

People's Democratic Republic of Algeria
Ministry of Higher Education and Scientific Research
L'arbi Ben M'hidi University - Oum El Bouaghi



Faculty of Letters and Languages
Department of English

United Kingdom's Withdrawal from the European Union:
Causes and Consequences

A Dissertation Submitted in Partial Fulfillment of the Requirements for
the Degree of Master of Arts in Anglo-American Studies

Supervisor: Mrs. Ghennam Fatima

By: Serradj Adel

Board of Examiners

Mr: Filali Billel

2017/2018

ABSTRACT

This dissertation is an attempt to understand the reasons and the consequences of the United Kingdom's withdrawal from the European Union, and whether it affects it positively or negatively. The United Kingdom never saw itself as part of Europe, as such, its relationship with the European Union was based on benefits, and with a feeling of superiority towards other European Economic Community (EEU) members. The reasons behind the withdrawal illustrated in sovereignty and immigration control, serve little in the new world. The EU offers the UK several benefits such as access to the Single Market which is very advantageous to the UK's economy in the picture of free trade, movement, and foreign investment in the Kingdom. The EU gives the UK a second voice in the global affairs, and strengthens the UK's position at the international level. The withdrawal from the EU proves to be an uncalculated risk, and the UK will be in a disadvantageous position outside the Union, both politically and economically.

Keywords: The United Kingdom, withdrawal, The European Union, Causes, Consequences, Advantages, Disadvantages.

RESUME

Cette dissertation est une tentative de comprendre les raisons et les conséquences du retrait du Royaume-Uni (RU) de l'Union européenne (UE), et si elle affecte positivement ou négativement. Le Royaume-Uni ne s'est jamais vu comme faisant partie de l'Europe, en tant que telle, ses relations avec l'Union européenne étaient fondées sur des avantages et avec un sentiment de supériorité vis-à-vis des autres membres de la communauté économique européenne (CEE). Les raisons du retrait illustré dans la souveraineté et le contrôle de l'immigration, servent peu dans le nouveau monde. L'union européenne (UE) offre au Royaume-Uni (RU) plusieurs avantages tels que l'accès au Marché Unique (Single Market), qui est très avantageux pour l'économie Britannique dans le cadre du libre-échange, des mouvements et des investissements étrangers dans le Royaume-Uni. L'UE donne au Royaume-Uni une deuxième voix dans les affaires mondiales et renforce la position du Royaume-Uni au niveau international. Le retrait de l'UE s'avère être un risque non calculé, et le Royaume-Uni sera dans une position désavantageuse en dehors de l'Union, tant sur le plan politique qu'économique.

Mots-clés: Royaume-Uni, retrait, Union européenne, Causes, Conséquences, Avantages, Inconvénients.

الملخص

هذا البحث هو محاولة لفهم أسباب وتداعيات انسحاب المملكة المتحدة من الاتحاد الأوروبي، وما إذا كان تأثير ذلك عليها إيجابياً أم سلبياً. لم ترَ المملكة المتحدة نفسها أبداً كجزء من أوروبا ولذا فإن علاقتها بالاتحاد الأوروبي كانت دائماً قائمة على الفوائد الممكنة تحقيقها، مع شعور بالتفوق تجاه الأعضاء الآخرين في الاتحاد الأوروبي. وكانت الأسباب وراء الانسحاب موضحة في السيادة والسيطرة على الهجرة، وهي أسباب غير مقنعة في العالم الحديث. كما يقدم الاتحاد الأوروبي للمملكة المتحدة العديد من المزايا مثل الوصول إلى السوق الموحدة والتي تعتبر جد مفيدة لاقتصاد المملكة المتحدة موضحة في صورة التجارة الحرة وحركة رؤوس الأموال والاستثمار الأجنبي في المملكة. كذلك يمنح الاتحاد الأوروبي المملكة المتحدة صوتاً ثانياً في الشؤون العالمية، ويقوي موقع المملكة المتحدة على المستوى الدولي. إن الانسحاب من الاتحاد الأوروبي يثبت أنه خطر غير محسوب، وستكون المملكة المتحدة في وضع غير مواتٍ خارج الاتحاد، سياسياً واقتصادياً.

الكلمات المفتاحية: المملكة المتحدة ، الانسحاب ، الاتحاد الأوروبي ، الأسباب ، العواقب ، المزايا

، العيوب.

Dedications

This dissertation is dedicated to my parents whom I wish I make proud.
To my brothers who helped and supported me through the hard days, My
beloved sister Bisma. To my friends Azeb Ilyas, Benlagha Tadjeddine,
Habchi Yamin, Djedeuene Abdellatif, Benzeroual Hasni, Allouane Nada,
Boujouada Rym, and Senoussi Khouloud.

I would like also to express my sincere gratitude to all my English
teachers, Mr Bouri, Mr Filali, Mr Ayadi, Ms. Ghennam, Ms. Heddad,
without forgetting Mr Laaraba.

Thank You All

Acknowledgments:

Well, I thank Allah blessing firstly and my family secondly, and I would like to express my sincere gratitude to my supervisor Ms. Ghennam Fatima for her support, kindness, understanding and patience during the process of making this dissertation. I deeply thank you.

I would also like to extend my appreciation to the committee member:

Mr. Filali Billel for his valuable advice.

THANK YOU ALL.

Table of Contents

Abstract.....	iii
Dedication.....	i
Acknowledgments.....	ii
Table of Contents.....	iii
General Introduction.....	1
Chapter One: Britain as an EU member	3
I. An Overview About Britain as an EU Member.....	3
1. Political Advantages and Disadvantages.....	10
2. Economic Advantages and Aisadvantages.....	16
II. The Introduction of The Referendum.....	20
Chapter Two: Britain Leaves the EU	23
I. The Reasons Behind Leaving the EU	23
II. The Consequences of the Withdrawal.....	31
1. Political Consequences On the United Kingdom.....	31
2. Economic Consequences On the United Kingdom.....	37
General Conclusion	41
Endnotes	43
Works Cited.....	44

General Introduction

The European Union is a political and economic union that consists of 28 European countries. It was created in the wake of the Second World War to promote peace in the continent by creating mutual interests amongst European countries. The EU started as the European Coal and Steel Community, an organization of six countries that was established by the Treaty of Paris in 1951, to regulate their industrial production under a centralized authority. The ECSC's success urged other countries to join, which created the European Economic Community in 1957 by the Treaty of Rome.

The United Kingdom joined the EEC in 1973 after much debate within the Kingdom whether it needed the EEC or not, and being denied twice by French president Charles De Gaule. The Euroscepticism within the UK lead its leaders to put forward an early referendum on EEC membership in 1975, which resulted in a major win for "remain" vote. However, the rise of the United Kingdom's Independence Party (UKIP), and unhappiness with the EU forced UK prime minister David Cameroon to pledge to hold a referendum on the EU in 2013. The EU referendum took place on 23 June 2016, 51.9% of the British people voted in favour of leaving, a result that shocked most experts and analysts, including David Cameroon himself.

This dissertation is an attempt the explore the relationship between the United Kingdom and its largest partner, the European Union before the referendum and to analyse and compare the political and economic situations of the Kingdom within and outside the EU. Through exploring the mentioned aspects, the dissertation tries to answer whether the United Kingdom's withdrawal from the EU is advantageous to the Kingdom, or serves the complete opposite.

This study of the United Kingdom's withdrawal referendum was motivated by many reasons. The research aims to find a better understanding of the relationship between the two entities, the reasons that lead UK leaders to put forward the referendum, the motivations of the voters, and consequences of the withdrawal on the UK both politically and economically and how they affect UK citizens. This dissertation uses historical and comparative approaches to tackle the relationship. The requirements have made it inevitable to deal with international relations while investigating UK-EU relations.

Primary research material used for this research consists of United Kingdom government publications, and interviews made by UK officials which cover the topic under investigation, particularly those released by the UK Parliament. The documents published by the UK parliament include speeches, interviews, and research reports. Secondary sources include books and journals concerning the UK history and attitudes towards the EU.

This research consists of two chapters. The first chapter "Britain as a European Union member" gives an overview of the United Kingdom as a European Union member. This chapter discusses the advantages and disadvantages of the membership from a UK perspective on both the political and economic levels. It also sheds light on the introduction of the withdrawal referendum, and how it come to take place.

The second chapter of this research "Britain leaves the EU" analyses the reasons that led the United Kingdom to leave the European Union, from the perspective of the political class, and the British people. This chapter explores the political and economic consequences of the withdrawal on the Kingdom.

Chapter One:

Britain as a European Union member

I. An overview about Britain as an EU member

We must build a kind of United States of Europe. In this way only will hundreds of millions of toilers be able to regain the simple joys and hopes which make life worth living. The structure of the United States of Europe, if well and truly built, will be such as to make the material strength of a single state less important. Small nations will count as much as large ones and gain their honor by their contribution to the common cause. (Churchill, 1946)

The European Union is a unique economic and political union between 28 European countries located in different parts of the European continent. It was created as a primary result of the Second World War, with the goal of ending the wars between European countries (Archick 1).

Starting from 1950, the European Union (European Economic Community back then) began to unite European countries economically and politically in order to secure lasting peace along with a prosperous economy. The first steps were to foster an economic cooperation that is based on the idea that countries that trade with one another become economically interdependent and so more likely to avoid conflict.

The Union came to life with the unity of six countries: France, Netherlands, Germany, Belgium, Italy, and Luxembourg creating the European Economic Community (EEC)

in 1957 by signing the Treaty of Rome -which became effective on January 1st, 1958 (Spaak 4).

Later, with admitting new countries, what started as a purely economic community with no political aspirations, evolved to cover policy-making areas such as climate, environment, and health, to external relations and security, justice and migration (Palmowski 26). When the European Union was formed on November 1st, 1993, the EEC got incorporated therein and was renamed as the European Community (EC).

