D. Smith, Frances G. Burwell, Daniel Egel, Eugeniu Han, Martin Stepanek, and Howard J. Shatz. *Alternate forms of Brexit and their implications for the United Kingdom, the European Union and the United States.* (2017).

economy of the EU. The ‘harder’ options of Brexit will also increase damage to Britain. According to their model, hard-Brexit scenarios will have adverse effects on the EU-27 (remaining member of the EU after withdrawal of the UK), but in comparison the effects would be much smaller than those which will be faced by Britain economy. One way or another, every hard scenario for Brexit is deemed to have adverse effect. Besides that, hard Brexit will have a negligible impact on the economy of the US as well. If the UK forms a bilateral FTA with the US after Brexit, there will a minor financial benefit in the GDP of US. But on the other hand if a three way (UK-US-EU) TTIP like Foreign Trade Agreement is agreed, it would benefit all the concerned parties which will be the EU, the UK and the US.

It is not likely that Brexit will have any income effect related to trade on the US. Both losses and gains are small in almost every scenario, except the one with the UK-US-EU TTIP. The UK will gain slightly more benefit from the US-UK FTA but it would be as small as the ten year gains would be equivalent of 0.2% of GDP of 2015 which is for sure a smaller aggregate.

In the case of the UK, researcher has termed the UK trade under the regulation of WTO as ‘fall from the cliff’ because of it financial impacts. The WTO regulations implicated for ten years would have high effect of the UK’s GDP and statistically would be 4.7% of the UK’s GDP in 2015, moreover a loss of \$2,059 per capita for the each UK citizen. The estimates are assumed on the basis of NTB between the EU-27 and the UK as it will not increase over time. And in the continuous scenario, NTBs will increase over time, GDP will get world and per capita loss would reach \$2,144 which worsen the situation for the UK.⁷⁹

When the UK gave Article-50 notice to the EU, it also wanted to have Foreign Trade Agreement (FTA) with the EU-27 after the withdrawal from the EU. The analysis said that in such scenario, ten-year discounted effected on the UK’s GDP would be 3.01% points greater than the baseline scenario of WTO if the FTA included financial services, and if the financial services are not included in FTA, still it would be 2.95% point more

⁷⁹ Charles P. Ries et al., “*Alternate Forms of Brexit and Their Implications for the United Kingdom, the European Union and the United States*” (Cambridge: RAND Corporation, 2017).

than the WTO scenario, which is still better than WTO scenario, but on practical grounds it is still worse than being a full member of the EU, which clearly showcase the financial implication of Brexit upon the economy of the UK. For the EU-27, if they sign FTA with the UK after Brexit, overall effect on GDP after ten year would be equivalent of .02% of the GDP of 2015 which more or less would be same if financial services are included or not so it doesn't have any significant effect on economy of the EU-27.

Most of the people, who supported the initiative of the UK to leave the EU, had a stance that after leaving the EU, the UK would be crafting its own independent trade policy and trade agreement and they will serve the interests of the UK exclusively. The UK-US FTA would be highly beneficial for the UK and would be about 2.4% points of GDP of 2015 greater than the ten year WTO regulations. But on the other hand, it will still be less beneficial than partnership with the EU. For the US, signing and FTA with the UK will have negligible macro-economic benefit for them and it will be 0.22% point of their GDP in 2015, whether it exclude or include the financial services. Yet it would be relatively more beneficial than no FTA with either the EU or the UK and no FTA with status quo (the UK included in the EU).

Out of all the possible scenarios discussed and analyzed by the authors, there was only one scenario, which has TTIP like Foreign Trade Agreement (FTA) among the US, the UK and the EU-27 and it seem to be significantly beneficial for all involved parties. In this scenario, the UK would have ten-year discounted cumulative which is 7.0% point of their GDP larger than baseline scenarios of WTO regulations. Similarly, the EU-27 would have about 3.2 % points of their GDP in 2015 as compared to WTO regulations which is greater in magnitude than the benefit of signing FTA with UK only.⁸⁰ There are limited options of Hard-Brexit which can be proved beneficial for all involved partners.

It is not certain at all that the UK is seeking a hard Brexit at all as it was clear from the British elections of 2017. The researchers also developed models for soft-Brexit which included Norwegian Model as a member of Single Market, Swiss Model as member of Single Market for Goods and membership of Custom Unions for goods. The Custom

⁸⁰ Arthur Beesley. "Arthur Beesley" Financial Times. Accessed March 3, 2020. <https://www.ft.com/arthur-beesley?emailId=59edb813c23c0f00043cd46b&page=25>.

Union and Norwegian Model had similar results to the FTA between the EU-UK, but on the other hand, Swiss Model had similar results of FTA among the UK-US. From the perspective of the EU-27 and the US, soft options are similar to the FTA among the UK-EU.

According to another study regarding post-Brexit effects, the EU will become the biggest trader partner of the UK and the UK will be the thirteenth largest trading partner of the EU after China and the US.⁸¹ The EU and the UK would be the biggest trading partners of each other which would affect both parties and would have positive financial impact but some member states, such as Ireland, Germany, Netherlands, Cyprus and Belgium will be more exposed to economic shock induced due to Brexit. Due to common border and agriculture related business with Northern Ireland, the economy of Ireland republic is more sensitive.⁸²

One more aspect which might damage the political as well as economic wellbeing of both parties is the re-introduction of custom borders, and the reason behind it that Northern Ireland's peace process is going which is supporting the presence of physical border.⁸³ The cross border trade was also negotiated in phase one and agreements were made after the intervention of DUP, but Irish stance is still unclear.⁸⁴

The sectors linked with the EU would be highly affected by the withdrawal of the UK, especially the motor and vehicle parts industry as the UK is one of the largest manufacturers of auto mobile industry and the EU acts as a part of chain of supply. Other sectors such as electronic equipment, processed food products will also decrease which will affect both the EU and the UK. Ruhr valley has been a way for transporting the export material and Brexit will definitely affect the exports as well.

⁸¹ "Impact of Brexit on the European Union." Wikipedia. Wikimedia Foundation, March 1, 2020. https://en.wikipedia.org/wiki/Impact_of_Brexit_on_the_European_Union#Economic_impacts.

⁸² Foster, Peter. "Ireland: The Forgotten Frontier of Brexit." The Telegraph. Telegraph Media Group, March 4, 2017. <https://www.telegraph.co.uk/business/2017/03/04/ireland-forgotten-frontier-brexit/>.

⁸³ Chen, Richard. "The Economic Impact of Brexit on UK and EU Trade." Medium. Medium, June 28, 2017. <https://medium.com/@rchen8/the-economic-impact-of-brexit-on-UK-and-eu-trade-464dd090f92e>.

⁸⁴ Hayward, Katy. "Brexit Deal Allows for Three Different Types of Irish Border." The Irish Times. The Irish Times, December 8, 2017. <https://www.irishtimes.com/news/ireland/irish-news/brexit-deal-allows-for-three-different-types-of-irish-border-1.3320497>.

2.5 FDI and its Effects on GDP and Industries

Foreign Direct Investment (FDI) is one of the most important factors of a country's economy. FDI is directly related to production and employment and indirectly affects the technical progress and productivity of a state. Talking about the transnational relations, Peter D. Bell stated that formulation of "private foreign policies" is an important factor in the world politics and they are unavoidable."⁸⁵ So FDI is an important and inevitable factor in Brexit issue, especially when it is seen from the perspective of the Complex Interdependence theory. Multinational firms and banks greatly affect the domestic just as interstate relations. These actors, other than seeking after their own advantages, also "act as transmission belts, making government policies in various countries more sensitive to one another."⁸⁶ This elaborates the importance of the organizations, multinational firms and banks and how important they are to affect the FDI, GDP and economy of a country. It also validates the first key characteristics of the Complex Interdependence theory which is 'Multiple Channels'. After Brexit, both parties, the UK and the EU will have to bear loss in terms of their FDI and GDP according to the theory and the details of the economic implications are explained in next few paragraphs.

FDI comes under legal aspects as in the scenario of Brexit, as if a company wants to invest in the UK, post Brexit scenario will make it not eligible to enjoy any perks of EU policies which will definitely weaken the UK based firms and the charm to invest in the UK.⁸⁷

The citizens who supported to remain in Brexit, raised this issue several times, that the British membership of the EU provides an incentive to the economy in the form of FDI. The supporters quoted that the international firms and investor see Britain as a gateway to the markets of the EU and if Britain loses access to the Single Market, the UK would become a less attractive destination for the investor and it will decrease the FDI by

⁸⁵ Nye, Joseph S., and Robert O. Keohane. "Transnational Relations and World Politics: A Conclusion." *International Organization* 25, no. 3 (1971): 721-748.

⁸⁶ Keohane and Nye, "Power and Interdependence: World Politics in Transition (Boston, Little and Brown)."

⁸⁷ Busch, Berthold, and Jürgen Matthes. *Brexit-the economic impact: A meta-analysis*. No. 10/2016. IW-Report, 2016.

several folds. The raise point is somehow valid and is harmful for the economy of the UK.

But on the other hand, the UK is one of the 28 members of the EU. When the UK will withdraw itself completely from the EU, there will still be 27 countries in the pool of the EU (mentioned as EU-27) and all those 27 countries can be chosen as investors as a gateway and investor will keep on investing FDI in any of those 27 states to have access to the Single Market. So as a whole, the EU won't get much harm from Brexit in terms of FDI as, still it will remain a strong and ideal destination for FDI.

The UK's attractiveness for FDI would be affected by another factor of the EU, which is usage of English language and environment which is business-friendly and as compared to the competitors it has deregulated labor market. It was predicted that after the UK exists from the EU, the advantages would remain the same. According to the previous studies, it was evaluated that inward FDI flow toward the UK will be reduced, by minimum 14% to maximum 38% after confirmation of Brexit.⁸⁸

According to the analysis made into the stocks and bilateral flows of FDI among the EU, the UK, the US and rest of the countries, there is \$38 billion annual inflow of FDI from the EU-27 to the UK, which is persistent of 1.4% of GDP of the UK. The average annual inflow of FDI from the UK to the EU is roughly \$44 billion. Average FDI inflow from the US to the UK is \$20 billion/year which is less than the FDI inflow of from the EU to the UK. The average flow from the UK to the US is about \$34 billion. In a nutshell, the inflows of FDI from the EU to the US collectively represent the majority inflow to the UK, whereas the rest of world's inflow is about \$10 billion. The UK's stock of FDI in 2013 was \$735 billion out of which \$425 billion were from the US, which is 27% and 16% of GDP of the UK in 2015. The UK's FDI stock in the EU was estimated to be about \$520 billion and the UK's stock FDI in the US was about \$487 billion.⁸⁹

The above mentioned facts regarding inflows are collected by examining the FDI flows toward the EU, the US and the UK. The studies on relationship between Foreign Direct

⁸⁸ Ries et al., "Alternate Forms of Brexit and Their Implications for the United Kingdom, the European Union and the United States."

⁸⁹ Ibid.

Investment and Free Trade Agreements provide a positive effect and it suggests that FTA can foster the FDI. Though, no study was conducted to study the possible effects of imposing barrier on countries upon FDI, as apart from Brexit there had been such incidents in the previous century. The analysis of the said study was conducted to estimate the effect of possible scenarios of hard Brexit which have been discussed earlier. Research took historical data and examined FDI flows and stock to predict that if the country joins the EU, or countries sign FTA with each other, then what difference would occur and during this the FDI and other factors were also taken into account.

Brexit is an event of unusual nature so exemplary or empirical record is not present to build a definitive relationship. Findings represent upper bound as the investment will stay profitable, and will lead to expansions, as in few cases it is better to reinvest in an existing investment rather to reverse the investment, reason being that an existing investment usually attract new investment.⁹⁰

The findings of this study concluded that FDI flows have positive effect on the EU which is significant statistically and it also predicts changes in GDP which is associated with FDI. Being in the EU, FDI inflow to the UK increases by 28% as compared to being outside the EU. The membership of the EU has positive effect of FDI outflows of a country and increasing flow to other countries from the UK by about 23%. By signing comprehensive agreement (FTA) with the EU will boost the FDI inward inflow by 23% in stock and 16% in flow.

Usually it is observed that FTA leave a positive impact on FDI, but even if the UK signs a FTA with the EU which is comprehensive and deep, still it won't be able to restore the financial situation of the UK of the times when it was the member of the EU. When the UK will leave the EU and fall-back on WTO regulations, FDI inflow from the EU to the UK will be reduced by about \$7.8 Billion.

If the UK gets to sign a deep FTA with the EU, the UK will have to bear loss of FDI from the remaining the EU-27 and this loss can reach up to \$3.4 Billion which is relatively low

⁹⁰ Bobonis, Gustavo J., and Howard J. Shatz. "Agglomeration, Adjustment, and State Policies in the Location of Foreign Direct Investment in the United States." *The Review of Economics and Statistics* 89, no. 1 (2007): 30-43.

as compared to full membership. It reflects that FTA would recover \$4.4 Billion FDI but not completely. Overall FDI is predicted to reduce about 9% as compared to times when the UK was still member of the EU.⁹¹ But if the UK signs FTA with the US, the FDI inflows of the UK to the US will increase by almost \$3.2 Billion as compared to no FTA signed with the US.

In all scenarios, whether signing FTA with the EU or the US or no FTA, decline is inevitable in FDI which will reduce the GDP of the UK in future. For above discussed scenario one which includes the EU, the UK and the US, the return to WTO regulation will reduce the GDP of the UK and is estimated to be reduced in ten years by 3.3% of GDP of the UK in 2015 or about \$89 Billion.

In case of the EU-27 and its FDI, the loss of GDP is predicted to be only 0.3% of GDP of the EU in 2015 which equal to \$39 Billion, which is a relatively low amount for the EU-27. As compared to GDP of 2015, the US is predicted to face decline of 0.2% of its GDP in ten years because of the reduction of FDI inflows from the UK after the Brexit.