The European Union operates through a hybrid system of supranational and intergovernmental decision-making (Baker and Schnapper 9). It has seven operative bodies or what is also known as “the institutions of the European Union “(Kaczorowska 101-103). The state members of the EU are represented in the European Parliamentary, and take part of all the decisions concerning Europe. European citizens participate in selecting their representatives through voting.

The European Union is based on the rule of law. All actions taken by the European Union are based on treaties that have been approved voluntarily and democratically by all member countries. The treaties are negotiated and agreed upon by all the EU Member States and then ratified by their parliaments or by referendums. The treaties lay down the objectives of the European Union, the rules for EU institutions, the manner in which decisions are made and the relationship between the EU and its Member States. They have been amended each time a new member state has joined in. From time to time, they have also been amended to reform the European Union’s institutions and to give it new areas of responsibility.

Since its creation, the EU had managed to provide peace to its members, focusing on environmental issues, public health issues relating to men and women of all generations, promoting equal opportunities while combating discrimination and providing a safer and cheaper air transport between Member States (Panchal). Its other achievements include reducing levels of unemployment, increasing the value of the EU currency and creating a solid economic system based on common interests and equal benefits.

Even though Winston Churchill was one of the founding fathers of the EEC, and the one who believed in and promoted the idea of a united Europe (Gilbert), the United Kingdom did not join the organization until January 1973 despite being invited to participate in the talks which led to the European Union's predecessors: the Treaty of Paris (1951) which established the European Coal and Steel Community and the Treaty of Rome (1957) which established the European Economic Community and the European Atomic Energy Community.

However, The British did not engage in a significant way with these talks and signed neither treaty at the time (Parr 11). This reluctance is based on several reasons, the United Kingdom had a close association with the United States of America, was head of the British empire, having the biggest economy in Europe after World War II as it enjoyed the highest per capita average income compared to the EEC founders until about 1960 (Sutcliffe 28).

The Sterling pound was the leading international currency with more than half of the world's trade conducted in sterling (Graham 31), which resulted in a very high living standards, stable retail prices, and little unemployment (Sutcliffe 28). However, the National Health Service proved to be very expensive and required a productive

economy to finance it. The British economy began to encounter serious problems centered mainly on international payments and lowering value of the pound sterling.

Though the growth rates of the United Kingdom were very high at the time, the other European countries had an even better rate (George 12). The growth rate of the British economy and the share of gross investment in gross national product were the lowest in Western Europe. The average of the growth of real national income of Western Europe was 3.9 between 1950 and 1964, in comparison to the United Kingdom's 2.2 in the same period (Johnson 11). The expansion of imports was faster than that of exports which affected the equilibrium of payments and a higher inflation rate than other European countries. Charts (1) and (2) below compare the growth in real national income and investment, and shows the state the United Kingdom was in during that period compared to other European countries.

Chart 1: Growth in real national income, per capita, 1950-64ⁱ

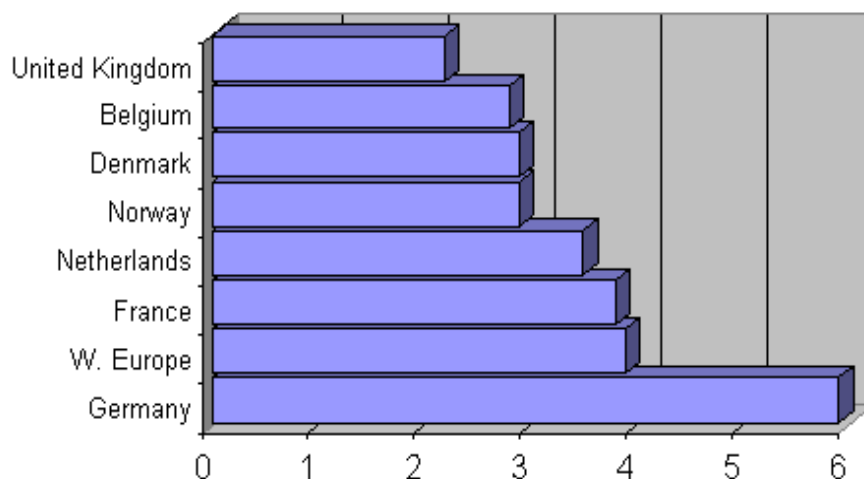
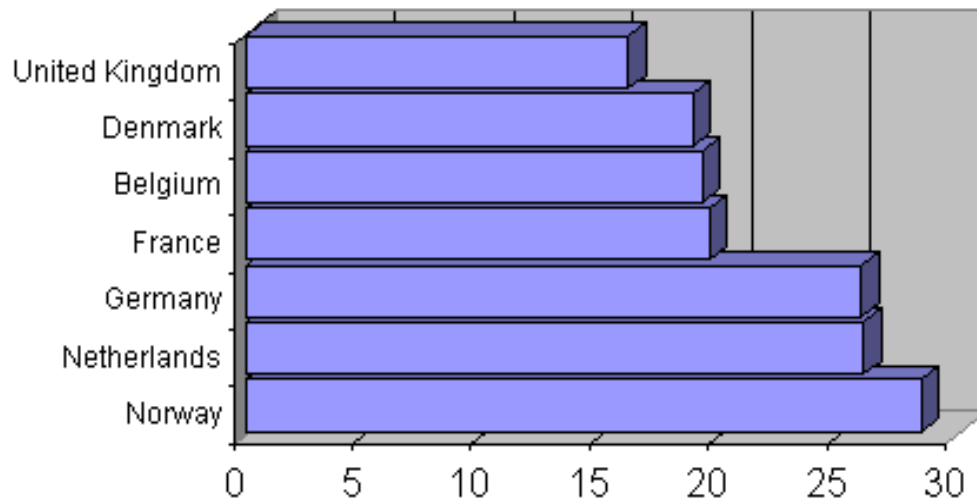


Chart 2: Growth investment as a percentage of gross national product at market prices, 1950-62ⁱⁱ



With the devaluation of the sterling pound in 1967 due to the deficit in the budget because of weak export performance and domestic economy, the United Kingdom became weak to tend to its needs and was forced to abandon 'East of Suez' defense. The state of the European Economic Community that showed steady and rapid growth started to appeal more to British ministers to help elevate the economy and political power, as noticed "British industry was far from happy to see its French and German rivals progressively securing duty-free access to each other's markets while Britain remained outside" (Johnson et al 146-147).

Furthermore, UK exports to the Commonwealth declined to 43 percent of total exports by 1957, and the United States started to shift its attention more towards the European Economic Community as its primary policy partner, which threatened the Anglo-American relationship (Gelbert).

The aforementioned reasons led to a change in the British view of the EEC (George 30), and by the end of January 1960, Mr. Selwyn Lloyd, the British Foreign Secretary, admitted that Britain had made a mistake in not joining the ECSC. In his speech in the House of Commons on 31 July 1961, British Prime Minister Harold Macmillan signalled the decision to apply to EEC (Stirk 127-128).

The United Kingdom's first application to the three European Communities was submitted on 9 August 1961, but it was vetoed by French President Charles de Gaulle in 1963, who argued that British membership would weaken the French voice within Europe as Britain was still engaged with the Commonwealth and the United States (Sutcliffe 39). Charles de Gaulle also feared that the close Anglo-American relations would lead to the United States increasing influence in Europe which he tried to keep away from. He believed that, as George puts it "if admitted, Britain would act as the US *Trojan Horse* within the Communities" (35). In addition to his desire to establish French, and European strategic independence from the USA according to Sutcliffe (232).

On the 14th of January 1963, Charles de Gaulle explained why he rejected the British application in a press conference at the Elysée Palace, Paris, stating that "Britain posed its candidature after having refused to participate in the communities we are now building, as well as after creating a free trade area with six other states [EFTA]" (Stirk 129-132), which according to him was a prevention from Britain to the advancement of the Common Market. Britain made its second application in 1964 by Prime Minister Harold Wilson of the Labour party, and was also vetoed by the French president Charles de Gaulle in 1967 for the same aforementioned reasons. Even though the EEC rejected the UK's second application, there was a sense among the other founder countries that a type of a compromise could have been reached with Britain (Sutcliffe 125).

After President de Gaulle's resignation in 1969, and the election of Georges Pompidou who was more open to EEC enlargement as the new French president, Britain had a better chance of joining the EEC. The new EEC (without Charles De Gaulle) saw that it could benefit from Britain's financial assets, expertise and technological leads, to constitute a major force in international affairs and economics (Johnson 17). The EEC ministerial meeting of 1969 in Hague, Netherlands agreed to allow new countries to join in, consequently, in July 1971 Britain applied to join the EEC led by the Conservative's Prime Minister Heath for the third time.

In 1972, the parliament of the United Kingdom enacted the European Communities Act, which legislated for the accession to the three European Communities. Britain signed the Brussels Treaty of Accession on January 22nd 1972, after 22 years of its formation, on January 1st 1973, Britain became a member of the European Economic Community under the Labour Prime Minister Harold Wilson (Butler and Kitzinger 7). However, after 2 years, the UK held a referendum on continued membership of the EEC in 1975. When the Labour Party won the general elections of 1974, the new British government wanted to renegotiate the terms of its accession based on several factors. First, Harold Wilson the new Prime Minister who believed that Britain was far stronger, and its voice in international affairs was to be heard, also he only wanted to have free trade (similar to EFTA), without the economic and political integration of being part of the EEC, which he believed would diminish UK's political power, and lead to loss of sovereignty.

Second, in the early 1970s, the UK suffered from severe economic problems, and they were blamed on EEC entry, even though the international context was not bright, because of the collapse of the Bretton Woods system in 1971, and the oil shock in 1973. Third, because the United Kingdom was not part of the EEC as it started, it

had no say in the laws enacted by the Community, especially the system of “own resources” (which enacts taxes on imports from outside the EEC) as the revenue from external tariffs go directly to the EEC budget, while at the time, the UK was a big importer from the Commonwealth countries, which led big “payments” to the EEC budget that was created to fund the Common “Agricultural Policy” (CAP), with no considerable return from it because of the small agricultural sector the United Kingdom had.

According to its 1974 general elections manifesto, the Labour Party pushed forward a referendum on EU continued membership. The referendum took place on 5 June 1975 after almost a year of renegotiations. The electorate was asked the question “Do you think the United Kingdom should stay in the European Community (The Common Market)?”. The electorate voted ‘Yes’ by 67.2% to 32.8% (17 million to 8) to stay in Europe. (Butler and Kitzinger 1)

1- Political advantages and disadvantages

1-1- Political advantages

Even though the United Kingdom-European Union relationship was never an easy one, the United Kingdom gained a number of things from the European Union that many think are worth holding on to. As a member of the European Union, citizens of the United Kingdom enjoy the freedom of movement across the continent. As one of the four pillars of the European Union, this freedom allows all EU citizens to live, work and travel in and to other member states. British people have the right to stay in any other EU country providing they have a valid UK passport. The only requirement is that they register in the host country, have enough money to sustain themselves and have comprehensive health insurance.

Should a British citizen remain in another EU country for five years or more he/she is no longer required to meet any conditions, and can only be exported in exceptional circumstances. Another little-known benefit to EU membership is that UK nationals can retire anywhere in Europe and still receive their UK pension, providing they are registered there. In fact, if a UK citizen has lived or worked in any EU country he/she can apply for his/her pension entitlement in accordance to their insurance record and social security contributions, they just have to inform the country where they have last worked or lived, and their working history and all pension entitlements will be arranged (Giubboni 5-9).

Freedom of travel is one of the most exercised benefits of EU membership, with Britons having made 31 million visits to the EU in 2014 alone. But a lot of the benefits of being an EU citizen are either taken for granted or go unnoticed. For example, when visiting other European Countries British citizens have the right to receive emergency healthcare (Shimmel 770). The EU also blacklists 'dangerous airlines', while its air passenger rights ensure that Europeans receive assistance and information if stranded. Compensation may be awarded should a person be denied boarding or if a flight is canceled. British people traveling outside the EU are also entitled to consular protection from any EU embassy in the absence of a UK embassy.

A report by the Centre for Economics and Business Research, released in October 2015, suggested that 3.1 million British jobs were linked to the UK's exports to the EU. Should the UK remain, member, that figure is forecast to rise by as much as 790,000 by 2030 (McWilliams 20). In addition, many large manufacturers argue that the UK currently benefits from being a part of the EU's single market and its free trade agreements, suggesting they directly sustain millions of British jobs. The EU also provides considerable subsidies to British farmers, helping to bolster agriculture and

ensure job stability for the 476,000 directly involved in farming, and those working in sectors related to the industry (Sweeney).

Consumer protection is a key benefit of the EU's single market and ensures that United Kingdom nationals receive equal consumer rights when shopping anywhere in Europe. The EU's consumer rights ensure transparency from sellers themselves and the quality and safety of their products. A two-year guarantee on all products and the introduction of a ceiling for roaming charges across member states are just two examples of things the EU has done to improve the rights of its customers (Lazíková).

Another example of a lesser-known advantage of EU membership is the benefit of cross-country coordination and cooperation in the fight against crime. In January 2016, former director of public prosecutions Sir Keir Starmer told *The Independent*: "We rely very heavily on the EU criminal justice measures and when I say very heavily, I mean 24/7. I'm talking here about terrorism, people trafficking, cyber-crime, sexual exploitation, trafficking of children and pedophilia: they all go across the borders into Europe." (Cooper 3). The ability for member states to share information and coordinate responses, sometimes simultaneously in several countries, is vital to the UK's security.

Robin Niblett, Director of the think-tank Chatham House, stated in a report published on October 19th 2015:

For a mid-sized country like the UK, which will never again be economically dominant either globally or regionally, and whose diplomatic and military resources are declining in relative terms, being a major player in a strong regional institution can offer a critical lever for international influence. (Niblett 33).

In the UK's case, this means committing to being a leading member of the world's principal civilian power, the European Union. Former European Commission President Jose Manuel Barroso argued in 2014 that: "The largest, proudest European nation cannot hope to shape globalization – or even retain marginal relevance - by itself. It is only together that we have the weight to influence the big picture" (Barroso 3). Even US President Barack Obama briefly alluded to the importance of the United Kingdom's role in Europe in an interview with the BBC in 2015, in which he stated: "[Having the UK in the European Union] gives us much greater confidence about the strength of the transatlantic union and is part of the cornerstone of institutions built after [the] second world war that has made the world safer and more prosperous" (Sopel).

1-2- Political disadvantages:

A- The European Commission

The unelected European Commission has the monopoly of proposing all EU legislation, which it does in secret according to Niall Warry, who was a leading member in UK Independence Party (UKIP). It can also issue "Regulations", which are automatically binding in all Member States. It is run by a college of 27 commissioners, currently one for each member state. It has 37 branches, or "Directorates-General", each run by a Director General. The Directors General have the real power and can rule for many years, and they cannot be removed from office.

The Commission is more of a Government than a Commission. The list of Commissioners is decided by a qualified majority of the European Council on the basis of the " suggestions" of national governments, but they are not delegates or representatives. They are appointed for five years. On appointment, they swear an oath

not to seek or take instructions from any Member Government. Their allegiance is to the EU, not to their own countries. Portfolios are distributed by the Commission President, who is decided by the European Council of Prime Ministers and Presidents on the basis of Qualified Majority Voting.

The Commission is a legislative machine, continually producing new draft directives and regulations which are passed to the Council of Ministers and European Parliament for a final decision. Each individual Commissioner seeks to make his or her mark during the five-year period in office by proposing new laws for the portfolio area they cover. Thus, a condition for supranational legislation in the EU is that draft laws cannot be proposed by elected representatives. French President Charles De Gaulle described the Commission as “a conclave of technocrats without a country, responsible to nobody” (Kozaczek 3).

The Commission also has quasi-judicial powers. It can adjudicate on competition cases in the single market and impose fines on EU members. Even though parties can appeal to the Court of Justice, the Commission acts as if it were a lower court. It is supported by some 3,000 “secret” working groups, whose members are not publicly known. It is at this level that most Commission decisions are actually made and corporate lobbyists wield their influence (Mulcahy 57).

B- National security

It is believed that European Union membership weakens the United Kingdom’s border control and threatens national security, and decisions made by the European Court of Justice affect UK surveillance powers. Justice Minister Dominic Raab argued that leaving the EU would allow the UK to take back control of its borders and ability

to deport criminals. In a speech titled “The Advantages of Controlled immigration” he said:

There is one absolutely clear-cut dividend from leaving the EU. That is our ability to regain control of our borders, including far stronger powers over who we can deport, and proper preventative checks at the border. At the moment, we can't bar anyone in possession of an EU passport or identity card unless they represent a “genuine, present and sufficiently serious threat” to our security. Even if that high threshold is met, we have to disclose the reasons to the individual barred, even if that itself could endanger national security. (Raab).

These National Security issues arise from the potential accession of Turkey to EU primarily according to the United Kingdom's Justice Secretary Michael Gove, in his speech “Secure in Our Values? Why an Unreformed EU Weakens Us”, he argued that leaving the EU is the UK's only choice to avoid “free movement” from Turkey to prevent threats of terrorism from the Middle East, he pointed out that “This visa-free zone which stretches from Turkey's border with Syria, Iraq, and Iran to the English borders. Sir Richard Dearlove, former chief of MI6, has warned that this is like ‘storing gasoline next to the fire we are trying to put out’.” (BBC).

In his speech “We must Vote Leave to Protect Our Sovereignty”, Chris Grayling, Leader of the House of Commons, argued that Britain's membership of the European Union is unconstitutional for several reasons. Firstly, it causes her Majesty the Queen to be in breach of her coronation oath in which she promised to govern the peoples of the United Kingdom of Great Britain and Northern Ireland “according to their respective laws and customs”. It also contravenes the Bill of Rights Act 1689 which provided for freedom of speech and debate and that proceedings in Parliament

“ought not to be impeached or questioned in court or any place out of Parliament” which contradicts with the European laws in motion, namely, the Court of Justice (Grayling).

It is in breach of the Act of Settlements 1700 section 4 which states that “the laws of England are birthright of the people”. It also breaches the principle established in the 1932 case of *Vauxhall Estates v Liverpool Corporation* IKV733 that “no Parliament may bind its successors” as section 2.1 of the European Communities Act 1972 provides that all obligations created by the European Union treaties can be enforced in Britain and without further enactment, thereby giving the European Commission the right to create new laws which are binding on the citizens of the United Kingdom without reference to the British parliament (Grayling). Membership of the EU is also in breach of the Magna Carta which provides that “no free man shall be disseized of his liberties of free customs nor will we not pass upon him but by law of the land” (Coleman 14).