Followed by a possible TTIP agreement, the UK would be under \$44 Billion loss under the WTO regulations, but important point is that overall estimated loss of Brexit will not be covered completely under such agreement. In the possible FTA among the UK-US scenario, the UK would be under \$29 Billion loss under regulations of the WTO, which is \$15 Billion less than the UK-US FTA. A transitional agreement between the UK and the EU with four year of Zero tariff trading which is followed by wide-ranging FTA among the UK and the EU would make the UK better off of \$21 Billion under the regulations of WTO. The TTIP provides the best options for both the EU-27 and the US which will leave both states \$65 Billion and \$95 Billion better off than under the regulations of the WTO respectively.

⁹¹ Ries, Charles P., Marco Hafner, Troy D. Smith, Frances G. Burwell, Daniel Egel, Eugeniu Han, Martin Stepanek, and Howard J. Shatz. *After Brexit: Alternate forms of Brexit and their implications for the United Kingdom, the European Union and the United States*. RAND Corporation Santa Monica United States, 2017.

After Brexit, the UK will no longer be entertained by the EU law protection and secondly (Busch and Matthes, 2016).⁹² The significance of economic considerations must be included when the Brexit's effect of FDI flows are discussed. There are various FDI motives which should be taken into account:

- The Multinational Corporations (MNCs) are given the choice if they'd like to work in Foreign Markets through local production or exports via FDI. The reasons for this consideration are the locality of the business area, cost of trade due to distance and the barriers regarding trades. If there are high trade barriers, exports become a less suitable option and FDI become an attractive choice. Definitely, after Brexit trade barriers will get higher and it will promote the barrier-hopping FDI in both countries. But since the EU is a huge market itself, chances of people location from the UK to the EU will be higher which would increase FDI inflow of the EU. For the UK based firms, London City, Paris, Dublin and Frankfurt are better alternative location which are more relative and promising in terms of business.
- Another reasoning for FDI inflow changes is the role of multinational companies which have supply chains all across the globe that involve the production sites of these firm in various countries. Timelines and Costing are important factor for these giant firms and trade barriers affect both factors. British companies working in the EU might relocated to the UK but the EU companies will definitely roll back to the EU and cut the UK from their international chain or at least will resist from establishing new chains in the UK that would be harmful for the UK.
- The UK has been known to act as bridge among the EU and non-European firms, especially the US. After Brexit, this functionality will cease to exist due to change in dynamics of relationship and trade barrier and the UK would no longer remain a gateway of the EU. This would be harmful for economy of the UK and international market will approach the EU directly which would be highly beneficial for the EU. The US financial firms are looking for free service provision in the EU and it highly

⁹² Busch, Berthold, and Jürgen Matthes. *Brexit-the economic impact: A meta-analysis*. No. 10/2016. IW-Report, 2016.

depends upon the pass porting rules of the EU. It can be used a chance to increase FDI inflow and create ties with the international investors and manufacturers.⁹³

- The decline in FDI is quiet risky gamble for the UK as among all the EU countries, the UK is the largest recipient of FDI and the EU is one of most important sources of inflow of FDI. Among all European countries, the UK is a host of almost half of the non-EU companies and their headquarters are based in the UK. Empirical evidences exist that a relevant factor in the inflow of FDI in Britain is the demand or need of opportunity for accessing the EU market.

The data from 2005 to 2014 regarding the locations of recently established international affiliates in the 28 European countries was analyzed in order to highlight the location probabilities. In the baseline scenario of their studies, the UK had 12.7% chances of establishing new foreign affiliates. This probability will decrease up to 7.1% if the market access to the EU is reduced by 25% and it will fall down to 2.9% if the reduction of the EU market access is decreased by 50%.⁹⁴

Additionally, in the case of resettlement of investment, the UK's employment and production will also suffer its consequences. A number of international banks made announcement that they would relocate their operations out of United Kingdom in case of Brexit. Nissan, which is multinational automobile firm, had announced that company would consider relocating out of the UK and looking for other options for relocation if Brexit happened. On the other hand, Toyota had assured that it would not move out and stay in Britain even if Brexit occurred and the UK left the EU.⁹⁵

Almost 50% of the firms acknowledge that their location in London benefits them to reach the EU customers and about 40% of them consider that their companies have likely to certain vision of their relocation to other parts of the EU.

⁹³ Lannoo, Karel. "Brexit and the City." *CEPS*, January 22, 2016. <https://www.ceps.eu/publications/brexit-and-city>.

⁹⁴ Barrett, Alan, Adele Bergin, John FitzGerald, Derek Lambert, Daire McCoy, Edgar Morgenroth, Iulia Siedschlag, and Zuzanna Studnicka. *Scoping the possible economic implications of Brexit on Ireland*. Dublin: Economic and Social Research Institute, 2015.

⁹⁵ Harding, Robin. "Toyota Pledges to Stay in UK Even If Country Takes Brexit." *Subscribe to read | Financial Times*. Financial Times, January 11, 2016. <https://www.ft.com/content/1afaf414-b81f-11e5-b151-8e15c9a029fb>.

2.6 Migration

Every country has resources which are carefully spent for the wellbeing of its citizens. Whenever migrants come to a country, it faces several challenges due to the influx of migrants as it affects the job market, health sector, security and most of all the resources are divided and per capita income is affected. The EU has been an ideal place for immigrants as it provides a better lifestyle and broader opportunities to its citizen.

Since the UK has been a part of the EU for several decades, people from the UK in search of better opportunities are working, married or permanently have moved to other states of the EU. Similarly, a large number of people from other states of the EU have relocated to the UK with their families.

As an impact of Brexit, the most effected region will be the eastern the EU member states, which have more or less their 1.2 million workers working by end of 2015 in the UK; it includes three highest largest migrants from Poland, Romania and Lithuania, having 853,000, 175,000, and 155,000 respectively.⁹⁶ After one year from Brexit referendum, annual immigration to United Kingdom decreased by 106,000 and the reason was mainly because the UK left the EU and the biggest drop was among western European countries. Poland is encouraging the young emigrant to come back to Poland as the regulation policies might make them to move to other western cities like Berlin or Amsterdam or to stay in the UK.⁹⁷

In the future, a big flow of immigration from the Eastern EU countries to the Western EU countries is expected. Such influx of workforce of labors and professional from eastern side would prove economically beneficial for Western countries such as Germany, but it would have its own political drawbacks too.⁹⁸ The influx of labor and professional workforce from the eastern side would provide benefits such as relatively cheap labor

⁹⁶ Blenkinsop, Philip. "From Trade to Migration: How Brexit May Hit the EU Economy." Reuters. Thomson Reuters, June 24, 2016. <https://UK.reuters.com/article/UK-britain-eu-economy-europe/from-trade-to-migration-how-brexit-may-hit-the-eu-economy-idUKKCN0ZA0KI>

⁹⁷ Plucinska, Joanna. "Poland Hopes Brexit Guides Star Natives Home." POLITICO, January 28, 2018. <https://www.politico.eu/article/poland-hopes-brexit-will-lead-its-native-stars-home/>

⁹⁸ Blenkinsop, Philip. "From Trade to Migration: How Brexit May Hit the EU Economy." Reuters. Thomson Reuters, June 24, 2016. <https://UK.reuters.com/article/UK-britain-eu-economy-europe/from-trade-to-migration-how-brexit-may-hit-the-eu-economy-idUKKCN0ZA0KI>

cost, trained professional staff and usually immigrant worker does not enjoy the same job perks as compared to permanent residents but at the same time it would cause demographic changes in the western countries which is a major political drawback. The British people residing in the EU states might lose their citizen rights which they enjoyed as the EU member state since they will not remain a part of the EU and will be stripped off of their the EU member state rights.⁹⁹

Most of the economic studies regarding Brexit keep focus on the trade among the EU, the UK and the non-EU countries but immigration and FDI are crucial factors which will affect the economies of the related countries. The UK has been used a platform for reaching the EU markets for exports and trade as foreign investors are enabled to invest in Single Market via the UK.

Only by looking at the automobile industry, the situation becomes clear. A quantitative model for FDI and Trade for the estimation of increase in cost of trade and intra-firm coordination was developed by Head and Mayer in 2015 and according to their research, the UK will decrease the production of car by 12% after Brexit.¹⁰⁰ It would directly and indirectly affect the employment. Available job opportunities would be preferred for local residents and ultimately the ‘outsiders’ will suffer due to this scenario.

On the basis of aggregate level data, collected through various sources, it was estimated that after leaving the Single Market, FDI flow to the UK will reduce 22%. FDI directly has a positive effect on productivity and domestic investment so the decline would cause the reduction of living standard and output.¹⁰¹ Although, up to a certain extent, the progress and productivity of the UK is associated with the EU but after leaving the UK

⁹⁹ “Impact of Brexit on the European Union.” Wikipedia. Wikimedia Foundation, March 1, 2020. https://en.wikipedia.org/wiki/Impact_of_Brexit_on_the_European_Union#Economic_impacts.

¹⁰⁰ Head, Keith, and Thierry Mayer. “Brands in Motion: How Frictions Shape Multinational Production.” *American Economic Review* 109, no. 9 (2019): 3073-3124.

¹⁰¹ Dhingra, Swati, Hanwei Huang, Gianmarco Ottaviano, João Paulo Pessoa, Thomas Sampson, and John Van Reenen. “The Costs and Benefits of Leaving the EU: Trade Effects.” *Economic Policy* 32, no. 92 (2017): 651-705.

will be facing difficult times, but as compared to the UK, the EU's economy won't suffer much.¹⁰²

After leaving Single Market, the UK will have to adopt restrictive immigration policies regarding the EU. The effects of changed policies regarding immigration are difficult to predict but reduced-form methodology can be used to do so. It is estimated that by 2030, GDP of the UK would reduce between 0.9-3.4 percent after the reduction of immigration from the EU.¹⁰³

Immigration is a vital role in the Brexit movement, as united euro-sceptics, anti-globalists and nationalists used this issue as an argument to vote for leaving the EU. One of the objectives of Brexit was to develop a new and different policy of immigration for the UK as compared to the EU.¹⁰⁴ There is huge number of immigrants from each side but soon the UK will no longer be under obligation to follow the EU's regulations of free movement and will form its own immigration system. On this topic, the EU has more liberal stance and acting quiet generously in terms of immigrants, for example, the EU Blue Card scheme is for non-EU students who graduate from the EU-colleges and they are allowed to work in Europe. Similarly, the directive of the EU regarding Intracompany Transfers (ICTs) is much flexible and allows the firm to transfer professional between affiliate offices with ease of movement to multiple the EU countries.

Both the EU and the UK will face major challenges after Brexit. The EU contributes a lot to the economy of the UK through its labor and the UK is trying to disentangle from the EU in this regard. Companies in Private Sector in anxious as they won't be able to retain and recruit staff from the EU whereas in Public sector, especially National Health Service (NHS) is facing challenge to hire nurses from other parts of Europe. The EU countries may get benefit from Brexit in the relation of Brexit as they are vying to entice trades

¹⁰² Bruno, Randolph, Nauro Campos, Saul Estrin, and Meng Tian. "Gravitating towards Europe: An Econometric Analysis of the FDI Effects of EU Membership." *CEP technical paper, Brexit analysis 3* (2016).

¹⁰³ Portes, Jonathan, and Giuseppe Forte. "The Economic Impact of Brexit-induced Reductions in Migration." *Oxford Review of Economic Policy* 33, no. suppl_1 (2017): S31-S44.

¹⁰⁴ King, Emily. "Brexit and the Future of Immigration in UK and EU." *Financier Worldwide*, Jan. 2018, www.financierworldwide.com/brexit-and-the-future-of-immigration-in-the-uk-and-eu#.XmO7AagzBIU.

which consider locating outside the UK and the EU is liberalizing its immigration policies to get benefit from the situation of immigration.

Conclusion

Brexit is undoubtedly a huge change which is going to leave long lasting impact on both parties. In the modern world, states are seemed to be adopting the Complex Interdependence approach due to its practical and neorealist approach. Complex Interdependence can be said to have been a forward leap in the worldwide relations. It is observed that world has become single global town in result of extensive rather Complex Interdependence of the state and non-state actors on each other. Huge MNCs like Toyota, IBM, have bigger spending plans than states. Universal associations and transnational developments rise above national outskirts. In the governmental issues of Complex Interdependence, the job of military force as negotiating concession consistently stays relevant and significant but in the modern world, instead of gigantic military establishments and sophisticated weapons, strong and stable economy, FDI and GDP plays key factors in the sustainability and progress of the nation.

In the case of Brexit, UK is trying to save its sovereignty and economic benefits to come out as a stronger economic force whereas EU is tried to keep UK as a member state so sustain the interdependence but since UK has decided to leave, it is trying to hurt UK in terms of economy and since UK decided to leave, EU is on the safer side of the negotiation table.

The EU has provided security, stability in finance and a trust to its member states and for several decades, the UK enjoyed all the benefits of its membership, especially the financial benefits. Whether it is access to Single Market, or the influx of FDI from non-EU countries, or the free movement facility to its citizens to work in the EU countries, the UK relished all the financial benefits from the EU. Up to some extent, the EU also savored itself from the UK's labor, industry and the FDI which the EU received through the UK.

Post-Brexit scenario would bring difficulties for both parties in terms of economic situations as well as policy making and international relation. After the demand of the

UK to leave the EU, future of both parties is uncertain as the dynamics of the international markets has now changed with the referendum of Brexit.

Brexit will have its own economic implications and damages for both parties, yet it would be too early to give any strong statement regarding this topic as it is a recent event and the economic implications takes years to reach surface, so at current moment, there are just empirical statements and assumptions based on what kind of economic challenges will be faced by both parties. Based upon the studies conducted by several economist and organization, it can be easily inferred that situation is going to be tougher for the UK in the future as compared to the EU in terms of economic condition.

The EU, after departure of the UK, will be affected as about one fourth of FDI inflow of the EU is routed through the UK. Moreover the labor force, trade and exports will also get affected after the withdrawal of the UK, which would definitely result in effecting the GDP of the EU, which is critical for the economy of the EU. But on the other hand, event after its departure of the UK, the EU will not cease to exist as it will still have 27 united European countries and moreover since the UK has demanded the withdrawal, the EU has a stronger side on the negotiations, economy of the EU won't get affected much and it will come over the situation soon but situation for the UK is much worse.

CHAPTER 3

POLITICAL IMPLICATIONS FOR THE EUROPEAN UNION

March 2017 was the decisive month when the British government officially announced to leave the EU and started the formal process of Brexit.¹⁰⁵ The process was delayed due to a parliamentary deadlock, and general elections however, the country has finally said goodbye to the EU. In the aftermath of the Brexit, grave political implications can emerge for the EU including the need to stop other members from leaving the Union. Besides, Brexit has also added to the challenges posed by the contemporary global world order to the attributes of Complex Interdependence.

Complex Interdependence on the contrary highlighted the emergence of transnational actors vis-à-vis the state. Focus was the rise of international regimes and institutions that compensated traditional military capabilities and the new importance of welfare and trade in foreign policy matters compared to status and security issues. Complex Interdependence actually became a central component of the neoliberal perspective and has been widely used in the analyses of international politics making an attempt to understand willingness of states to enter into cooperative alliances with one another under conditions of anarchy and dependence.¹⁰⁶

3.1 European Union and Dilemma of Legitimacy

The EU holds a tremendous economic and political authority generally in the world and particularly in the European region. European Central Bank regulates euro, and European Council governs the European agriculture.¹⁰⁷ European adjudicators guarantee that they have the power to supersede national laws while Eurocrats determine what products can be produced under what circumstances. Over the past years, in-house structure of the EU has gotten somewhat further democratic. The European Parliament, for instance, now possess more prominent powers than it did in 1990. It is quite difficult

¹⁰⁵ “Article 50: UK Set to Formally Trigger Brexit Process,” *BBC News*, accessed December 13, 2019, <https://www.bbc.com/news/uk-politics-39422353>.

¹⁰⁶ Keohane and Nye, “*Power and Interdependence: World Politics in Transition* (Boston, Little and Brown).

¹⁰⁷ Paul De Grauwe, “The European Central Bank as Lender of Last Resort in the Government Bond Markets,” *CESifo Economic Studies* 59, no. 3 (2013): 520–35.

to endure the fiction that common residents have significant state over what occurs at Brussels. For example in the constitutional empires of 18th and 19th epochs, procedure for interpreting perspectives on the individuals into public policy remained incredibly aberrant. In the national elections, for instance, residents do vote for a specific party in Germany. Political leaders of country at that point go into an intricate negotiation process to figure out which parties are going to form the government and who the chancellor ought to be. The chancellor at that point signed up number of ministers. At last, these ministers visit Brussels a couple of times each year and where they along with companions from the other EU member states, proceed legislation based on the proposals through the unelected European Commission.

3.1.1 Shortfall of Democratic Values

On a basic level, the European Parliament should give counterweight democratic values to the national government representatives who govern the European Council and bureaucrats responsible for running European Commission. The issue is that voters do not pay much attention towards it. However, if many of the voters do not think that they have sufficient power over what transpires in capitals of their state, the feeling of helplessness is even more increased when Brussels is considered. It is least advocated that the union deliberates no gains. On behalf of major members of the EU, medium-size states like Germany or even small countries such as Sweden can hardly resolve severe difficulties in many domains like the environment related problems. Many European states therefore comprehend why their sovereignty have to be shared with citizens of Greece or France. Their collective voice, by being a member of European Union, is that much booming. Nevertheless, the degree of supremacy that is currently given to the EU additionally reflects that it has a colossal effect on who is really sitting around the table in Brussels. Furthermore, due to speedy growth of authoritarian populism across Europe, Italian or German citizens don't simply impart their sovereignty with free citizens of other democratic countries; they likewise split it with ambitious autocrats in Budapest and Warsaw, hence considered as the second critical point of legitimacy.

When influential men such as Viktor Orbán and Jarosław Kaczyński first rose to power,¹⁰⁸ European politicians guaranteed the public that they would be unsuccessful for sure to concentrate authority in their own hands. As these states were members of the EU, it was least anticipated for them to experience an actual decline in the democratic values. As a matter of fact, the EU has, persistently, evidenced itself to be ineffective or indifferent in confronting authoritarians who won control in their member countries.¹⁰⁹ Being a fragment of the EU has made it quite trouble-free for these influential bodies to be powerful as it countenances them to direct European subsidies in areas such as infrastructure or agriculture to their national allies. At this later stage, there are still no significant plans for exorcising states from membership in the EU that are never again governed in such a democratic way. In reality, it is implausible to suspend their potential to vote in any primary institutions like the European Council. European legislators can demand not to acknowledge that this scenario represents an essential risk to the democratic-based alliance. Yet, it is difficult to predict to what scale the status quo will be endured by the European citizens.

It is all because of an impressive generation of statesmen and visionaries that has built the Europe of today. After World War II, leaders like Jean Monnet and Konrad Adenauer, in the first decades retorted with great imagination to a great deal of challenges.¹¹⁰ Retrospectively, it is, by and large, hard to comprehend what courage it took for them to accept that the Germans and the French would be joined one day in evident fellowship.

Without any doubt European leaders like to implore commemoration of their sanctified antecedents. But unfortunately, they have not learnt the right lesson from them. Besides aiming to the similar imagination and bravery, they have been thinking about the post-war order as a sacred relic that ought not to be handled. They have effectually developed a motto: “Just keep doing what we have been doing for a long, long time.”¹¹¹ This can work on temporary basis. If most of the citizens expect that eventually, the politicians

¹⁰⁸ Jan-Werner Mueller, “Eastern Europe Goes South: Disappearing Democracy in the EU’s Newest Members,” *Foreign Affairs* 93, no. 2 (2014): 14–19.

¹⁰⁹ R. Daneil Kelemen, “Securities Regulation,” in *Eurolegalism* (Harvard University Press, 2011), 93–142.

¹¹⁰ Harry Blutstein, “The European Experiment,” in *The Ascent of Globalisation* (Manchester University Press, 2016), 59–78.

¹¹¹ Yascha Mounk, “The European Union’s Double Crisis of Legitimacy,” *The Atlantic*, January 31, 2020, <https://www.theatlantic.com/ideas/archive/2020/01/future-european-union/605839/>.

will find a solution to the EU related problems, dysfunction can therefore be tolerated. But, at this point, the trust has been declining down that these Eurocrats have inherited for a while. However, to redress the double problem of legality forthrightly is the single way to rescue the European project.

3.1.2 Grievances of Members for Compromising their Sovereignty

The EU is highly required to ensure that the citizens of free countries must not compromise on their sovereignty along with the repressive authoritarianisms. In many of its member states, this certainly demands a harsher response to the dictatorial drift. States that encroach upon the basic principles of the foundation of the EU should have to lose their voting rights as well as subsidies. There has to be a feasible procedure for suspending their membership, in case of not correcting their course. The EU, moreover, is required to challenge the democratic insufficiency that is permeating its institutions. The European Parliament, for shaping its decision making abilities, should have to achieve a greater power in the regions in which it is making some sense for the EU member states to split their sovereignty. Significantly, those policy areas where decisions can simply be made at the state level are needed to retreat to the member countries. The supreme founders of the Europe find themselves achieved harmony, peace and friendship to a region long demarcated through warfare and enmity.¹¹² All citizens of European ought to feel an obligation in order to protect this great deal of success. Nevertheless for this, they have to acknowledge firstly, and then remedying the significant flaws now afflicting the European Union.

3.2 Brexit and “Ever-Deeper EU”

The EU has undergone many impediments during the last two decades including the 1990s Balkan Crisis,⁷ where the Union substantiated its inability to deal with the conflict alone without involving the United States. The next setback was the prolonged crisis of Eurozone which headed to massive economic sufferings in numerous states, drove substantial umbrage among debtor and creditor realms, and swallowed enormous amounts of political capital and time. The third blow was the “refugees crisis in 2015”,

¹¹² Fiona Sze-Lorrain, “Ancient Enmity,” *Manoa* 24, no. 1 (2012): 1–5.

which uncovered profound detachments inside the EU and boosted movements of far-right nationalism. Then arrived the American President Donald Trump, who shocked various European capitals by expressing strong resentment towards the EU and reiterated threats to exit the NATO.¹¹³ Though, former American Presidents had criticized many times that the members of NATO were not doing their fair share, however not any of them put such a severe threat to remove themselves from the NATO just as Donald Trump did.

It's been almost two years that prevarication and chaos continues as the UK is committed to withdraw itself from the EU, while the Brexit would show the infirmity of the Union. Brexit's exact ramifications for the EU cannot be identified for a while, but the "ever-deeper union" slogan of the EU will seemingly take a hit at any moment in the future when the democratic and sovereign choice of the British people came into force. Henceforth, the Great Britain, after taking an exit, will put the union to confront a double crisis of legitimacy. The reason behind "ever deeper union" had vanished well before the Brexit referendum. In the European Council of February 2016, it appeared that the Lisbon Treaty had been the last attempt at chasing the logic of deeper integration ever and that member states were no longer united in the wish for "more Europe."¹¹⁴ Negotiating a conclusive opt-out from the clause, David Cameron revealed how the increasing trend towards integration had reached a figurative limit, regardless of the referendum result.

The accession of central European and eastern countries in 2004 indicated probably the first part of enlargement that more understood the Union in manners of a cost-benefit analysis than a political project including a union of aim.¹¹⁵ According to these states, coordination in international institutions should accept and follow the utilitarian premise

¹¹³ Uri Friedman, "Trump Threatens NATO, but Money's Not the Only Issue," *The Atlantic*, accessed December 25, 2019, <https://www.theatlantic.com/international/archive/2018/07/trump-nato-allies/564881/>.

¹¹⁴ Pol Morillas, "Shapes of a Union: From Ever Closer Union to Flexible Differentiation after Brexit," *CIDOB*, accessed December 19, 2019, http://www.cidob.org/en/publications/publication_series/notes_internacionales/n1_166/shapes_of_a_union_from_ever_closer_union_to_flexible_differentiation_after_brexit.

¹¹⁵ Howard L. Hughes and Danielle Allen, "Central and Eastern Europe and EU Accession 2004: Views of the Impact on Tourism," *Tourism and Hospitality Research* 9, no. 3 (2009): 185–98.

of boosting national goals instead of admiring sovereignty and developing a post-modern organization that finishes the primacy of the country in politics of the world.¹¹⁶ After few years, the euro crisis also promoted divisions over the Union alongside pragmatic lines. Creditor and Debtor states were pursuing opposing recipes along with respect to mutualisation, fiscal consolidation, debt and final form of the monetary and economic union.¹¹⁷ But the last line of their reasoning referred that the euro should aid national aims, both in Athens and Berlin. Nationalization of preferences of the EU member states acquired a new landmark with the refugee disaster, this showed significant contrast between states and the EU institutions and between western and eastern Europe.

The recent blow to the EU was Brexit, albeit extremely significant one. After all the Brexit referendum, for very first time the EU has turned into a project that both extends and contract at the same time; that strengthens integration in some strategy regions and risk segregation in others.

3.3 Demographic Crisis

Unfortunately, issues comprised by Europe are just greater than the conflicts of interests. The EU is confronting a continuing demographic crisis too, the possible effects of which is as yet not completely valued. Being the oldest continent of the world, with an average age of 45, Europe's working-age populace is anticipated to decrease by around 50 million individuals by 2035.¹¹⁸ On the eastern side, this issue has been exacerbated by migration, with youngsters heading somewhere else looking for monetary chances. Croatia's 5% populace has been lost since 2013, whereas the current population of Bulgaria is anticipated to fall by 23% by 2050.¹¹⁹ Less number of young people implies slower growth of economy, which means lesser economic related opportunities, which sequentially encourages more migration, while an increasing population of older

¹¹⁶ Keohane, Robert O., and Joseph S. Nye.(1977). *Power and Interdependence: World Politics in Transition*. Boston: Little, Brown & Co.

¹¹⁷ Kristijan Kotarski, "The Eurozone's Crisis Conundrum and the Role of Macroeconomic Theory," *World Review of Political Economy* 9, no. 4 (2018): 477–506, doi:10.13169/worlrevipoliecon.9.4.0477.

¹¹⁸ David Coleman, "Europe's Demographic Future: Determinants, Dimensions, and Challenges," *Population and Development Review* 32 (2006): 52–95.

¹¹⁹ "Demography could be yet another Force for Divergence within the EU," *The Economist*, accessed January 15, 2020, <https://www.economist.com/finance-and-economics/2020/01/11/demography-could-be-yet-another-force-for-divergence-within-the-eu>.

individuals inflicts larger burden on societies with respect to health care services which states have less productive economies. Population comprised of older individuals become more religious; less dedicated to the EU's liberal ideals while more sympathetic towards nationalist appeals, hence creating additional difficulties for the EU vision.

In principle, one of the solutions to such demographic crisis in Europe would be to inspire more prominent overseas immigration. However, as the refugee crisis of 2015 suggests to have unpredictable political consequences by bringing in even fewer immigrants.¹²⁰ Struggling hard with the challenges that European citizens have faced in integrating migrants previously, and encountering with a clear resistance to this from its intolerant citizens, it is quite difficult to consider this an easy job. Even though Europe remains an affluent continent with an integrated and large market, its general supremacy is destined to drop further in the upcoming years.

3.4 Political Consequences for the EU

The British exit raises a whole range of possibilities for changes in the balance of power and the leadership of the European Union. Brexit can strengthen the Franco-German axis, which often balances the balance between others. Since the exit is a precedent, so in the future, any country that leaves the EU will suffer damage, which could lead to the disintegration of the European Union. There is a debate over whether the euro can survive, but the chaos created by Britain's exit will be on a completely different scale, regardless the period when the EU will need to review laws, re-negotiate, and so forth. In this regard, we find that there are many permits from some EU countries encouraging and discouraging to exit, including in Berlin, Frank-Walter Steinmeier, the Foreign Minister of Germany said that it seem like a sad moment for Europe and the UK.¹²¹ Furthermore, the populist advocates and activists can accelerate their dynamism leading to a domino effect of Brexit in other EU members. In that regard, President of France's conservative National Front Party, Marine Le Pen said that it was a victory for freedom and that it was necessary "to hold similar referendum in France and the

¹²⁰ William Spindler, "UNHCR - 2015: The Year of Europe's Refugee Crisis," *UNHCR*, accessed December 25, 2019, <https://www.unhcr.org/news/stories/2015/12/56ec1ebde/2015-year-europes-refugee-crisis.html>.