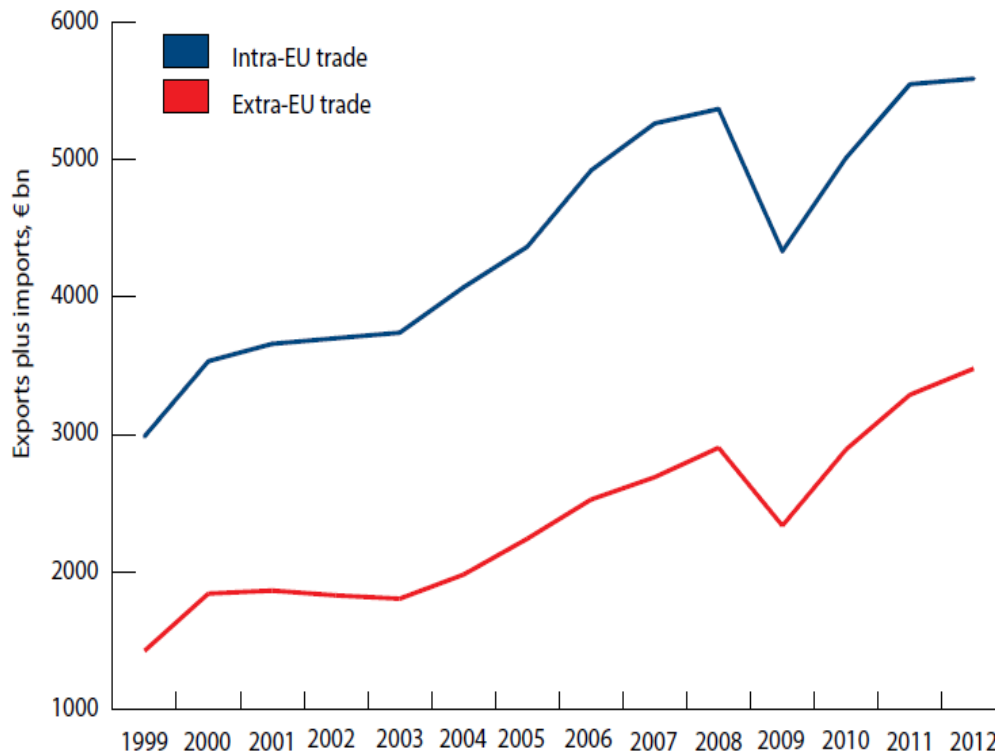
2. Economic advantages and disadvantages.

Britain spent a decade trying to join the EU (EEC back then), due to its poor economic performance. In the years 1946 to 1965, British per capita GDPⁱⁱⁱ growth was so slow, considered at half the rate of other industrialized countries. But, after joining the EU, Britain has seen an improvement in economic performance; its per capita GDP has grown faster than the likes of Germany and France since 1973. It is hard to determine whether the economic advantages of EU membership, like inward investment and free trade, outweigh the upfront costs the UK pays, below, we try to figure out which is the case.

2.1- Economic advantages

The accession of the UK into the EU reduced trade costs, the European Union works as a single market, as such, no tariffs are imposed on exports and imports between member states which improves productive efficiency as more funds are allocated to developing businesses rather than paying tariffs. According to Andrew Meaney, more than 50 percent of United Kingdom's exports go to EU countries" (Ashworth-Hayes). UK's Membership of the EU suggests that it had some power on making trading rules. The chart below shows that the single market manages growth of 5.4 percent a year, with over 3/5 European countries committing to intra-EU trade (Chart 3).

Chart 3: *Trade within the EU-27, and between the EU-27 and the rest of the world*^{iv}



Being a member of the EU, Britain does not have to negotiate trade deals with other countries or entities on its own, rather, it benefits from trade deals that the EU makes with other world powers. According to BBC analysts “The EU is currently negotiating with the US to create the world's biggest free trade area,”, which, according to the same report will be “highly beneficial” to British business (Wheeler and Laurence).

Margaret Thatcher has considered the single market, as being to Britain’s economic advantage. Other than allowing British companies to trade with other EU countries without fees. The Economist states that “48% of foreign direct investment into Britain comes from the EU” (Cimino-Isaacs and Zhiyao Lu). A survey of foreign direct investors (companies that build factories and offices in the UK) by Ernst & Young suggests that UK’s membership of the single market is the main reason foreign investors choose to invest in the UK. The survey states that 72% of investors citing

access to the European single market as important to the UK's attractiveness" and "indicates that "31% of investors will either freeze or reduce investment until the outcome is known" (5-22).

Pro-Europeans believe that the United Kingdom's withdrawal from the European Union would diminish its status as a big economic center for the likes of United States' banks. Fears that car-makers could scale back or even end production in the United Kingdom if vehicles could no longer be exported tax-free to Europe were underlined by BMW's decision to remind its UK employees at Rolls-Royce and Mini of the "significant benefit" EU membership confers. Likewise, Business for New Europe said tax revenues would drop if companies that do large amounts of business with Europe – particularly banks – moved their headquarters back into the EU.

Barclays, one of the biggest banks in the United Kingdom, however, put forward a worst-case scenario that might have benefitted the Outers. An Analysis by the bank's Chief European Economist Philippe Gudin reported that by the departure of one of the EU's most powerful economies would hit its finances and boost populist anti-EU movements in other countries. This would open a "Pandora's box", said the Daily Telegraph, which could lead to the "collapse of the European project". The UK would then be seen as a safe haven from those risks, attracting investors, boosting the pound and reducing the risk that Scotland would "leave the relative safety of the UK for an increasingly uncertain EU"(Gudin). The United Kingdom risks losing the negotiation power of the European Union by leaving, but it would be free to establish its own trade agreements.

II. The Introduction of the Referendum

United Kingdom withdrawal from the European Union is not a new topic, in fact, it was an issue long before the 2010 general elections that saw Conservative Party leader Mr. David Cameron become the new Prime Minister. Some argue that it dates back to the EEC continued membership referendum of 1975 which resulted in 67% approval to stay in the EEC (Wilson). It is worth mentioning that the United Kingdom always had Eurosceptics, who believed that it was due time for the British people to rethink their position in Europe and the world.

For those Eurosceptics, the community which the United Kingdom applied to join in 1972 was different from the one it became now (from merely economic affairs and cooperation, to a large political influence). They believed that the current form of EU represents “an unacceptable transfer of powers from British Parliament to Brussels”. The 2008 financial crisis caused major problems for businesses, as they couldn’t secure bank support for continued trading, resulting in the bankruptcy of a number of well-known brands such as Woolworths and Blacks, while others had to close a substantial number of outlets, which led to increasing unemployment.

In addition to that, the issue of immigrants that secured jobs in the United Kingdom, led to dissatisfaction among the British people. On January 23rd 2013, Speaking at the Bloomberg headquarters in London, Prime Minister David Cameron promised to renegotiate the United Kingdom's terms of membership with the European Union before holding a referendum on whether the UK should remain in or leave the EU (Copsey and Haughton). In several speeches and newspaper articles, he claimed that he was negotiating for a general change in the direction of “ever closer union”, “Restricting migrants’ access to benefits”, “Parliamentary powers to block EU

legislation; Freeing businesses from EU red tape, and protection for the City of London from EU legislation”. David Cameron stated that he would be in favor of holding a referendum on membership of the European Union if he remained in post after the 2015 General Election (Cameron).

In May 2013, the Conservative Party published the “European Union Referendum Bill draft” which outlined its plans for renegotiation: “renegotiate the United Kingdom’s relationship with the European Union and pursue reform of the European Union for the benefit of all Member States”. Besides this, the draft suggests that early legislation will be introduced to provide for an in-out referendum on membership of the European Union before the end of 2017” if Mr. David Cameroon returned to office in 2015.

The bill legislation was taken forward as a Private Member's Bill by Conservative MP James Wharton, and had its First Reading in the House of Commons on 19 June 2013 (UK parl). In an interview with the BBC, he said that Mr. David Cameron was "very pleased" and would ensure the Bill was given "the full support of the Conservative Party". The Bill had its Second Reading on 5 July 2013, after almost all Labour MPs and all Liberal Democrat MPs abstained, it passed by 304 votes to none, it cleared the Commons in November 2013, but due to the Conservative Party not having an overall majority, the Bill was blocked by the House of Lords when introduced in December 2013. The Bill set out the foundations for the timetable and question “*Do you think that the United Kingdom should be a member of the European Union?*” (Section 1), the electorate (Section 2), and the cost (Section 5) as can be found in the European Union (Referendum) Bill published by the UK Parliament.

In the Conservative Party's campaign of the 2015 General Election, party MPs argued that it was the only party that could bring meaningful reform to the European Union, and suggested in their manifesto that they "would give the public a say over Britain's membership of the EU and commit to a referendum by the end of 2017." They restated a commitment to an in/out referendum on EU membership on renegotiated terms before 2017 ([CP Manifesto](#) 30). The Party's official position is for the United Kingdom to remain part of a reformed European Union.