¹²¹ "Germany's Steinmeier Says Brexit Vote Marks a Sad Day for Europe," *Reuters*, accessed December 16, 2019, <https://www.reuters.com/article/us-britain-eu-germany-steinmeier-idUSKCN0ZA0KT>.

European Union.”¹²² Over the years, British politicians and diplomats from all major parties have played an important role in the launch of many major and inspiring European projects, such as the Euro, the expansion of the European defence network and economic competitiveness. The danger to Europe is immediate by influencing the neighbouring countries of the UK. For example, the border control will have negative repercussions on the economies of these countries. The EU will become a “small force” after the exit. Europe will become much less important, and its influence in foreign policy will be less, within the UN, and global decision-making will be diminished not only geographically but economically, politically and militarily.

The EU may feel the UK is losing more sharply because it is one of the largest military powers in Europe (representing 25 % of defence spending in the EU and 40 % of EU spending on defence research and development).¹²³ It is one of the few EU countries able to take over the leadership, so the Brexit is likely to leave the EU with fewer assets and capabilities at its disposal, although the UK can choose to contribute to EU military missions as a third party. At the same time, the EU without Britain will be more dependent on America for security assistance. As the EU’s counter terrorism strategy in 2005, Britain is the leader in strategies to combat extremism and other areas such as aviation security.¹²⁴ If the United Kingdom leaves the European Union, the Union will lose access to the UK’s international network of intelligence and security links; at the same time, it may be difficult for other states in the European Union that are also facing terrorist threats.

3.5 Increasing Euroscepticism among the EU Members

The EU is described as unique in many respects because it actually exercises sovereignty to certain extent over its member states through its law and decision-making powers, something that the UN and other international governmental organizations

¹²² “Marine Le Pen Says Brexit and Trump Are Helping Her Party in France,” *Business Insider*, accessed December 26, 2019, <https://www.businessinsider.com/marine-le-pen-interview-brexit-trump-front-national-2017-2>.

¹²³ Robert Cooper, “Britain and Europe,” *International Affairs (Royal Institute of International Affairs 1944-)* 88, no. 6 (2012): 1191–1203.

¹²⁴ Rik Coolsaet, “EU Counterterrorism Strategy: Value Added or Chimera?,” *International Affairs (Royal Institute of International Affairs 1944-)* 86, no. 4 (2010): 857–73.

cannot do. Many European countries have expressed discontent over the increasing power of the EU. Several political circles even voice their desire for weaken the EU, or even melt it down so as the members states could retain their power. The Brexit debate raised many of these issues and is an interesting instance of the idea of supranationalism being challenged.

Although various kinds of crisis such as economic crisis, debt crisis, democracy crisis, demographic crisis, productivity crisis, populism crisis and others have been affecting the project of European integration but Brexit has appeared to be a different kind of crisis as it raised basic questions around the project. Now the populist and far-right movements are emerging across the region, particularly due to the refugee crisis and of course the Brexit. Studies suggest that in France, Germany, the Netherlands, Italy, Great Britain, Spain, Greece, Hungary, Sweden, and Poland, the maximum degree of Euroscepticism was found in Greece with 71%, in France with 61%, in Spain with 49%, in Great Britain with 48%, and in Germany with 48%. This indicates that Euroscepticism had been increasing throughout the region while the Europhiles in these states was 51 per cent.¹²⁵ One of potential risks that Brexit caused is the inspiration of other EU members to leave the Union. The Brexit is being considered as a victory of Euroscepticism over Europhilism.

In the case of Brexit, the voters increasingly believed that there was no longer the possibility of a prosperous future with the current system. They saw that Globalization was benefiting only the small privileged elite and as in other cases observed previously leaving the masses behind. In an analysis of the voting patterns for the referendum, it was found that the largest support for Brexit came from low-income families, and poor areas that had been living in those conditions for a long time, demonstrating the “deeply entrenched national geographic inequality”.¹²⁶

¹²⁵ Dieter Fuchs, Isabelle Guinaudeau, and Sophia Schubert, “National Identity, European Identity and Euroscepticism,” in *Euroscepticism*, ed. Dieter Fuchs, Raul Magni-Berton, and Antoine Roger, 1st ed., Images of Europe among Mass Publics and Political Elites (Verlag Barbara Budrich, 2009), 91–112, doi:10.2307/j.ctvbkk081.7.

¹²⁶ Elliott, L. (2016, June 26). Brexit is a rejection of Globalization. Retrieved April 5, 2019, from <https://www.theguardian.com/business/2016/jun/26/brexit-is-the-rejection-of-globalisation>

In election, which held in Germany, Netherlands, and France after the UK's referendum to leave the Union, the leaders who built their election campaign around anti-immigration and Eurosceptic views received surprisingly huge support from public. For instance, in the Netherlands's parliamentary elections of 2017, Nationalist leader Geert Wilders made time and again discriminatory statements against Muslim immigrants and declared them a threat for the Dutch, and promised to stop them from entering the Netherlands, and stood in second place by getting 13.1% of the vote.¹²⁷ The EU had welcomed these results and considered them as a partial triumph against the populism that had gripped Europe after the UK referendum and US presidential elections. Similarly, in the first round of French presidential elections of April 2017, Emmanuel Macron of the La République En Marche with 8,656,346 votes and Marine Le Pen of the Front National with 7,678,491 votes qualified for the French presidential elections. Marine Le Pen shook the European region by winning support of a larger portion of the population. She had promised to introduce a specific brand of political isolation and economic nationalism, anti-immigration, the withdrawal of France from NATO. She also had promised to have a referendum in France just like the UK to decide whether to remain in the EU or leave it.¹²⁸ Her elections slogans have wrapped the EU in a thick blanket of fear that if she wins, the EU may have to face "Frexit" which could be fatal for the Union. However, Le Pen lost the elections against Emmanuel Macron who was a Europhile candidate and got 20,257,167 votes. Le Pen bagged 10,584,646 votes and stood runner up.

Likewise, Angela Merkel won the German federal elections of September 2017 for the fourth time by getting 32.9% votes but with a weakened authority. The far-right party, Alternative for Germany, which is an anti-immigrant and Eurosceptics political party appeared to be third largest party having strong support in the south and east.¹²⁹ Where these elections results can be taken as a victory of pro-EU leaders and a triumph of

¹²⁷ "Far-Right Outcast Geert Wilders Vows to 'de-Islamise' the Netherlands after Taking Lead in Dutch Polls," *The Independent*, accessed December 15, 2019, <https://www.independent.co.uk/news/world/europe/geert-wilders-netherlands-dutch-election-freedom-pvv-far-right-donald-trump-a7576456.html>.

¹²⁸ "The French Election - Emmanuel Macron's Democratic Revolution," *The Economist*, accessed December 19, 2019, <https://www.economist.com/briefing/2017/06/17/emmanuel-macrons-democratic-revolution>.

¹²⁹ "Alternative for Germany: Who Are They, and What Do They Want?," *The New York Times*, accessed December 19, 2019, <https://www.nytimes.com/2017/09/25/world/europe/germany-election-afd.html>.

Europhilism over Euroscepticism, they also indicated that Euroscepticism presents in Europe at an alarming level. Increasing Eurosceptic sentiments are causing frustrations in the EU as they not only are getting popular support but also encouraging citizens of other member states.

Since rise of the new Globalization wave, Europe and its people have seen dramatic shifts leading to populist movements focusing on the halt to the modifications Europe has faced in the recent decades brought upon by heightened liberalization of trade, integration of the European nations, the Eurozone, and also the shift towards open borders for European countries. The acceptance of large amounts of immigrants from conflict zones has been a matter of much controversy in terms of ethics, politics and security, and the people in the European nations have started to voice their discontent with such decisions. These controversies and difficulties seen by Europe have pushed for a Euro crisis that has yet to be recovered in the light of change or redesign.

3.6 Brexit and the European Order

Usually, in terms of its day-to-day affairs, the EU is largely perceived as a customs union and common market. However, fundamentally, it is a political project which bases on a specific idea about the European system of states.¹³⁰ This idea – not the economics of the matter – is what Brexit is really about. And it is why the UK’s decision to leave the EU will have a profound impact on the twenty-first-century European order. The small majority of British citizens who voted in favor of the Brexit during the 2016 referendum were least concerned with economic prosperity;¹³¹ their basic concern was regaining complete political sovereignty. The concept of sovereignty in their minds was not in terms of objective facts about the UK’s present or future, but in terms of Britain’s past as a universal power in nineteenth century. Not to mention that the Britain is now a medium-size power in the Europe with very little chances of becoming a major global

¹³⁰ Olga Shumylo-Tapiola, “The Eurasian Customs Union: Friend or Foe of the EU” (Carnegie Endowment for International Peace, 2012).

¹³¹ “UK Votes to Leave EU after Dramatic Night Divides Nation,” *The Guardian*, accessed January 1, 2020, <https://www.theguardian.com/politics/2016/jun/24/britain-votes-for-brexit-eu-referendum-david-ameron>.

player ever again¹³² – be it remains with the EU or leaves it. Here is the point that if other the EU countries also follow the UK example and choose to go back in the nineteenth rather than the twenty first century, the European order would be in great danger with higher chances of the EU getting disintegrating. Each member state would be thrown back into a cumbersome system of sovereign states struggling for supremacy and constantly checking one another’s ambitions. Under such conditions, the European countries would lack any real power, and thus would be retired from the world stage for good. Europe, torn between Transatlanticism and Eurasianism, would become easy prey for the non-European major powers of the twenty-first century. In a worst-case scenario, Europe might even become an arena for the larger powers’ fights. Europeans would no longer determine their own future; their fate would be decided elsewhere. The old, declining European order of the nineteenth century originally emerged out of the Thirty Years’ War (1618-1648). The medieval system that preceded it, based on a universal church and empire, perished during the Reformation. After a series of religious wars and the establishment of strong territorial powers, it was replaced by the “Westphalian system” of sovereign states.

During the following hardly few hundreds of years, Europe administered the world, and Britain itself was the prevailing European force. However the Westphalian framework was devastated by the two world wars of the primary portion of the twentieth century – the two of which were in certainty European wars for global control. At the point when the weapons fell quiet in 1945, the Europeans – even the triumphant European partners – had viably lost their sway. The Westphalia framework was supplanted by the Cold War bipolar request, wherein sway rested with the two non-European atomic forces: the United States and the Soviet Union. The EU was imagined as an endeavor to recapture European power calmly, by pooling the national interests of European states. The objective of this exertion has consistently been to forestall a backslide into the old arrangement of intensity competitions, proportional partnerships, and authoritative head butting. Also, the way to progress has been a mainland framework dependent on financial, political, and legitimate combination.

¹³² Valentina Romei, “What Will the EU Look like after Brexit?,” *Financial Times*, accessed January 22, 2020, <https://www.ft.com/content/dec6968c-f6ca-11e7-8715-e94187b3017e>.

Brexit has tossed the material ramifications of this degree of combination into sharp relief. Through the span of the UK's arrangements with the EU, an old issue has reappeared: the Irish inquiry. When the Republic of Ireland and the UK both had a place with the EU, the force for Irish reunification vanished, and the decades-long civil war among Catholics and Protestants in Northern Ireland could be settled. The reasonable real factors of EU joining implied that it no longer made a difference which nation Northern Ireland had a place with. Be that as it may, with Brexit tossing history into turn around, the ghosts of the past are taking steps to return. Europeans should watch the Irish issue intently, in light of the fact that there is significantly increasingly potential for an arrival of such clashes on the mainland. Another world request is developing, and it will be fixated on the Pacific, not the Atlantic. Europe has one – and just one – opportunity to deal with this noteworthy progress. The old European country states will be no counterpart for the new rivalry except if they are joined together. Furthermore, and still, at the end of the day, accomplishing European power will require a monstrous and concentrated exertion of political will and resourcefulness.

Yearning for a glorious past is the last things that will help Europeans confront the challenge they face. The past, by its very nature, is over. With or without the UK, Europe must see to its future.

3.7 European Integration

Having discussion over Brexit, it is also imperative to highlight the possible implications of Brexit for regional integration. The major concern is not only for UK but it will also affect the European integration in the form of several crises. The widened uncertainties included migration crisis, financial settlement disputes, borders disputes, rising populist wave in European region, liberal democratic crisis in certain countries, Eurozone crisis, undermining the EU's credibility and so on. These challenges will help antagonistic factors to get benefits from this new instable uncertainty and will try to provoke the sentiments of ordinary citizens. For example, these factors might deal to weaken the EU more and more or make it more cohesive.

There could be two new approaches about European Integration, the centrifugal trajectory which is associated with fragmentation of European Union and another one is centripetal

trajectory which mainly focuses on the EU cooperation, strengthening the EU structural body, leads to a more stronger and influential regional organization in the world. Until now, the UK played very influential role in the EU and it was one of first country to promote and reshape the European integration, it has always supported the EU initiatives and even vetoed various agreements proposed by other member states. The UK's job in presenting expansion strategy and its effect over security and safeguard strategies consistently stays urgent and turned into a center player of the EU. It has additionally advanced the specific type of the EU combination and bolstered a specific Ideological motivation (favor intergovernmental answers for every single institutional change). The authority of Britain consistently pushed the liberal monetary motivation in the EU without obstruction of any gathering in power. There are two points of view in regards to the UK suggestions for the eventual fate of the EU, Eurocentric and Euroscepticism. The Eurosceptic contended that the EU had never been increasingly isolated ever as it's in contemporary occasions, European Integration and solidarity had just been sabotaged because of association inward issues. They have proposed populist solutions to all the EU problems.¹³³

These kinds of agenda are driven by centrifugal trajectory due to policy differences which are already going on within the EU to blame one-another for Eurozone crises. The Brexit could be a nightmare for the survival of the EU as every state will strive to implement restrictive policies to stop migrants burden share. Additionally, the collective institution concept and free-border Schengen framework have been abandoned by different states, which is damage to the EU commitments. Various European countries could agree with the UK in areas like Fiscal policies, mutual cooperation, Border issues and immigration which could further create crack within the EU. Normally, the UK supported Atlanticism which could persuade other European countries. On the other hand, Eurocentric bloc might be ready well while talking the Brexit and could help each other to redesign the solidarity and harmony among the EU-27. A common front could be more cohesive to deal with any long or short-term problems; the extraction of the UK could bring new opportunities for the EU-27 because it may produce potential for

¹³³ Jeremy Black, "European and World Questions," in *A History of Britain, 1945 to Brexit* (Indiana University Press, 2017), 198–227, doi:10.2307/j.ctt1zxxz11m.15.

creating a more unified and lively market that would serve the best interest of member states. Now, the Brexit will choose either the EU is going to be more integrated or will be fragmented.

3.8 Immigration Policy

The EU approach represents a significantly more liberal stance. The EU Blue Card scheme for non-EU college graduates coming to work in Europe is far more generous than the UK rules for similar hires, and the EU directive on intracompany transfers (ICTs) provides much greater flexibility to multinational companies transferring personnel between affiliate offices than the UK's scheme for ICTs, in terms of minimum salary requirements, minimum tenure and ease of movement among multiple the EU countries. Brexit may likewise influence the immigration policies of Ireland and Denmark, which, alongside the UK, have generally quit EU orders on migration and visa advancement strategies because of the arrangements of the convention of the Treaty of Amsterdam¹³⁴. In spite of great thought from the Joint Committee on European Scrutiny, the legislature of Ireland has decided not to select in to the Blue Card Scheme to date.

Both the UK and the EU models will face major challenges in the post-Brexit world. The UK is realising the difficulties of disentangling its economy from its reliance on EU labour. Private sector companies are growing anxious about being able to recruit and retain European staff, and some notable names have announced plans to defect. In the public sector, the beloved NHS (which Brexiters famously promised would gain funding as a result of Brexit) is critically dependent on nurses from other parts of Europe. Meanwhile, other the EU countries may benefit from Brexit and are vying to attract businesses that are considering relocating outside the UK by liberalizing their immigration policies. France, for example, is streamlining immigration rules as part of a modernization of French labour law to aggressively compete for companies relocating their headquarters. However, the view from Europe is also foggy. The re-emergence of far-right anti-immigration political parties in recent elections in Europe, such as in

¹³⁴ Wendy Kennett, "The Treaty of Amsterdam," *The International and Comparative Law Quarterly* 48, no. 2 (1999): 465–67.

Austria and Germany,¹³⁵ have added to the uncertainty of whether the EU can continue to pursue liberal immigration policies and whether the EU free movement as we know it will continue to exist beyond Brexit.

Ireland is additionally competing to pull in remote business to proceed with its financial development and outside worldwide nearness. Be that as it may, Ireland is likewise independently tested by Brexit. There are 'hard Brexit' hard fringe fears and, in migration terms, this shows as concern in regards to the Common Travel Area, which permits opportunity of development between residents of Ireland and the UK, and in a post-Brexit world, must confine free development of residents from the EU. This fear has been dismissed by Theresa May, with the suggestion that, for the UK anyway, the responsibility to prevent illegal working is with employers and is not contingent on borders.¹³⁶ Because of the common travel area, Ireland has opted out of many immigration directives, but this is likely to change without the need to act in unison with the UK, making closer integration on immigration matters possible. While Ireland has not yet implemented the Blue Card or ICT directives, it did recently implement the Posted Worker Directive, which could hint at a change in practice.

3.9 European Parliament after Brexit

With the UK leaving the EU, British Member of the European Parliament (MEPs) would also have to say goodbye to the European Parliament, so the number of seats in the Parliament would reduce from 751 to 705. This decrease in the number of seats would alter the power dynamics between the political parties and increase the need for a cross-party coordination to form a simple majority. After departure of the UK MEPs, 46 of 73 will lay vacant which would be reserved for potential new member states, 27 seats would be reallocated among under-represented members to mirror current demographic

¹³⁵ K. Biswas, "How the Far Right Became Europe's New Normal," *The New York Times*, accessed January 4, 2020, <https://www.nytimes.com/2020/02/04/opinion/far-right-europe-austria.html>.

¹³⁶ Jeenifer Rankin, "Freedom of Movement: The Wedge That Will Split Britain from Europe," *The Guardian*, accessed January 5, 2020, <https://www.theguardian.com/politics/2016/oct/06/freedom-of-movement-eu-uk-brexit-negotiations-theresa-may>.

changes. Spain and France would apparently be the prevalent winners, each getting five new seats while Netherlands and Italy will both get three new seats.¹³⁷

The Brexit would also affect the balance of power existing between the political parties. The European People's Party (EPP) will have the greatest advances which will regain five of the 34 seats it missed in the 2019 elections. The Identity and Democracy Party (ID) will overtake the Greens, the 4th largest party in the Parliament, by getting three seats. However the withdrawal of the UK's 23 MEPs would likely weaken the broader nationalist opposition to the Commission's pro-European agenda. The Greens and Renew Europe (Renew), the Progressive Alliance of Socialists and Democrats (S&D), will lose seven, six and 11 seats respectively.¹³⁸ The Fisheries and Legal Affairs Committees, which are presently headed by Renew MEPs from the UK, will also get new appointments of the chairs.

After Brexit, the majority necessary to pass a bill/resolution in the Parliament would drop from 376 to 353 votes. The two largest groups namely EPP and S&D collectively have 335 seats, so the former duoplural power would still lack absolute majority. Shifting alliances would remain vital in the historically disjointed Parliament. The biggest centrist parties like EPP and S&D will be in the need to ally with smaller parties like Greens and Renew for building a majority and for strengthening the MEPs in their talks with other EU's institutions.¹³⁹ The Greens would be seen influential in this respect and will probably use their influence to navigate the Parliament's schema leftwards on social issues, environmental, and home affairs. As before, no clear majority will be there in the Parliament and alliances will be made on a case-by-case basis if lawmaking is to be done. On foreign policy and trade, the Renew MEPs, with their influence, would try to maintain the dominance of centre-right in the political debate.

¹³⁷ "Number of MEPs to Be Reduced after EU Elections in 2019," *European Parliament*, June 13, 2018, <https://www.europarl.europa.eu/news/en/press-room/20180607IPR05241/number-of-meps-to-be-reduced-after-eu-elections-in-2019>.

¹³⁸ "Boost for Right in Post-Brexit EU Parliament," *EUobserver*, accessed January 17, 2020, <https://euobserver.com/brexit/147149>.

¹³⁹ Giulio Sabbati and Kristina Grosek, "The European Parliament after Brexit" (European Parliamentary Research Service, January 2020), [https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/642259/EPRS_ATA\(2020\)642259_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/642259/EPRS_ATA(2020)642259_EN.pdf)

CHAPTER 4

FUTURE OF THE EUROPEAN UNION

Europe constructs the world's largest economy with population density of 500 million which is even larger than that of US which is 325 million.¹⁴⁰ The region also represents largest market in the world, 17% of the international trade which accounts for near half of the foreign assistance of the world. Europe also leads in higher education having 27 universities in the list of top 100 universities of the world. Although per capita income in the US is higher, but Europe is an economic peer in terms of human resource, exports, and technology.¹⁴¹

The discussion around the EU's future after Brexit should be started by looking at the absence of reformation and equivalent representation of the member countries in the decision-making at union level. Nevertheless, blaming the EU for this democratic deficit would be misleading. This shortfall at the Union level basically reflects the same at national levels. The Council of Ministers and European Parliament are both equally responsible for the legislation in the Union.¹⁴² National governments send their ministers who hold power after winning elections while the election of members of European Parliament is conducted directly. Therefore, the governing bodies of the EU hold the same democratic legality as the national governments do. But the reformation and examination of decision-making bodies should be done at both national and Union level.

Moreover, it is important to note how the EU is capable to give response to the rebellion of those relegated by emerging phenomenon of Globalization as an impact of international institutionalism which was fundamental ideology of the EU. Undoubtedly, free trade results into enormous prosperity and modernization. However, everyone cannot be benefitted from this prosperity because this does not trickle down to the public. Resultantly, many people observe their welfare clearly declining due to the

¹⁴⁰ Hubert Zimmermann, "Brexit and the External Trade Policy of the EU," *European Review of International Studies* 6, no. 1 (2019): 40–46.

¹⁴¹ Ibid.

¹⁴² Armin Cuyvers, "The Institutional Framework of the EU," in *East African Community Law*, ed. Emmanuel Ugirashebuja and Tom Ottervanger, Institutional, Substantive and Comparative EU Aspects (Brill, 2017), 79–102.

unemployment or decrease in their incomes.¹⁴³ The institutions of the EU have been the major promoters and supporters of Globalization while they have not been planning to compensate those negatively affected by such policies. In social policy, which falls under the jurisdiction of the national authorities, the EU institutors have little say whereas these authorities are incapable of showing their powers because of the fiscal rules of the same EU institutions.¹⁴⁴ Over the last five years, the European Commission (EC) have pushed all Eurozone states into an austerity constraint which has given rise to unemployment as well as economic unproductivity, mainly in those states which have already been affected by the economic crunch like Greece.¹⁴⁵

For example, liberalistic integration of the EU is being considered gradually more pessimistic because of evident income differences, management problems faced by businesses of small and medium size and the clampdown of labourers' wages along with a visible upsurge in immigrants. On the defence and external policy fronts, the EU has established the Common Foreign and Security Policy (CFSP) which includes the Common Security and Defence Policy (CSDP). The CFSP is inter-governmental unlike other areas of the EU's policy as it makes the European Parliament' role limited confining it just to approve the budget, and narrows down the jurisdiction of the European Court of Justice (ECJ). Under the CFSP's framework, almost all the decisions are made unanimously.¹⁴⁶ The UK has always exploited the CFSP as a force multiplier when dealing with international issues. For instance, the UK used the EU sanctions as instruments of change. An example is the aftereffects of the Crimean annexation.¹⁴⁷ To exert some pressure on Russia, the UK played active role in persuading Germany and other EU members to take some economic sting.

¹⁴³ Robert Henry Cox, "How Globalization and the European Union Are Changing European Welfare States," in *Social Policy in the Smaller European Union States*, ed. Gary B. Cohen, NED-New edition, 1 (Berghahn Books, 2012), 17–32.

¹⁴⁴ Miroslav N. Jovanović, "Is Globalisation Taking Us for a Ride?," *Journal of Economic Integration* 25, no. 3 (2010): 501–49.

¹⁴⁵ IRA W. Lieberman, "The Eurozone Crisis, 2008–15," in *In Good Times Prepare for Crisis, From the Great Depression to the Great Recession: Sovereign Debt Crises and Their Resolution* (Brookings Institution Press, 2018), 389–410.

¹⁴⁶ Max Bergmann, "Embrace the Union," *Center for American Progress*, accessed November 13, 2019, <https://www.americanprogress.org/issues/security/reports/2019/10/31/476483/embrace-the-union/>.

¹⁴⁷ Pifer, "Five Years after Crimea's Illegal Annexation, the Issue is no Closer to Resolution," accessed August 15, 2019, <https://www.brookings.edu/blog/order-from-chaos/2019/03/18/five-years-after-crimeas-illegal-annexation-the-issue-is-no-closer-to-resolution/>.

Since the UK has been playing a leading role, it is expected that that foreign policy of the EU would become relatively less active. Also, the EU members have further lost their appetite for a common foreign policy owing to the growing right-wing nationalism and populism in Europe. The EU states preferably want to have full control over their interaction with countries around the world. The Brexit will also raise several questions on strategic security and defence of the EU in coming future. Over the past years, core foundations of the EU have clattered. The member states were divided over the plans of giving financial assistance to the debtor countries, particularly Greece, which still experiences a prolonged economic crisis.¹⁴⁸ Additionally, the EU is going through the worst migration crises that this world ever experienced. Majority of the migrants come from poor and war-torn Middle Eastern and African countries. The crisis ignited a debate over accommodation of migrants while sparking the fear of terrorism. Due to this all, Schengen arrangements were suspended on some borders.¹⁴⁹

4.1 Brexit Deal and the EU's Priorities

Since the UK was the strongest intelligence power of the Europe, so, after the Brexit, arrangements for sharing information and policing liaison would be drastically affected, and consequently, operational synergies might get weaken and security of the entire Europe would be degraded by and large. With the UK's strong call for Brexit, a sudden rise was given to the debate over creation of the EU's common defence after which the Permanent Structured Cooperation (PESCO) was introduced on November 13, 2017, which calls for increased defence and security cooperation among the EU members.¹⁵⁰ This framework would enable the eager member countries to invest in common projects and build defence capabilities together. However, the fact, that only 23

¹⁴⁸ George Papaconstantinou, "Squaring the Institutional Circle," in *Whatever It Takes*, The Battle for Post-Crisis Europe (Agenda Publishing, 2020), 131–44, doi:10.2307/j.ctvthhccn.16.

¹⁴⁹ "The Refugee Crisis: Fixing Schengen Is Not Enough," Centre for European Reform, accessed January 12, 2020, <https://www.cer.eu/insights/refugee-crisis-fixing-schengen-not-enough>.