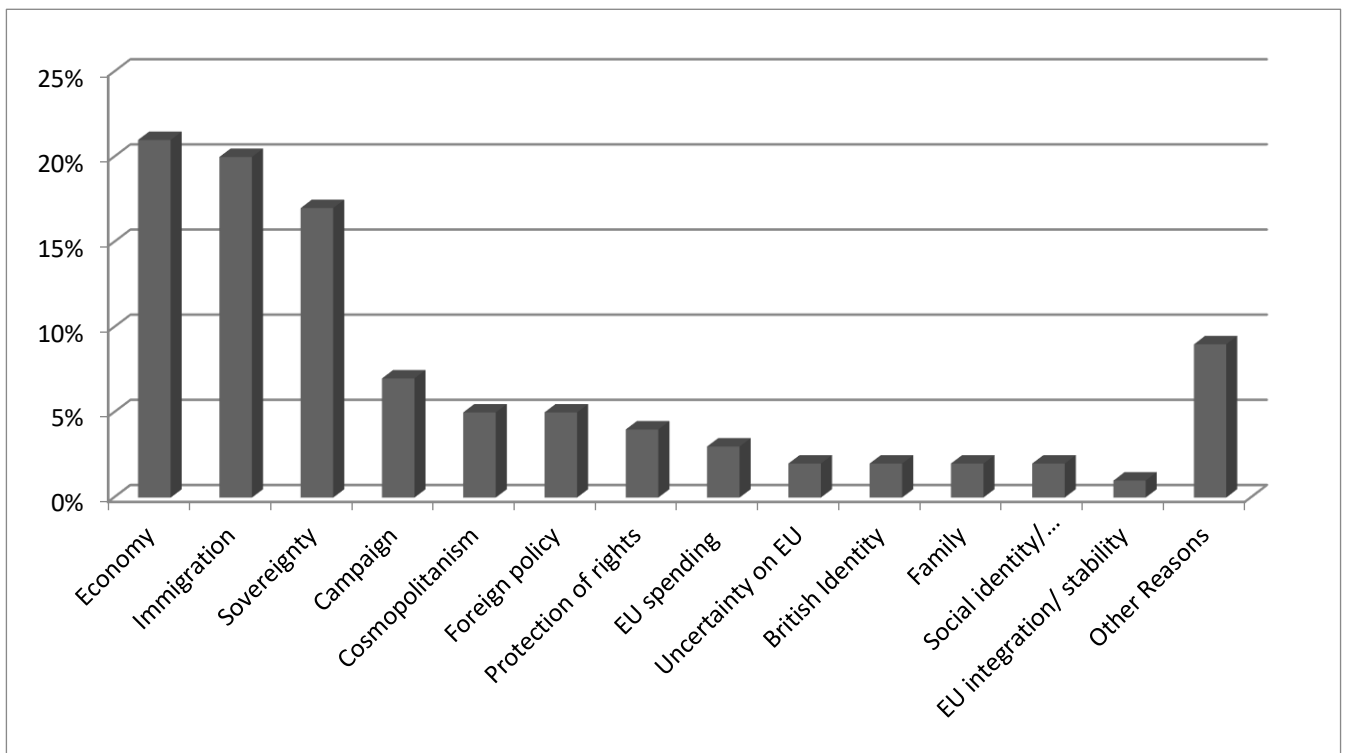
Chapter Two:

Britain leaves the EU

I. Reasons behind leaving the European Union

The United Kingdom's withdrawal from the European Union is not simply the outcome of 4 months of campaigning, but of 4 decades of latent Euroscepticism that never faded ever since the United Kingdom joined the common market in 1973. Chart 4 below indicates the issues cited as most important for voters, which helps in depicting the major reasons for the United Kingdom's withdrawal from the European Union.

Chart 4: Issues cited as most important in deciding EU Referendum position^v



Immigration

The issue of migration and freedom of movement is one of the most important issues that determine the relationship between the UK and Europe. After five years of policies designed to reduce immigration in Britain, quarterly statistics released at the end of August 2015 showed that the net migration reached its highest level ever, thus the British government tried to reduce the number of immigrants (Sumption). However, under EU and British law, any person from a member state of the European Union has the right to travel, live and work in any other EU country -including UK. At the same time, of course, the British also benefit from this right. The result of the free movement law was a significant increase in the rate of immigration to Britain, especially from Eastern and Southern Europe. According to the British National Bureau of Statistics, there are about 942,000 immigrants from Eastern Europe, the majority of whom are Romanians and Bulgarians working in the United Kingdom, along with about 791,000 immigrants from Western Europe^{vi}.

The net migration to Britain reached about 330,000 people in 2015, more than half of whom are from the European Union. The British feel that immigrants affected significantly the local economy and tax revenues, and that their national identity was under threat (traditional British values are marginalized by focusing on meeting the needs, religions and beliefs of foreign groups) and that this flow of immigrants represents serious pressure on education, health care and housing (Erlanger), considering that almost a third of those immigrants go to the UK for reasons of employment. In addition to that, in recent years, a legislation has been passed on the system Hospitals use in the UK to be fully open to people from other EU members. This system costs billions to the UK annually, and this has led to an increase in the cost

of doctors and medical staff, but also increased waiting periods for British citizens who paid the taxes that keep the service running according to debatewise^{vii}.

Michael Andrew Gove, a British Conservative politician, adds that controlling immigration would in turn help in providing better health care to people with low income. He stated that the National Health Service (NHS) is facing an alarming shortage in funds, predicting it needs an additional £30 billion each year by 2020 to meet the pressure. He concludes that leaving the EU, will relieve the NHS from providing to the huge number of European immigrants, and it will have even more resources if the money spent on EU membership, that amounts currently, according to him, to “over £19 billion or £350 million per week” is spent on the more deserving “people of United Kingdom”.

Sovereignty

Many see EU membership as undemocratic because of the European Commission, which is an institution that is not elected, but has total monopoly on all EU legislation (that is not voted on in national parliaments)^{viii}, and has the ability to issue regulations that would be automatically binding to all Member States^{ix}. The membership of the European Union involves giving up some control over local affairs, and power of states, Labour MP Kate Hui believes that the European Union is “an attempt to replace the democracy of the people with permanent management of the interests of large business enterprises^x”.

At present, Britain has great influence within the EU. However, leaving the Union enables Britain to build stronger cooperation with other international institutions. Britain will be able to change working conditions, freeing itself from the EU's

renewable energy commitments and creating another market (Baines), as well as the freedom to restore British customs and values.

Security

Colonel Richard Kemp, a former head of the International Counterterrorism Team at the office of the Prime Minister said that Britain's exit would be a security advantage as “we will once again be able to identify and choose who enters the kingdom, and who’s not to” .Justice Minister Dominic Raab, in a speech titled “The Advantages of Controlled Immigration “ brings how free movement could endanger national security, he stated that: “we can’t bar anyone in possession of an EU passport or identity card unless they represent a ‘genuine, present and sufficiently serious threat’ to our security”. He also pointed out to the problems with EU states undermining passport checks and border controls, with the EU’s own border agency, Frontex, admitting documents are forged and sold, giving potentially dangerous people possession of EU passports, thus citizenship, and being able to get into the UK, he added “Given this is already happening at scale, imagine how much worse this problem will be after the next wave of EU accessions” (Raab).

The accession of new countries to the European Union is another issue according to the British Justice Secretary Michael Gove, especially that of Turkey. In his speech for the vote-leave campaign, titled “Secure in Our Values? Why an Unreformed EU Weakens Us in Fighting for Liberal Democracy”, he described Turkey’s joining as a threat to the national security, other than fears of state of democracy in Turkey, he believes that a visa-free travel to Europe, would allow “terrorists” from Iraq, Syria and Iran to enter the EU and the UK, he quoted Sir Richard

Dearlove, former chief of Secret Intelligence Service (MI6) warning that this is like “storing gasoline next to the fire we are trying to put out” (Gove).

Trade

Due to the emergence of new economies, Britain will be free to make trade agreements with non-EU countries without any restrictions from the EU, so that trade deals can be secured with other important countries such as India, China, the US and 13 other countries. Therefore, the UK trade with EU countries is not likely to be affected by the exit, first, as the UK trade with the EU provides bargaining power enough to allow negotiations on a free trade agreement between the two parties, as Norway or Switzerland do. Second, Britain will be able to expand its trade with non-EU countries through negotiations on new trade agreements that will not be subject to restrictions imposed by other EU member states. Thirdly, the United Kingdom will be free from the regulatory burdens associated with membership costs of the European Union.

Jobs

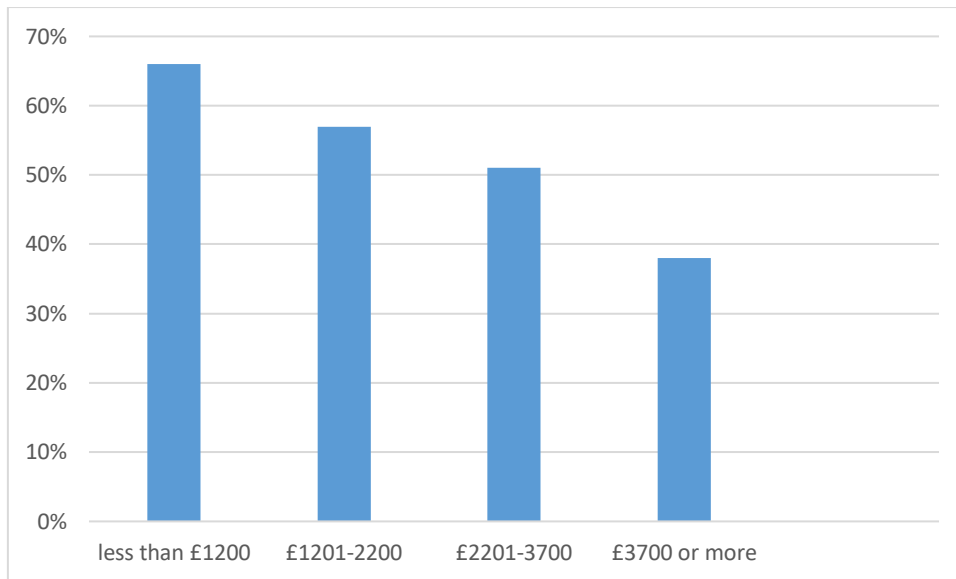
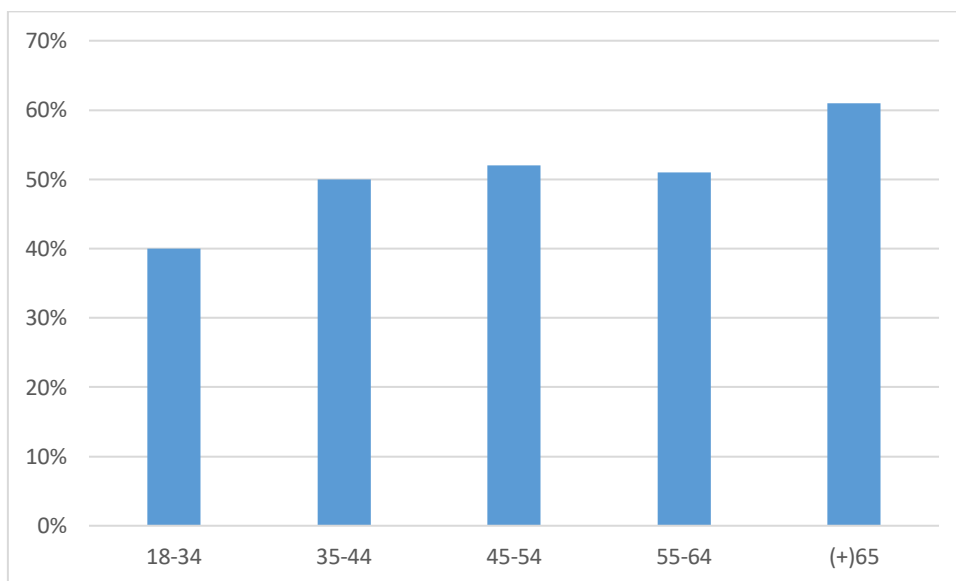
The impact of leaving the EU on British jobs depends on a complex interaction of the above factors: trade, investment and migration. Supporters of the European Union believe that three million jobs could be lost if Britain leaves the EU, but at the same time new jobs would be created. Lower immigration would mean more job opportunities for Britons, who would then begin spending within the British economy. Most EU citizens working in the UK send money home, which is certainly not in the interest of the UK, also, pensioners living in in other EU countries will have to return to the UK. The pensions paid to them by the United Kingdom will then be spent in the UK, and will therefore be distributed again in the country.