¹⁵⁰ "Defence Cooperation: Council Establishes Permanent Structured Cooperation (PESCO), with 25 Member States Participating," Consilium, accessed December 22, 2019, <https://www.consilium.europa.eu/en/press/press-releases/2017/12/11/defence-cooperation-pesco-25-member-states-participating/>.

members of the EU signed this framework, reflects a general variance of views for centralizing policies within the Union.¹⁵¹

These all negotiations on Brexit deal took place however the situation did not sound too optimistic. In the first phase of Brexit negotiations, three principal issues were being discussed: Irish border, exit bill, and rights of EU's citizens. So far, exit bill appeared to be the major stumbling block as the UK is planning to pay 20 billion Euros as exit payment bill, but the EU called for revision of the figure if the UK wanted the negotiations to move forward. Consequently, the UK increased the figure to 50 billion euros. In December 2017, the UK decided to pay between £35bn and £39bn as the divorce bill.¹⁵² For the rights of the EU citizens, the UK government agreed for continuing the role of ECJ with respect to citizens' rights for minimum eight years after the withdrawal after long bargaining process. Regarding the major challenge of border between Northern Ireland and the Republic of Ireland, physical controls and checkpoints over the border could be set up. For almost two decades, the border was a soft border having no checkpoints on either side. However this would change after the UK leaves the EU Single Market and Customs Union.¹⁵³

4.2 Brexit's Impact on the EU

It is feared that after the Brexit, the EU would collapse, however this seems extremely unlikely because the socioeconomic relations between rest of the EU members has been developed so strong and deep over the last 60 years that Brexit will fail to shake the primary order that has been developed in Europe after the World War II. But the implications of Brexit for the remaining the EU states would not just be limited to Britain.

¹⁵¹ "Defence: 23 EU Member States Sign up for Permanent Structured Cooperation," accessed December 22, 2019, https://eeas.europa.eu/headquarters/headquarters-homepage_sq/35496/Defence:%2023%20EU%20member%20states%20sign%20up%20for%20permanently%20structured%20cooperation.

¹⁵² Jon Stone, "Brexit: Theresa May Agrees to Pay £39bn Divorce Bill to the EU," *The Independent*, accessed September 15, 2019, <https://www.independent.co.uk/news/uk/politics/brexit-divorce-bill-financial-settlement-39-billion-theresa-may-juncker-agreement-northern-ireland-a8099076.html>.

¹⁵³ Mary C. Murphy, "The Political Economy of a Pressured Relationship," in *Europe and Northern Ireland's Future*, Negotiating Brexit's Unique Case (Agenda Publishing, 2018), 1–18, doi:10.2307/j.ctv5cg7x3.6.

Brexit can grow anti-EU sentiment further in Europe, embolden nationalist movements and Eurosceptic activities, and lead to a retreat from EU-level solutions to cross-border challenges. The UK's exit may also give boost to nationalist leaders who are emerging recently in Hungary, France, and Poland to adopt tactics that the UK employed to secure concessions from rest of the Union. Viktor Orban, the Prime Minister of Hungary has already imitated such tactics and called for a national referendum. He was hoping to obtain popular mandate in order to strongly resist the European Commission's attempts for accepting its share under the new scheme for relocating refugee.¹⁵⁴

With Brexit, the EU would also lose its third largest populated member state and second-largest economy, therefore the size of the Union and its diplomatic stature would decidedly fall off. While the possibilities of the emergence of demands from other Eurozone countries for a referendum similar to the Brexit can be increased. On the other hand, prime objective of the creation of the EU which is precluding Germany would also be undermined as the UK's withdrawal can give a more crucial role to Germany in shaping the future of Europe.¹⁵⁵ With Germany's increased influence in the Union, tension could intensify in states which are suspicious of Germany such as France, where far-right party of Marine Le Pen have gained power ahead of the presidential elections of 2017.¹⁵⁶ Germany along with her like-minded friends in the Union might try to gain majority in the house with improved integration initiatives for countering the reputational damage after the UK withdrawal.

4.3 Impact on the EU Policies

The impact of Brexit on EU policies may likely come in four areas: the currency system, the liberalization and budget of EU, and the issue of border management, immigration and foreign as well as security policy.

¹⁵⁴ Steven Blockmans, "Brexit's Consequences for the UK – and the EU," *CEPS*, accessed October 10, 2019, <https://www.ceps.eu/ceps-publications/brexit-consequences-for-the-uk-and-the-eu/>.

¹⁵⁵ Graeme Herd, "In Brexit's q1 Shadow: Germany and the United Kingdom," in *Germany's New Partners*, ed. Sven Bernhard Garxsdwseis and Matthew Rhodes, 1st ed., *Bilateral Relations of Europe's Reluctant Leader* (Verlag Barbara Budrich, 2019), 71–86, doi:10.2307/j.ctvr7fd1q.8.

¹⁵⁶ Agnès Maillot, "Setting the Agenda? The Front National and the 2017 French Presidential Election," *Irish Studies in International Affairs* 28 (2017): 45–56, doi:10.3318/isia.2017.28.6.

First, risks are high for the depreciation of Euro soon after the Brexit. Nonetheless, over a long period, the Eurozone will be more powerful to handle financial and economic policy in the Union. Germany, Italy, and France all claim that they desire to make the fiscal side of euro system even more vigorous, but there are underlying disagreements behind these statements. Italy wants Eurobonds, while Germany is blocking everything which seems to involve a transfer union, and Paris convincing others about having a dedicated finance minister of the EU.¹⁵⁷ Work on the capital markets union will also go on slowly not in the direction that London would prefer. Some major US banks have previously made it clear that they would move European branches of their banks from London.¹⁵⁸

Second, when the UK would have gone, the EU budget will be left to face a quick cut of 10.5 billion Euros that the UK has been contributing annually.¹⁵⁹ So the EU would need to thoroughly review the budget allocations while bringing around a debate with regard to looking for new financial resources. Besides, the bloc, which is considered to be economically liberal (currently Denmark, the UK, the Netherlands, Sweden, and Estonia) will gradually decline.¹⁶⁰ Due to this, experts have proposed that after Brexit, the EU will relatively more protectionist, yet a growing consensus in Union calls for liberalization of internal markets in labour and goods and services.

Third, the EU needs to do much on the immigration front. It is evident from the refugee crisis that EU needs a centralized system to control border and asylum mechanism. Even it is not likely to happen in predictable future and the need for taking such actions would only increase if the pressure of migrants from Africa adds to the recent uprisings from regions like the Middle East, this would surely create an ever-bigger immigration

¹⁵⁷ Lieberman, “The Eurozone Crisis, 2008–15.”

¹⁵⁸ “Factbox - Impact on Banks from Britain’s Vote to Leave the EU,” *Reuters*, accessed December 5, 2019, <https://www.reuters.com/article/uk-britain-eu-banks-factbox/factbox-impact-on-banks-from-britains-vote-to-leave-the-eu-idUSKBN1O31FE>.

¹⁵⁹ Stephen Pope, “EU Hardline Over Trade Talks With U.K. Will Fail,” *Forbes*, accessed August 5, 2019, <https://www.forbes.com/sites/stephenpope/2020/02/08/eu-hardline-over-trade-talks-with-uk-will-fail/>.

¹⁶⁰ Amitai Etzioni, “Nationalism as a Block to Community Building,” in *Law and Society in a Populist Age*, 1st ed., Balancing Individual Rights and the Common Good (Bristol University Press, 2018), 149–68, doi:10.2307/j.ctv56fgtg.15.

challenge.¹⁶¹ Simultaneously, without the UK, the ability of the EU to address systematized crime at borders and large-scale terrorism would reduce, unless the Union establishes new mechanism for cooperation and coordination with the Britain.

Finally, defense and foreign policy will possibly cause smallest amount of tension. It is irrefutable that Brexit will pose serious threats to the global standing of the EU and its soft power, its ability of playing a more important role on international security matters and the likelihood of closing the deal of Transatlantic Trade and Investment Partnership (TTIP) with the US.¹⁶² At the same time, decision-making of the EU without traditionally ‘disorderly’ Britain would get simpler and result in a more justly common security and foreign policy. Undeniably, without the Brittan, there would be a lesser opposition to formation of an everlasting defence and security cooperation structure, having more distribution of capabilities, increased cooperation on defence strategy, and the formation of a solo army headquarters in the capital city of Belgium.

Brexit would be equally bad for the EU and the UK and the both can waste ages negotiating new relationship. Now, when the international order, which has been prevailing since the end of WWII, is under straining and European states are potently threatened by protectionist approaches, it is evident that the EU is in a dire need to improve its ability for determinedly encountering the big international challenges.

4.4 Post-Brexit EU in International Arena

The EU has always been going through the expansion process but with the departure of the UK, number of its member states will remarkably decrease for the first time. It is cynical that post-Brexit EU is capable of, or even keen to, go for further broadening of Union. This leads to challenges of its own in the Balkan region, where the perspectives of accession could lead to occurrence of new political issues in near

¹⁶¹ “Migration from Sub-Saharan Africa to Europe has Grown since 2010,” *Pew Research Center*, accessed September 7, 2019, <https://www.pewresearch.org/global/2018/03/22/at-least-a-million-sub-saharan-africans-moved-to-europe-since-2010/>.

¹⁶² Alasdair R. Young, “Brexit and Trump: Body Blows to TTIP,” in *The New Politics of Trade*, Lessons from TTIP (Agenda Publishing, 2017), 111–22, doi:10.2307/j.ctv5cg80h.12.

future.¹⁶³ To avoid enormous instability on its southern edges, the EU27 would need to adopt a more sensible policy for Balkans. Integration is the process of combining parts into a whole while common thread can be the adaptation of political practices and institutions for increasing cooperation and for putting an end to the wars and hostilities. All the Balkan states Albania, Kosovo, Macedonia, Bosnia & Herzegovina, Montenegro and Serbia have a long conflict history having shared Marxist past and conflicts, heterogamous composition and issues with minorities, bad governance, undersized economy and the Euro-Atlantic assimilation objectives.¹⁶⁴ The Balkans is a territory within the premises of the EU and this fact can neither be neglected by foreign nor internal ministries that this region has the ability both for improving and undermining security of the EU. Therefore, the EU integration is the only option from both regional and global prospect. The European integration has facilitated several significant strategies and fulfillment of the aims of peace and prosperity in the Western Balkans, where the Franco-German recipe for creating interethnic ties is the one and only choice that would bring about a new era of making neighborly people to people and state level relations between countries of the region.¹⁶⁵

In July 2017, France and Germany, being the most dominant voices of Europe, emphasized at the Paris Western Balkans Summit, that Brexit would have no effects on the process of the integration of Balkan states in the European Union.¹⁶⁶ However, the Union will surely be busy with Brexit as it never experienced such situation in past, so the integration of Western Balkans will not be made without concluding Brexit. Hence, the Brexit will clearly disturb processes for integrating these countries.

The Britain is considered to the most helpful member state with regard to the EU's enlargement policies. The Kingdom has also been a cherished companion of Western Balkan countries that has constantly promoted the Balkans' integration process. The UK,

¹⁶³ Roberto Belloni, "After 'Brexit': The Western Balkans in the European Waiting Room," *European Review of International Studies* 4, no. 1 (2017): 21–38.

¹⁶⁴ Ibid.

¹⁶⁵ Jens Woelk, "Identity-Diversity and the Territorial Dimension in the Western Balkans," *L'Europe en Formation* 363, no. 1 (2012): 189–204, doi:10.3917/eufor.363.0189.

¹⁶⁶ "Joint Statement - Western Balkans Six Prime Ministers Meeting," *European Western Balkans*, accessed November 2, 2019, <https://europeanwesternbalkans.com/2017/03/16/joint-statement-western-balkans-six-prime-ministers-meeting/>.

at the Western Balkans Summit held in London in July 2018, pledged her full support for the Balkans' integration even after leaving the EU, however this support from outside the Union cannot bear the same fruits that would have yielded had the UK was still a member.¹⁶⁷

It is very clear that Europe's economic as well as political weight in the world is decreasing, as compare to its importance which is also dwindling but to a very lesser degree. With Brexit, the EU's population would be drastically decreased, but that's not the point to worry about, because the more important thing that needs consideration is the tendencies and the progresses to understand how the Europe can preserve a dominant role in the world. In the longer run, effects of Brexit could grow even more serious. The prestigious EU would drop much prestige when one of its biggest members would leave it. The UK is one of the few EU member states which has potent diplomatic and military power, and holds a permanent seat in the UN Security Council.¹⁶⁸ Brexit will have drastic effects on the transatlantic relations of the EU where the Britain was enjoying an important mediating position. This raise doubts that the Brexit will reduce the EU's ability to emerge as an international actor having huge importance in the global affairs.¹⁶⁹

4.5 Post-Brexit EU's Foreign Policy

The challenges EU is facing go far off the UK's decision to exit thus, elevate important concerns about future role of the EU in global politics as well as questioning the fate of trans-Atlantic ties. The issue is basically constructional; besides trade discussions, where the Union tends to speak with one voice, the alliance is neither intended nor yet proficient enough of making up united strategy on foremost tactical questions and supporting that policy high with essential competencies. A lot of efforts were done to describe the worth of a common foreign and security policy, and the Union has attempted to fabricate the look of harmony by developing a pseudo-foreign ministry

¹⁶⁷ "EU-Western Balkans Summit: Improving Connectivity and Security in the Region," *EU News*, accessed November 20, 2019, https://ec.europa.eu/commission/presscorner/detail/en/IP_18_3821.

¹⁶⁸ "Current Members," *United Nations Security Council*, accessed January 12, 2020, <https://www.un.org/securitycouncil/content/current-members>.

¹⁶⁹ Erik Brattberg and Philippe Le Corre, "The Prospects for Transatlantic Cooperation," *The Case for Transatlantic Cooperation in the Indo-Pacific* (Carnegie Endowment for International Peace, 2019), doi:10.2307/resrep20958.9.

(the External Action Service of Europe), and deploying a notable representative as its apparently legitimate expression for foreign affairs. But eventually, the member countries have enviously fortified foreign-policy privileges of their own and diminished to equip the high representative or “External Action Service” with the capability to fix things more than just arranging meetings and making dialogues. For national security policy and foreign policy; the EU nowadays stays a group of sovereign countries whose comforts frequently deviate, and that has no difficult supremacy that is regularly required to carry out the matters.

For instance, Iran gained more attention and became an external policy crucial point of Europe’s division with US. On the other hand, Donald Trump, by taking Iran into consideration, imprudently left the multifaceted deal that had efficaciously plugged nuclear program of Iran, a conclusion for which the signatories of Europe could not raise their voices to stop Trump.¹⁷⁰ They were quite acquainted that it was a mistake; hence they did some meagre attempts to preserve the deal. However, when the US threatened to execute additional sanctions on European banks or firms that were involved in doing trade with Iran; the proud nations of Europe caved in no time. This type of discrimination may influence the states to make alternatives eventually to the dominated financial order, but for the time being, the US got leverage, and the bullying effectively worked. Or on-going civil war in Libya can be taken as an example. Since Libya is a significant transit position for refugees and immigrants wanting to enter the EU from different regions of Africa, insistent chaos there is a serious challenge for the Europe too. That is the reason Chancellor of Germany Angela Merkel lately summoned a meeting in Berlin to develop cease-fire amongst warring groups in Libya.¹⁷¹ The meeting developed an agreement that broke down on time, as such agreements frequently do. The core problem, though, is that neither Germany nor any other authority in Europe has enough capacity to implement any contract that might be extended in the upcoming years, or even more influence over warring factions. Although, some of the outside powers like Turkey and

¹⁷⁰ Kulsoom Belal, “Uncertainty over the Joint Comprehensive Plan of Action: Iran, the European Union and the United States,” *Policy Perspectives* 16, no. 1 (2019): 23–39.

¹⁷¹ “Libya Summit: Participants Agree to Respect Arms Embargo,” accessed January 20, 2020, <https://www.aljazeera.com/news/2020/01/world-powers-meet-berlin-discuss-libya-crisis-200119023145417.html>.

Russia and some of the Gulf States have certain command over the situation in Libya, but, neither the EU nor any of its members has enough sway over this.¹⁷²

Besides this, the EU members are not on the same page vis-à-vis the EU's Russia policy. For example, President of France Emmanuel Macron is steadily concerned about China, he is being observed with a desire to restore relations with Moscow to handle any threat from Beijing.¹⁷³ France carries a geopolitical perspective in this regard where as it has an abomination perspective to Poland as well as some other states in Eastern Europe. How is it possible for Europe to practice a common security and foreign policy towards any strategically significant neighbor, when its nations can't even unite on any same interests or threats perspectives?

4.6 Shaping Future the EU-UK Relationship

To fulfill the mission of maintaining good ties, the UK Government is progressing to explicate how this relationship would go; how beneficial would it be for both parties, and why would it regard the autonomy of the EU and the sovereignty of the UK.

4.6.1 A Principled Brexit

A principled Brexit indicates about giving respect to the referendum results and the decision made by the UK citizens to take back control of the UK's laws, borders and money; as this backs the objectives of the government in five crucial areas of Britain's national life. For economy; building a deep and broad economic affiliation with the EU that boosts up the upcoming prosperity according to the modern industrialized Strategies and knocks out the disturbance to inter the EU and the UK, protecting livelihoods and jobs, however, by creating most of trading opportunities around the world at the same time. For communities, communicating explicit concerns raised in the Brexit referendum by terminating independent movement and introducing the new system of immigration, setting up new liberated policies to encourage fishing and farming communities; consuming the Shared Prosperity Fund to inspire a new trend of renaissance in the UK's

¹⁷² Guma El-Gamaty, "Turkey, Russia and the Libyan Conundrum," *Al Jazeera*, accessed January 20, 2020, <https://www.aljazeera.com/indepth/opinion/turkey-russia-libyan-conundrum-200118144000930.html>.

¹⁷³ Valérie Niquet, "What Does France's President Want to Achieve in China?," *The Diplomat*, accessed January 19, 2020, <https://thediplomat.com/2018/01/what-does-frances-president-want-to-achieve-in-china/>.

cities and towns; and protecting the citizens. For the EU, following the commitments made with Northern Ireland through guarding the process of peace and eluding a hard boundary, protecting the UK's economic as well as the constitutional integrity, and delegating the apt powers to Edinburgh, Cardiff and Belfast; whereas guaranteeing delivers of the deal for the Gibraltar, Crown Dependencies, and the other Foreign Territories, noting least possibility of modification in their enduring relationships with Britain.¹⁷⁴ For democracy, reclaiming the UK's sovereignty and leaving the EU's institutions, ensuring that the laws are passed by the elected political member and enacted by the UK courts, having clear sense of accountability to the UK's citizen. Henceforth, the Britain's place around the globe, continuing to encourage new ideas and innovation; proclaiming an entirely sovereign external policy, and jointly working with the Union to protect and promote common European customs and values of openness, liberty and democracy.

4.7 Renewed Relationship between the EU and the UK after Brexit

Directed by these standards, both parties are headed to develop another relationship that is suitable for both the EU and the UK. It is perceived that the UK will leave the Customs Union and the Single Market to forge a new role in the world and seize new opportunities, while supporting growth, protecting jobs, and maintaining security collaboration. The EU considers this renewed relationship should be more extensive than any other existing between the Union and a third state. It ought to reflect the EU's and the UK's deep history, unique starting point and their close ties. However, it must bring genuine and enduring benefits on both of the sides, supporting mutual security and prosperity, this is the reason the EU is suggesting to create the relationship about a security partnership as well as an economic partnership.¹⁷⁵ The impending relationship furthermore needs to be conversant by both the EU and the UK for think responsibly towards dodging hard border control between Northern Ireland and Ireland, such that it respects the economic and constitutional autonomy of the EU and integrity of the UK.

¹⁷⁴ "Why a No-Deal Brexit Has British Overseas Territories Worried," *DW.COM*, accessed January 22, 2020, <https://www.dw.com/en/why-a-no-deal-brex-it-has-british-overseas-territories-worried/a-50616087>.

¹⁷⁵ "Brexit: EU and UK Agree on Deal — as It Happened," *DW.COM*, accessed December 18, 2019, <https://www.dw.com/en/brexit-eu-and-uk-agree-on-deal-as-it-happened/a-50866040>.

4.7.1 Economic Partnership

Following the results of referendum, according to the desires of its citizens, the UK left the Union, and consequently will take an exit from the Customs Union and the Single Market by January 2021; by taking hold of new prospects and building a new role around the globe.¹⁷⁶ Simultaneously, the UK expects to hold employment opportunities and support development by an advance economic partnership through its adjacent neighbors hence by respecting the sovereignty of the UK, structuring a vibrant Parliament role, and preserving the economic and constitutional integrity of Britain's own Union. A comprehensive and deep financial corporation between the EU and the UK would have a distinct advantage on both sides. Britain, being the fifth largest economy of the world, has a biggest market in EU.¹⁷⁷ Each trading liaison has different degrees of market entrée that depends upon the pertinent interests of the involved states. The EU has varying agreements with countries outside the Single Market and beyond its borders; tailoring the depth and its relationships nature with the concerned countries. It is true for the EU and the UK to adopt a likewise tailored approach.

In order to scheme the new-fangled trading relationship, the EU and the UK should have to pay emphasis on guaranteeing sustained frictionless access to one another's markets by utilizing their border for transferring goods. To convey this objective, the UK's government suggests the foundation of a facilitated commerce zone for goods. The free commerce zone or trade area will secure the remarkably incorporated supply-chains and timely procedures that have created across the EU and the UK in past four decades; and the livelihoods and jobs reliant on them; thus, on both sides guaranteeing the businesses can keep operating through their supply chains and current value. It would evade the requisite for regulatory and customs monitoring at border; hence imply that businesses will not have to go through any expensive customs declarations. Furthermore, before being sold in both markets, it would allow the goods to undertake only one set of authorizations and approvals in either market.

¹⁷⁶ Jacob Dirnhuber, "EU Customs Union - What Is It and Will the UK Stay in It Now a No Deal Brexit Is Dead?," *The Sun*, accessed December 25, 2019, <https://www.thesun.co.uk/news/5502054/will-uk-stay-customs-union-brexit-no-deal-single-market-eu/>.

¹⁷⁷ Tim Oliver, "What Does Brexit Mean for the European Union?," in *The Political Economy of Brexit*, ed. DAVID BAILEY and LESLIE BUDD (Agenda Publishing, 2017), 159–72, doi:10.2307/j.ctv5cg96v.14.

Accordingly, the free facilitated trades for products would enable the EU and the UK meet their mutual promises to Ireland and Northern Ireland by the inclusive relationship in the near future.¹⁷⁸ It would strategically avoid the requirement for a strict border among Ireland and Northern Ireland, without damaging the UK's domestic market; doing as such in a manner that completely regards the integration of the EU's Customs Union, Single Market, and its principled framework. These adjacent provisions on goods ought to sit together with fresh ones for digital and services, giving Britain the opportunity to outline its own way in the territories that are highly significant for Britain's economy. The EU needs to reduce new barricades for business between the EU and the UK, and expects that both parties will cooperate to further lessen them over time – however recognizes that there would be more obstructions for the UK to access the EU markets.

Similarly, the UK acknowledges that balance of obligations and rights builds the foundations of the Single Market, and that it cannot enjoy all the profits of Single Market membership without having its own responsibilities. And, including new provisions on investment and services that provide monitoring flexibility, with new arrangements on financial services; preserving the shared benefits of integrated markets hence protecting financial stability. The ending of free movement will provide back the control to the UK regarding number of people who migrate to live in the UK; and to deliver for socio-economic collaboration in areas such as civil judicial cooperation, transport and energy, and a consistent approach with Britain's motivations as an international trading nation, having its own self-regulating trade policy while being able to demonstrate itself at WTO (World Trade Organization),¹⁷⁹ and to make balanced and credible proposals to trading partners of the developing countries, and to implement a sanctions regime and trade remedies.

At last, a deep relationship should be upheld by rules giving confidence at both sides that the trade will be facilitated and will be quite fair and open. So the UK's government proposes mutual commitments for ensuring that UK industries could continue to compete

¹⁷⁸ Patrick Smyth, "UK Has Vital Irish Border Commitments Even in No-Deal Brexit, New EU Paper Says," *The Irish Times*, accessed December 24, 2019, <https://www.irishtimes.com/opinion/uk-has-vital-irish-border-commitments-even-in-no-deal-brex-it-new-eu-paper-says-1.3931932>.

¹⁷⁹ Chris Morris, "Reality Check: What Does a 'WTO Brexit' Mean?," *BBC News*, July 29, 2019, sec. UK, <https://www.bbc.com/news/uk-45112872>.

impartially in the trade markets of the EU, whereas the EU businesses working in Britain could enjoy the same. By Taking it together, this kind of partnership would experience the EU and the UK to encounter their pledges to Ireland and Northern Ireland by their impending relationship such as honoring the letter and the essence of ‘Good Friday Agreement’,¹⁸⁰ preserving the economic and constitutional integrity of the UK; and guaranteeing that the functioning legal text Britain would decide with the Union on the ‘barricade’ solution as per the Withdrawal Agreement would not be exploited. Similarly, accepting that the EU is quite determined, it is feasible and delivers on the outcome of referendum; respecting the UK’s sovereignty; as it regards the EU’s autonomy; with Parliament reserving the privilege to choose which regulation it adopts in the upcoming time, acknowledging that there could be proportional ramifications for future relations; where the EU and the UK had a shared rulebook.

4.7.2 Security Partnership

Even after Brexit, it is clearly defined that the EU’s security will remain the Britain’s security, because of which the UK government has declared an unconditional obligation to uphold it. Regardless of the fact that during the membership of UK in the EU, it has successfully operated with entire group of Member States for designing an important set of tools that safeguard the EU’s and the UK’s collective operational competencies; helping to keep the nationals safe. It is significant that the EU and the UK will continue this partnership, while making sure to avoid any operational capability gaps even after the withdrawal of the UK from the EU. However, the UK will not remain to be an active part of the Union’s mutual policies on defence, foreign, justice, home affairs and security. Besides, the UK has proposed a fresh security cooperation that preserves a deeper sense of partnership cooperation as the world continuously changes itself, so the threats faced by the EU and the UK also keep on changing.¹⁸¹

According to Luigi Scazzieri, the UK has already set out an ambitious vision for the UK’s future security relationship with the EU. The UK acknowledges that after getting a

¹⁸⁰ Mistral Jacques, “Brexit, the Irish Backstop, and the Good Friday Agreement,” Brookings, accessed December 26, 2019, <https://www.brookings.edu/blog/up-front/2019/08/15/brexit-the-irish-backstop-and-the-good-friday-agreement/>.

¹⁸¹ Luigi Scazzieri, “The UK and European Security Cooperation, Post-Brexit,” *Aspenia Online*, accessed January 23, 2020, <https://aspeniaonline.it/the-uk-and-european-security-cooperation-post-brexit/>.

separation from the EU, it will not be able to continue its security relationship with the EU likewise as before. But, with respect to the shared threats and interests, the UK seeks an ambitious partnership covering the breadth of security interests including law enforcement, development, and criminal justice cooperation. It ought to be reinforced by ongoing cooperation through partnership schemes and protecting data protection, individual rights, and strong governance arrangements, to strengthen the trust essential for getting closeness.¹⁸²

Both the EU and the UK are going through newly growing security challenges and threats. These are unique and neither accepts the borders between individual nations nor tends to make any discrimination between them. According to the European Council guidelines, such threats to European countries are not new at all, and hence they demand a pan-European reaction. Europe is needed to stand united as well as strong in its endeavors to safeguard collective security of the EU and the UK citizens.

The upcoming partnership in terms of security needs to have a protection policy for European citizens; comprised of approximately 3.5 million nationals of the EU living in the UK whereas around 1.2 million UK born people living in other countries of the EU.¹⁸³ The capacity to safeguard the nationals within Europe is progressively entangled with defense; development objectives as well as foreign policy outside Europe. Therefore, it is quite necessary to adopt a coherent and single security agreement between the EU and the UK for the sake of preventing various attacks as well as eradicating the roots of terrorism, identifying terrorists and struggles for bring them to justice; migration challenges affecting Europe; uncertainty across the neighborhood regions the endowment of developmental fund across the world; efforts to thwart organized crime by offering desirable havens; and using data in a various contexts.

Being champions of multilateralism, both the EU and the UK hold an important position in the rules-based global system; the security partnership must reinforce the international

¹⁸² Luigi Scazzieri, "The UK and European Security Cooperation, Post-Brexit," *Aspenia Online*, accessed January 23, 2020, <https://aspeniaonline.it/the-uk-and-european-security-cooperation-post-brexit/>.