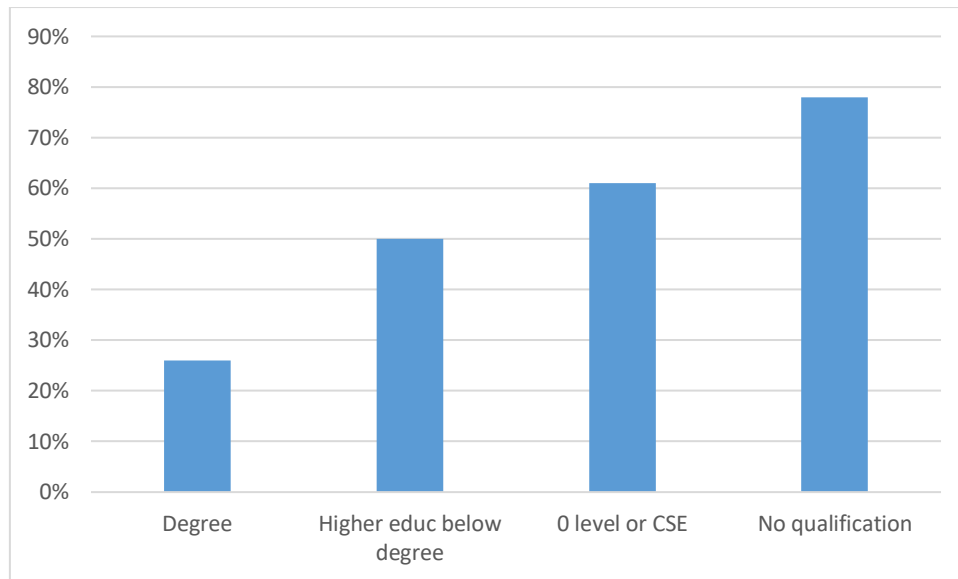
Campaigning

Campaigning played a vital part in determining the outcome of the referendum on European Union membership. The Leave campaign resonated strongly with the people, who were mostly Eurosceptic. The leave campaign's key messages were "take back control" of borders, law-making, and money contributed to EU budget (Swales 5). Matters of identity were equally, if not more strongly, associated with the Leave vote – particularly feelings of national identity and sense of change over time. The economic risks of leaving the European Union, which were the cornerstone of the remain campaign did not persuade the voters who had greater sense of certainty about what impact leaving the EU would have on immigration and independence.

However, a study by NatCen Social Research, Britain's largest independent social research agency suggested that "age, levels of education, income and newspaper readership" had a massive role in determining the outcome of the referendum. The results of the study suggest that poor, less educated, and old people voted to leave while richer, more educated, and younger people voted to stay. The following charts show the results of the study (Swales 10).

Chart 5: Vote Leave by Financial wellbeing^{xi}

Chart 6: Vote Leave by Age^{xii}Chart 7: Vote Leave by Education^{xiii}



This vote analysis shows the influence the Leave campaign had on voters. The results above can clearly be traced to Michael Gove's statement in the Leave campaign about National Health Service funding. He said "We contribute £350 million per week to EU budget, this money should be spent on the deserving people of Britain" (Gove). The results show that younger and more educated people are against leaving Europe because of a lack of Eurosceptic feelings, and awareness of the consequences of leaving from the educated population. Swales concluded that the Leave campaign swayed the voters' opinions because of its confidence, and use of the Euroscepticism found in British people, adding that the Remain campaign failed because of its emphasis on "potential" economic risks, that the voters perceived as "threats" rather than facts (27).

II. The Consequences of the Withdrawal

The United Kingdom's withdrawal from the European Union is one of the biggest decisions made by any government in the last few decades. Such decision is bound to have implications and consequences, this part discusses potential consequences both politically and economically.

1. Political consequences on the United Kingdom.

The consequences of the referendum did not end by Prime Minister's David Cameron resignation from his post, however, it may have more severe implications on the British political scene and position in the international arena.

The United Kingdom's vote for a Prime Minister is not simply a vote for a person, but a vote for a plan and a view for the nation for a term of at least 5 years. The Conservative party won 2015's general election. The party's manifesto claimed to hold the referendum on European Union membership, but it also suggested the party's plans for the Kingdom, those plans were based on the belief that the UK would remain an EU member. Prime Minister, David Cameron made no plans, preparations or policies to deal with the result to leave the EU, a result that took place only 1 year after his election and ultimately led to his resignation on June 24th 2016. The 2016 general election saw Mrs. Theresa May win the post of Prime Minister. A result that socked many experts who believed that she was not the best character to lead a "post-Brexit" era, because before the referendum, she appeared to be "pro-EU", as such, she was no different from her predecessor David Cameron.

Theresa May's views on the EU and EU-UK relationship saw a massive shift, that according to experts, is alarming for the destination of the Kingdom. On April 25th, 2016 (before the EU referendum), Theresa May (Home Secretary at the time), delivered a speech under the title "*UK, EU and our Place in the World*" in which she declared that leaving the EU would not be the best choice for the UK and stated the risks of such withdrawal, she suggested "we risk bringing the development of the single market to a halt, we risk a loss of investors and businesses to remaining EU member states driven by discriminatory EU policies, and we risk going backwards when it comes to international trade." And adds that the UK is not sure of its ability to negotiate favorable deals with the EU, she said:

The reality is that we do not know on what terms we would win access to the single market. We do know that in a negotiation we would need to make concessions in order to access it, and those concessions could well be about accepting EU regulations, over which we would have no say, making financial contributions, just as we do now, accepting free movement rules, just as we do now, or quite possibly all three combined. (May 2016)

Indeed, it is not clear why would other EU member states give the UK a better deal than they themselves enjoy.

This view contradicts with what she said in January 2017 in her "Brexit address", where she implied that the United Kingdom can have a favourable deal with the European Union saying "So an important part of the new strategic partnership we seek with the EU will be the pursuit of the greatest possible access to the single market, on a fully reciprocal basis, through a comprehensive free trade agreement" (Emerson 3). Instead of focusing on the impact Brexit would have on the UK, she, in some

manner, diverted the issue on the EU. She claimed that it is in the EU's best interest to have a free trade deal with the Kingdom, Mrs. Theresa May said "But for the EU, it would mean new barriers to trade with one of the biggest economies in the world. It would jeopardize investments in Britain by EU companies", however, uncertainty appeared in her speech when she added "If we were excluded from accessing the single market, we would be free to change the basis of Britain's economic model" (May) this shift and uncertainty shows how fragile UK leadership is after Brexit.

Mrs. Theresa May's inconsistencies are more apparent when she talked about international trade deals the Kingdom is looking to make. In January 2017, she said that the UK is interested in deals outside of Europe, she claimed "We want to get out into the wider world, to trade and do business all around the globe. With countries including China, Brazil, and the Gulf States." (May) Compared to what she stated in April 2016, there is a huge difference as she said in her speech that UK's trade with countries outside of the EU was minimal. Surprisingly, she used numbers for the same countries she mentioned in "outside of EU" opportunities, she said "We export more to Ireland than we do to China, almost twice as much to Belgium as we do to India, and nearly three times as much to Sweden as we do to Brazil" (May 2016). Mrs. Theresa May herself deemed the chance of those markets replacing EU's as "Unrealistic", as she mentioned that there would be no guarantee to have more favourable trade deals than the UK already enjoyed in EU.

Responding to a question from the BBC concerning immigration in 2016, she said that the UK managed to bring change to the free movement rules as a result of negotiation, and deemed it as "most important", while in 2016 she replied to the same question saying "As home secretary for six years, I know that you cannot control immigration overall when there is free movement to Britain from Europe" (Emerson

2017). The change in Mrs. Theresa May's stance towards EU can be seen as an attempt to ride the political flow of the time, and opportunity to lead the UK, rather than an attempt to lead the Kingdom to safety.

On September 18th 2014, Scotland held a referendum on whether it should stay within the United Kingdom, or gain independence: 55% of the Scottish people voted to stay part of the UK. However, the views of the Scottish and their counterparts in England were different concerning the EU referendum: 62% of Scottish voters voted to remain a member of the EU, with 38% voting to leave. In 2014, the Scottish National Party – considered the 3rd largest party in UK after Conservative and Labour and the biggest in Scotland - believe that Scotland should hold another referendum concerning UK if Kingdom withdrew from the EU. The party stated explicitly in its manifesto for the May 2016 Scottish Parliament election:

We believe that the Scottish Parliament should have the right to hold another referendum if there is clear and sustained evidence that independence has become the preferred option of a majority of the Scottish people – or if there is a significant and material change in the circumstances that prevailed in 2014, such as Scotland being taken out of the EU against our will. (SNP, 2016)

First Minister of Scotland argued that another independence referendum possibility was “highly likely”.

After the successful Brexit vote, First Minister Alex Salmond and his former chief-of-staff Geoff Aberdein said in interviews “a new independence referendum is winnable” (gaining independence). According to Marco G. Biagi, a Scottish politician, Scotland remained a part of UK in 2014 because the Remain in UK camp (also known as the NO side) made voters fear that they would lose their pensions with independence.

He argued “never mind that the UK’s pensions were already the third lowest relative to wages in the industrialized world” (House of Commons Library, 2015). He added that independence supporters can more easily convince that it is staying with the UK that invites the loss of employment rights as the United Kingdom is no longer a member of the European Union, thus, it is no longer forced to adhere to EU-wide minimums to at least basic safeguards (126).

In march 2016, Nicola Sturgeon, the Scottish First Minister of Scotland and leader of the SNP, announced she would seek Scottish Parliament approval to negotiate with the UK Government the holding of another independence referendum. In a speech under the title “*Scotland Must Have Choice Over Future*” Mrs. Sturgeon said this referendum would take place in either late 2018 or early 2019, depending on the shape of the UK's Brexit deal with the EU which is planned to end by the closing of 2018. On March 28th 2017, the Scottish parliament approved her call for a second referendum, thus she sent a formal request to the UK government in London according to Marco G. Biagi. Theresa May, however, brushed the request in an interview with the BBC stating that “now is not the time” for a second referendum, and that the United Kingdom as a whole should “focus on working together, not pulling apart” in order to get the best Brexit deal for the whole of the UK “(Nutt). On the other hand, Mrs. Sturgeon stated that holding Scotland from holding a referendum would be “undemocratic” (Sturgeon).

Ultimately, the situation of the United Kingdom is unstable, and should the Brexit deal be unfavourable, which seems to be the case, the Kingdom is set to be more divided if Scotland were to become an independent country, it would lose more power within the Commonwealth as well as on the global scene.

The former President of the United States of America, Barack Obama, wrote on April 24th, 2016 a column in the Daily Telegraph newspaper in which he stated the benefits the UK has as a member of the EU. Also, he pointed out that "The European Union doesn't moderate British influence – it magnifies it" adding that "A strong Europe is not a threat to Britain's global leadership; it enhances Britain's global leadership" (Obama). The most important thing he pointed to according to analysts, is the matter of sovereignty, and how little it is practiced, as he said:

In this complicated, connected world, the challenges facing the EU – migration, economic inequality, the threats of terrorism and climate change. And in today's world, even as we all cherish our sovereignty, the nations who wield their influence most effectively are the nations that do it through the collective action that today's challenges demand. (Obama).

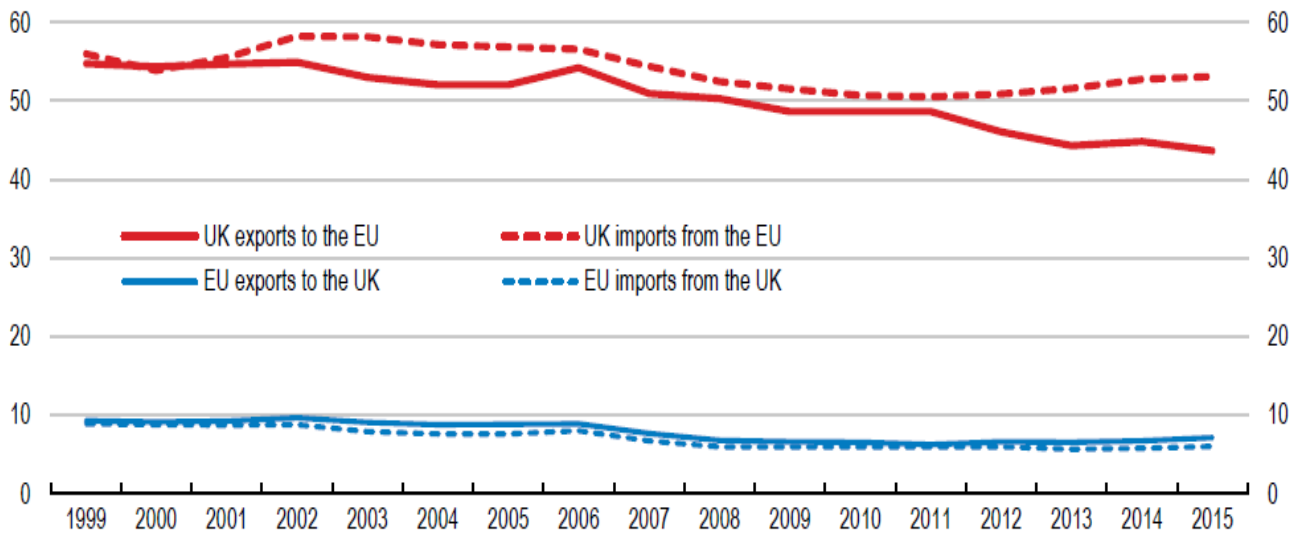
The United Kingdom relies heavily on its special relationship with the United States, but former studies make clear that the US' major concern is its own interests. In a joint speech by Barack Obama and David Cameron, held in the UK on April 22nd 2016, the Former US president stated that the US "wants a STRONG United Kingdom as a partner, and the United Kingdom is at its best when it's helping to lead a strong Europe"(Obama), which implies that the United States would not be interested in having a weaker UK as a partner. In the same speech, he pointed out that the UK would be "in the back of queue" of any trade agreements, and stated that the UK-US special relationship would not be of any value, because the United States is much more interested in accessing a larger market represented in the EU, and that, in fact, is the US' focus, rather than "piecemeal trade agreements" with the UK or any country alone.

2. Economic consequences on the United Kingdom.

It is imperative to remember that the United Kingdom joined the European Union (the European Economic Community back then) solely in hopes of securing bigger markets, without tariffs, so that the Kingdom can grow even larger, when the United Kingdom joined the EEC in 1973, 30% of UK exports went to the EU, in 2008 it was over 50%. Also, EU officials made it clear that “if” the UK ever left the EU, it should not expect to enjoy the benefits of being a member while discarding all the responsibilities.

The European Union is the United Kingdom’s largest trade partner. Around a half of the UK’s trade is with the EU. EU membership reduces trade costs between the UK and the EU. This makes goods and services cheaper for UK consumers and allows UK businesses to export more. The British financial sector benefits immensely from direct access to the Single Market. Exports to EU countries account for about 12% of UK GDP and about 45% of total UK exports. This partnership is not only for exports, the EU is an important partner when it comes to imports as well, as shown in chart 8 below (Kierzenkowski 15). Leaving the EU would lower trade between the UK and the EU because of higher tariff and non-tariff barriers to trade or make it costlier.

In addition, the UK would benefit less if at all from future market integration within the EU and trade deals being discussed by the EU with the United States and Japan (The Transatlantic Trade and Investment Partnership) which are expected to improve real incomes by 0.6% (Dhingra 6). The main economic benefit of leaving the EU would be a lower net contribution to the EU budget, but this low contribution would be spent on other fiscal subscription costs if the UK wants to remain part of the single market (Zangana).

Chart 8: Trade between UK and EU^{xiv}

United Kingdom officials suggested that the UK would have more room to negotiate new trade deals outside of the European Union. However, there is no guarantee that the Kingdom could secure more advantageous deals. The Institute for Fiscal Studies published a report on August 10th, 2016, which suggested that Britain will face difficult choices because it cannot keep all the benefits of full EU access without allowing free movement. The report claimed that the cost of reduced economic growth caused by leaving the EU would cost the UK around £70 billion, more than the £8 billion savings in membership fees, and concluded that no new trade deals would make up the difference (Swinford).

With formal withdrawal from the EU, the UK would lose 38 Free Trade Agreements the EU has with 53 non-EU countries (and potentially 12 others still in

negotiation) and will have to renegotiate these deals. Also UK's bargaining position would most certainly be weaker than the whole of the EU, as well as taking a lot of time and resources, as the US previous president Barak Obama said that the UK would be at the back of the queue of any future trade deal. Previous FTAs negotiations show that it might take a considerable amount of time to conclude, for instance, the EU's FTA with Canada took almost 5 years, and is not yet applied. A Trade agreement with the EU will take even longer because of the large number of countries involved, which will have negative implications on trade.

Considering that a formal withdrawal from the EU is yet to be completed, and negotiations for a new relationship with the union is still under way, uncertainty about the nature of the UK's future relations with the continent is hurting the UK's economy (Lagarde 2016). The UK considered the most attractive destination for Foreign Direct Investment in the EU, mostly because of its access to the EU internal market. It accounts for the largest share of FDI inflows into the EU. Both EU and non-EU investors increased largely in the UK, however, other than its structural advantages, flexible labour and product markets, they cite the Single Market access as "very important for the UK's attractiveness for FDI" (Varley and Gregory). The large FDI inflows have contributed to greater trade integration of the UK with the EU and strengthened its comparative advantage in many sectors.