¹⁸³ Phillip Connor, "UK's EU-Born Migrants Face Uncertain Fate after Brexit," *Pew Research Center*, accessed December 27, 2019, <https://www.pewresearch.org/fact-tank/2017/06/19/after-brexit-an-uncertain-fate-for-uks-nearly-3-million-migrants-from-eu/>.

relationships network of the EU and the UK, including the UK's role as a permanent member of the United Nations Security Council and as a leading NATO ally. The UK will show it up for EU as well as its member countries at international forums such as the UN, G20, G7, World Bank, Organization for Economic Cooperation and Development (OECD) International Monetary Fund (IMF), and Organization for Security and Cooperation in Europe (OSCE), in order to further global prosperity and security; alongside holding those accountable who by any means prove to be harmful for the UK or any of its allies.¹⁸⁴

For the future security relationship, the UK's vision is reinforced by five strategic principles. The relationship ought to accept the EU's autonomy in decision making and UK's sovereignty; as the UK will have no prescribed role in the EU's decision making of and will be making decisions independently in defence, development, and foreign policy. However, national security will continuously be the key responsibility of the UK and other member countries respectively. Therefore, it is need of the hour for the EU and the UK to work together in case of getting mutual benefits.

The new relationship must protect common operational proficiencies that keep citizens safe; as working together besides having unlike paths and designs should not be at the cost of guarding the people. The shared measures, tools, capabilities and initiatives developed in last 40 years should have been established to save lives. The relationship must be dynamic while keeping pace with evolving threats and growing global challenges; such as the UK's participation in the EU's measures as a part of its upcoming relationship terms, is mutually beneficial for the EU and the UK to guarantee that as consideration should be given by EU to continued cooperation with the UK as new measures are introduced or existing measures evolved.

The relationship must be supported by appropriate safeguards such as appropriate and robust governance arrangements; comprehensive arrangements of data protection for respecting human rights as the UK is steadfast to European Convention membership on

¹⁸⁴ Georgina Wright, Alex Stojanovic, and David Klemperer, "Influencing the EU after Brexit" (Institute for Government, January 2020), https://www.instituteforgovernment.org.uk/sites/default/files/publications/influencing-EU-after-brexit_6.pdf.

Human Rights (ECHR). Britain also has holds high data protection standards according to the Law Enforcement Directive and General Data Protection Regulation (GDPR) and aims to retain its position worldwide as a leader on maintaining high standards of data protection.¹⁸⁵ However, it is suggestible that full-bodied governance provisions should be recognized, suitable against the security arrangements agreed by the EU and the UK. There should also be an institutional framework for mutual relationship that could deliver a flexible and practical partnership. These suggestions are given for accessible provisions that would ensure that the EU and the UK can make joint efforts for greatest impact, and can be escalated when a serious incident or crisis occurs.

4.7.3 Cross-Cutting and Other Cooperation

The UK accepts wholeheartedly that the upcoming connection with the EU should have ranges of association which sit separate of the two main partnerships, but which carried a vital significance to both the Europe and the UK. Hence, there is a significant figure of areas where the partnership complements or backs the suggestions for security or economic corporation. However, for all of these areas, the Europe and the UK should agree on particular arrangements supporting on-going collaboration. Such as: a safety of information agreement, allowing the interchange of only classified information; the safety of personalized data, enabling the future relationship; facilitates the security collaboration; the sustained free flow of data to run a business related activity while maximizing business certainty; data security preparations that offer for the nonstop exchange, and protecting private data between the Europe and the UK and allowing continued partnership among authorities. Putting in place new preparations for yearly negotiations, accessing waters and distribution of fishing chances based on fair and more systematic approaches with the UK. It means that, based on the most up-to-date scientific methodology and promoting sustainable fishing while respecting the UK's position as an independent coastal state, an agreement is made on fishing opportunities establishing a set of guidelines for the allocation of opportunities and reciprocal and fair access to

¹⁸⁵ “UK Data Protection Law: GDPR, DPA 2018 and PECR,” *IT Governance UK*, accessed December 28, 2019, <https://www.itgovernance.co.uk/data-protection>.

waters.¹⁸⁶ A number of coordinative accords enabling the Europe and the UK to function together in zones which range from science and novelty to international action and development; and shared endeavors to understand better and improve lives of people inside and beyond borders of Europe. It will certainly establish the cooperative accords for culture and education; international action and development; science and innovation; developments in space and defence research, so that the Europe and the UK can endure to function collectively in these fields, including through the EU programs with the UK created by a suitable economic contribution.

As Complex Interdependence emphasis on the role of international organizations and regimes, the theory is said to have included the concept of Globalization. Globalization and the rise of populism have a deeply rooted connection based on the interconnectivity between nations, integration of world economies and trade, increase and facilitation of movement of goods and people, spread of knowledge, technological advances, and how all of these aspects of Globalization have affected the large factions of minorities which have no voice making them more vulnerable. Humanity today has perceived various waves of Globalization, it being a key objective for the world since centuries ago. Globalization is part of our evolution as human beings, it cannot be halted, and it cannot be reversed. The only way forward in front of these populist movements and shifts, is to listen, analyze the complaints, understand the frustration felt by the people who advocate for these movements, view the issues from within, and reach at plausible corollary.

From the analysis and observation of the worldwide shifts due to Globalization and the influence these shifts have on people, the study focused that the level of negative impacts from Globalization on vulnerable populations could be reduced if countries focused further on education and its accessibility, especially for those at the bottom of the pyramid. This would improve their chances in a globalized world economy, lifting their possibilities, and allowing them to take part of the wave of Globalization instead of being left behind.

¹⁸⁶ “Brexit and Northern Ireland: Fisheries,” *UK Parliament*, accessed January 1, 2020, <https://publications.parliament.uk/pa/cm201719/cmselect/cmniaf/878/87805.htm>.

4.7.4 Suggested Institutional Arrangements

A deep association such that the UK envisions will be required for a wide range of collaboration between the EU and the UK in the upcoming years. In order to verify the proper functioning of this cooperation, the relationship is accountable and transparent and that the trust is maintained that is established over the promises made by both countries; there, however, will require a fresh set of governance and institutional arrangements.

These arrangements ought to assure that the association is:

- a. Robust, by having a proper procedure for addressing conflicts therefore they can be resolved quickly and fairly
- b. Managed efficiently with new procedures of dialogue, such that it is sustainable;
- c. Flexible and practical, so that it should be able to support an extensive range of security and economic cooperation;
- d. Operational on everyday basis, through a proper parliamentary procedure and administrative arrangements
- e. Responsible at home, in a manner that businesses and people in the EU and the UK can trust and become confident about the protection of their rights.

These provisions are however, reflecting that UK will not be a part of the Union further. The Union's institutions such as the Court of Justice of European Union (CJEU) will not be making laws for Britain.¹⁸⁷ Similarly the rules for direct impact and supremacy of EU's laws will not be applied in Britain anymore.¹⁸⁸ These newly designed institutional provisions should accept sovereignty and autonomy of the UK, and be adequately diligent so that Europeans could count on them.

¹⁸⁷ Peter Walker, "Lower Courts Can Roll Back EU Laws after Brexit, No 10 Confirms," *The Guardian*, December 18, 2019, sec. Politics, <https://www.theguardian.com/politics/2019/dec/18/lower-courts-can-roll-back-eu-laws-after-brexit-no10-johnson-confirms>.

¹⁸⁸ Chris Mallon, "Supremacy of EU Law and Brexit," *Chris Mallon*, October 3, 2019, <https://chrismallonlawtutor.com/eu-law/supremacy-of-eu-law-and-brexit/>.

CONCLUSION

History foretells that the wave of multilateralism witness a notch from that of particularism. This trend of individualism has shattered the basic foundations of European integration with the advent of Brexit's populism. It began collapsing with a referendum in 2016, amidst which 52 percent of the populace gave way to the 'leave' vote. The exit of one of the most important pawns of the EU has enacted protracted repercussions at the individual, state and global level. There seems a distinct polling result taken from old and young population of Europe. Moreover, the citizens of Britain considered being nationals of their own state rather representative of EU. Likewise, those who are still part of the EU will no longer represent Britain. These citizens will no longer possess the first and second generation rights which they had under the umbrella of the EU.

The formal declaration of exit from the organization remains mandatory to start negotiations of future deals or else the deal would exterminate. This conduct up-holds Article 50 of the Treaty of the European Union describing prior notice. Domestically, the UK had remained enmeshed in the European law for around 43 years and its internal affairs were run by the very same law. An overburdened domestic legislative body will find it difficult to frame its very own law in the period of 2 years, as envisioned under Article 50. The economic sector too does not remain at any mercy. The UK has remained one of the many vital trading partners of the EU. A 44 percent of domestic produced British goods are exported to the EU single economic market, emanating as one of the most important breathing spaces for the British economy. The exit from the EU will shrink the space for business dealings in regards to British ventures. There still remains a question over the benefits that the UK can access through the single market or not, although there remains a fortified case for the mobility of people between both entities. The agreements which remained intact when the EU traded for investments prospects at the intra-regional or inter-regional levels will be shunned for the UK, entailing in severe repercussions for its trading capacity and prosperity.

The UK will face a conundrum as its personal safety will now lie out of the hands of the EU. It will be the lone wolf in the fight against terrorism and domestic crime, as all the mechanisms under the Europol will no longer be implemented on the state and its affairs. Due to this very reason, the UK will place in delicacy the notion of intra-regional cohesion within its own kingdoms. Scotland has already held its referendum for independence in the tenure of two years, but its polls were said to be tainted by British manipulation. Similarly, Northern Ireland also remains in confusion in relation to Ireland, which remains a member of the EU and will probably resort to border controls in the area demarcated as its northern part. Gibraltar will be the next domino in line, wherein it will be in the duplicated scenario which one persisted in regards to when Spain joined the EU. Its citizens will be stripped off with the benefits they had in respect to movement in Spain. Internationally, Brexit has emerged as a challenge for supra-nationalism or institutionalism. Britain will temporarily face a drawback in its international engagements as it will have to build its sole image which would no longer be supported by the once held medal of the EU. Under the ambit of its foreign policy, Britain will have to face the challenges of a changing world order with its own might.

Moreover, deals are in process of negotiation with the Theresa May's government with subsequent negotiations taking place now by Boris Johnson's government. The UK gave its final bidding from the EU on January 31st, 2020, although negotiations regarding trade and other deals are working in parallel. The conditions placed forward were accepted by both sides, although much decision still lies on prospect relations. These configurations are taking place within the transitional tenure which will see its halt on December 31, 2020. Within the transitional tenure, the UK will continue to fulfill its duties according to the code of conduct under the auspices of the EU with the talks of a novel trade agreement as it will no longer reap the benefits of single market and those of the customs union. The aim remains mobility of goods without scrutiny and hefty charges. If obstacles emerge, the UK will have no deal and activate duties on goods moving from the UK to the EU and backwards.

There remain other areas of concern where the big heads have to work for a solution. These areas include the maintenance of regional order and stability, air movement rules

and management, usage of state and international waters, agreement regarding usage of gas and electricity and that of the movement of medicines. Previously, the EU contained no hindrance in relation to the movement of goods, services and capital among the states within its ambit.

Prime Minister Johnson vows that all matters will be taken care within the set time frame, while the European Commission negates such happenings. Under the deal, a fabricated boundary of import tariffs will stand between Great Britain and Northern Ireland. The deal was to occur on 29th March 2019, but a holdup occurred after a deadlock. The members of the parliament voted against the deal and Theresa May witnessed her recognition. The new closing date emerged as that of January 31st, 2020. It was since 1st of February, 2020 that the UK no longer remained a member of the EU.

The deal marked between the EU and the UK has an agreement of withdrawal including the monetary relations, entitlements of the EU nationals living in the UK and the British citizens living in the EU. It further includes mechanisms regarding leaving and rules on maintaining the future relationship. The need of these mechanisms hinders the domino effect of further detachments from the union in the future. It emerges as confidence building measures for other states that remain in the realm of the integration.

As the undertaken research has been based on deductive reasoning, the theory of Complex Interdependence stands true and supports the changes coming to the only supra-national organizations the EU with reference to Brexit and its consequences for the relations of the parties. In the light of Complex Interdependence that entails the idea that states are woven in a cobweb can no longer work in isolation and have to interact with each other in all political, economic, social as well as military spheres, the Brexit is unprecedented both nationally and internationally. On the one hand the world is focusing on collaboration and political, economic, social integration through different multilateral platforms, there are no such examples of withdrawal like Brexit. In the era of Globalization where states are willingly removing trade barriers to boost their integrated economies, Brexit is leading towards re-imposing trade and investment barriers negating

integration and institutionalism. Thus, the theory of Complex Interdependence is under great challenge against the theory of political realism due to Brexit.

As the UK had playing the major role in the EU membership therefore its withdrawal would have been serious repercussions not only on the EU but for the UK also. For the UK, import-export practice of trading goods and immigration policies would greatly affect. Moreover, its citizens working in other member states might also suffer. Similarly, it would also trouble the banking union because majority of head offices are in the UK. There is a need for policies that promote social and economic mobility and reduce inequalities by offering equal opportunities for education and providing healthcare access for all. Both national governments and the European Union should ultimately prioritize research, innovation and public infrastructures. Additionally, policy reforms need to be backed by electoral support and enjoy people's trust. Europeans need to be reassured that the gains from the painful reforms will be widely distributed rather than extracted by a privileged few. National governments and the European Union need to cater the unskilled workers too and the ones who are feeling 'left behind'; by investing and promoting programs of life-long training and support, thus limiting the scope of the supply side of populism. Although, Brexit could lead towards serious political and economic consequences for both the EU and the UK even some scholars argue that it will further disintegrate, but in the era of Globalization and interdependence both will learn that isolation or disintegration is not a good strategy to deal with emerging complex economic, political and social threats. States should learn to focus on mutually-gained interests rather than self-gained interests. Consequently, both the EU and the UK might build a continental bloc in the future to collaborate with each other. They might revise their policies and find some new means of cooperation and partnership that prove to be beneficial for both. In order to overcome the existing challenges and uphold the interests of the EU and the UK in the region, both parties would sit together to redraw their new positions in order to boost up political and economic collaboration in Europe.

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