The formal withdrawal would make the UK less attractive for FDI if access to the Single Market is lost, thus lower FDI inflows, reducing the inflows of knowledge and new ideas into the UK. This would reduce UK's export capacity and weaken fixed investment and productivity. The UK also risks losing some FDI inflows to other EU

countries such as Germany and France as the UK would become less attractive for both EU and non-EU clients. Foreign companies in the goods sector could prefer to invest in EU countries in order to ensure access to the Single Market and have certainty about trade relations with non-EU countries. The same could happen to FDI in the financial sector if the possibility of exporting financial services to EU countries is reduced due to a loss of passporting rights. Some financial institutions have already indicated that they will reconsider the size of their UK presence after a choice for Brexit (Kierzenkowski 17-29).

A report by Brian Ardy, titled “UK Jobs Dependent on the EU” estimated that 3.45 million UK jobs are related to exports to the European Union (2). Although those jobs are linked to exports, and not membership of the Union, Professor Iain Begg, author of the report said that those jobs are more vulnerable and are at “higher risk” once the UK leaves EU, because of decline in demand from EU, or increase of taxes on exports. Restrictions on EU migration could cause the UK labour market to become less flexible to demand, raising the likelihood of more pronounced wage, inflation and interest rate cycles. A more cyclical economy would not only make recessions more frequent, but international investors could demand a discount on UK assets given the higher volatility of expected returns (Zangana). An analysis done by the British Centre for Economic Performance suggested that in a scenario in which the UK keeps full access to the Single Market would lead to a fall of 1.3% in average UK incomes (£850 per household), and 2.6% (£1,700 per household) if the UK does not gain full access due to the increase in trade costs (Dhingra 3).

A brief comparison of the numbers of the United Kingdom within and outside the European Union a massive deficit in the out scenario. The United Kingdom is set to lose its largest trade partner, and a significant part of its economy by leaving the EU.

General Conclusion

This dissertation deals with the effects of the United Kingdom's withdrawal from the European Union. Particularly, it focuses on the reasons as well as consequences of the withdrawal. The withdrawal from the European Union was based on two main factors: the effect of EU membership on UK national security, and the loss of sovereignty caused by the EU.

The United Kingdom's relationship with the European Union has always been controversial because of the Eurosceptic feelings the UK had, as Winston Churchill stated "We are with Europe, but not of it. We are linked but not combined. We are interested and associated but not absorbed". The UK believes that the EU weakens the Kingdom, and refuses full integration as EU membership demands, because of the belief that the Union is too bureaucratic.

The UK did not opt into joining the EU (EEC), but was forced to, because of the recession the Kingdom suffered from the 1960s, compared to the economic success that the community members have shown. The feelings of supremacy and Euroscepticism; however, never ceded within the Kingdom which led to different referendums on the membership.

Indeed, the European Union takes some power from the United Kingdom and affects its sovereignty, however, as Barack Obama stated "In this age, no country is completely sovereign". The laws enacted by the Union are drafted by representatives of the member countries for the best of the Union, and are effective in all the Union members. EU countries share intelligence and resources concerning terrorism and criminality, which allows for a safer UK disregarding which party has control over borders be it the UK or the EU.

The European Union has been a force for good in Europe. It has supported many positive principles and provided many benefits, the UK profited around £62bn-£78bn a year after its EU contributions are taken into account. The EU also provides considerable subsidies to British farmers, helping to bolster agriculture and ensure job stability for the 476,000 directly involved in farming, and those working in sectors related to the industry. UK citizens enjoyed the freedom to live, work and retire anywhere in Europe, in addition to, ease of travel within the EU, cheaper mobile charges, cheaper air travel, right to receive emergency healthcare, blacklist of 'dangerous airlines'; compensation for cancellations; reductions in mobile roaming fees.

The United Kingdom's withdrawal from the European Union is a venture into the unknown. With negotiations over a new deal with the EU, the UK has a large amount of possibilities outside of the EU, but none of those prove to be of better outcome than the one EU membership offers. The UK is set to lose many privileges offered by EU membership, affecting its economy, politics, and status as a leader in global affairs.

ENDNOTES

ⁱ Source: Denison E.F., *Why growth rates differ, Post-war experience in nine western countries* Washington, 1967, p.18.

ⁱⁱ Source: Denison E.F., *Why growth rates differ, Post-war experience in nine western countries*. p. 120.

ⁱⁱⁱ Per capita GDP is a measure of the total output of a country that takes gross domestic product (GDP) and divides it by the number of people in the country. It shows the relative performance of the countries.

^{iv} Source: Eurostat.

^v Base: all adults aged 18+ who voted in EU referendum (excluding don't knows & no answer), Source: British Election Study Wave 8

^{vi} "EU Referendum Pros and Cons: Should Britain Vote to Leave Europe?" The Week, 19 May 2017

^{vii} "The UK Should Leave the European Union", <http://debatewise.org/debates/784-the-uk-should-leave-the-european-union>

^{viii} Ibid

^{ix} "7 Reasons Why We Should Leave the EU," Bridge Enterprises, 2016.

^x "EU Referendum Pros and Cons: Should Britain Vote to Leave Europe?" Op. cit.

^{xi} Source: Kirby, Swales. "Understanding the Leave vote". p8.

^{xii} Ibid

^{xiii} Ibid

^{xiv} Rafal Kierzenkowski et al., "The Economic Consequences of Brexit: A Taxing Decision"

Works Cited

Primary Sources:

Barroso, José Manuel. *Ten years at the helm of the European Commission: Some reflections on Europe*. Chatham House, 2014.

Cameron, David. "EU speech at Bloomberg." Britain and Europe, 23 January 2013, Cabinet Office, Prime Minister's Office, 10 Downing Street. Keynote speech.

Denison, E.F. "Why growth rates differ, Post-war experience in nine western countries" Washington, 1967.

Grayling, Chris. "We must Vote Leave to protect our sovereignty and democracy from further EU integration". Vote Leave. 31 May, 2016.

Gudin, Philippe. "Brexit and Europe: The question of contagion". 2016. Barclays. Web. 14 July, 2016.

Kozaczek, Les. "The European Union, warts and all: Part 1 – The "Commission".2016. Web. 22 December 2016.

May, Theresa. "Britain's plan to exit the European Union". 2017. Web. 25 March 2018.

Mulcahy, Suzanne. *LOBBYING IN EUROPE: Hidden Influence, Privileged Access*. Transparency International, 2015.

Niblett, Robin. *Britain, Europe and the World Rethinking the UK's Circles of Influence*. Europe Programme, 2015.

Nutt, Kathleen. "PM Theresa May rejects call for second independence referendum before Brexit". 2016. The National. Web. 22 April 2018.

Raab, Dominic. "EU membership makes us less safe". 2016. Web. 08 June, 2016.

Sopel, Jon. "BBC Interview with President Barack Obama." Interview by Jon Sopel. BBC, 24 July 2015. Web. 10 Jan. 2017.

Spaak, Paul-Henri et al. The Treaty of Rome. 1957. Web. 12 January, 2017.

Sumption, Madeleine. "Would Leaving the EU Reduce Immigration to the UK? The UK in the Changing Europe". 2015. Web. 20 March 2018.

Sweeney, Simon. "What's the EU ever done for us? This lot. 2013. Web. 19 January, 2017.

Varley, Steve. and Gregory, Mark. "EY's attractiveness survey UK 2016 Positive rebalancing?". 2016. Ernst & Young LLP. Web. 10 April, 2018.

Secondary Sources:

Baker, David, and Schnapper, Pauline. *Britain and the Crisis of the European Union*. Palgrave Macmillan UK, 2015.

Butler, David, and Kitzinger, Uwe. *The 1975 Referendum*. Palgrave Macmillan UK, 1996.

Coleman, Vernon. *The OFPIS File: The Organisation for the Preservation of Individuality and Sovereignty*. Blue Books, 2008.

Copsey, Nathaniel, and Haughton, Tim. Farewell Britannia? 'Issue Capture' and the Politics of David Cameron's 2013 EU Referendum Pledge. *JCMS: Journal of Common Market Studies*, Volume 52, Issue S1. 2014.

Emerson, Micheal. *Theresa May's Brexit Speech of 17 January 2017 – Decoding its clarity and ambiguity*. 2017. Policy Insights. Print.

George, S. *Britain and European Integration since 1945*. Blackwell Publ., 1991.

---. *An Awkward Partner: Britain in the European Community*. Oxford, 1994.

Gilbert, M. 'We are with Europe but not of it, linked but not comprised' in 'The Times'. 7 October 1996.

Giubboni, Stefano. *Free Movement of Persons and European Solidarity Revisited. Perspectives on Federalism*, Vol. 7, Issue 3, 2015.

Graham, A. *Government and Economics in the Post War World: Economic Policies and Comparative Performance 1945-85*. Routledge, 1990.

Johnson, H.G., et al. *Economics: Britain and the EEC*. Longmans, 1969.

Kaczorowska, Alina. *European Union Law*. Routledge, 2013.

Kristin, Archick. "The European Union: Questions and Answers." 2017. Web. 21 February 2017.

Lazíková, Jarmila. The Consumer Policy in the Eu Law. Vol. 5, Issue 1, 2016.

McWilliams, Douglas. *The Flat White Economy*. Duckworth, 2015.

Palmowski, Jan. *A Dictionary of Contemporary World History*. Oxford University Press. 2008.

Panchal, Rishyak. "Accomplishments of the European Union. 2017. Web. 12 January, 2014.

Parr, Helen. *Britain's Policy Towards the European Community: Harold Wilson and Britain's World Role, 1964-1967*". Abingdon, Routledge, 2005.

Shimmel, Natalie. Welcome to Europe, but Please Stay Out: Freedom of Movement and the May 2004 Expansion of the European Union. *Berkeley Journal of International Law* Vol. 24, Issue 3, 2006.

Stirk, Weigall. *The Origins and Development of the European Community*. Leicester, 1992.

Sutcliffe A. *An Economic and Social History of Western Europe since 1945*. Longman, 1997.