What Brexit Means For Britain and the European Union  

An Interim Perspective

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Britain’s relationship with the European Union has always been problematic—prior to its entry into the EU in 1973 as well as during its 43 year membership. However the process of its disengagement from the EU, post June 2016, is technically so complex that the negotiations have assumed a polemical overtone. A botched snap election gambit by the British Prime Minister has added to the confusion. Consequently the nature of the wholesale restructuring of the UK’s relationship with the EU and Brexit’s potential repercussions on the UK as well as the EU is somewhat hard to predict.

**JEL Classification:** F15, F51, F55

**Keywords:** Brexit, Single Market, Lisbon Treaty, European Council, Expats.

1. **Introduction: Britain’s European Odyssey**

Britain underwent a crucial test for its role in European and world affairs for a generation to come when the UK voted on an in-out referendum on 23 June 2016 to determine whether it will continue to be a member of the European Union (EU). The UK had joined the EU in 1973 after a prolonged and agonising debate about its place in Europe (Britain decided in the referendum to leave the European Union by a majority of 52% to 48%). The history of the evolution of British attitude towards and its participation, such as it has been, in the European integration movement since the end of the Second World War has been a chequered one. Having initially balked at responding positively to the Franco-German initiative to participate in the European Coal and Steel Community (ECSC) project in 1952, which ultimately paved the way for the formation of the European Economic Community (EEC) in 1958, Britain was forced to

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change course when it found that its trading and commercial interests were being hit by the EEC’s Common External Tariff (CET) and the British Commonwealth was no longer a viable market for British manufactured products. The much vaunted ‘special relationship’ with the United States was also looking rather jaded after the Suez fiasco of 1956 (Anthony Eden, 1960). The UK’s entry into the EEC was blocked twice by the then French President General Charles De Gaulle, ostensibly on the ground that the UK’s commercial interests were not compatible with those of the six founding member states -- France, West Germany, Italy, Netherlands, Belgium and Luxembourg. However, the real objective of De Gaulle was to prevent the arrival into the EC of a country which could prove to be a rival of France, the de facto dominant force in the Community at the time (Bhattacharya, 1994: 10-26; George, 1992; Gifford, 2008).

The UK finally gained entry in 1973 under more favourable circumstances. However, the divisive nature of its role in Europe was never resolved and the history of British membership of the EC -- subsequently renamed European Union (EU) in 1993 -- has been one of constant wrangling between the UK and its EU partners even as the Union enlarged itself from the original 6 to the present 28. As a consequence the UK earned the sobriquet of an ‘awkward’ partner as wrangling continued under various British Prime Ministers -- Conservative as well as Labour -- on issues such as the EU’s Common Agricultural Policy, which is an elaborate farm support project that never benefitted the UK which has a small agricultural sector, the high British contribution to the EU Budget and most fundamentally on the issues of the Schengen single border and the European single currency project the Euro. The UK remains outside the two crucial EU projects which ensure a borderless Europe of 26 of the 28 member states and a ‘Eurozone’ where the common currency prevails. Besides the UK never subscribed to the European dream of ‘an ever closer union’ which, many in Britain feared, would turn the European Union into a super state consigning British sovereignty and identity into oblivion (Bhattacharya, 2006).

In British domestic politics Europe has always been a divisive issue, both in terms of party politics and public opinion. The two major political parties, Conservative and Labour, have both been wracked by bitter divisions between the pro-EU and anti-EU factions (Bhattacharya, 1994: 37-116)). These divisions stem from the fundamental and the ultimate question -- is Britain ‘European’? As Anthony Eden, then British Foreign Secretary, said in a speech at the
Columbia University on 11 January 1952, “Britain’s story and interests lie far beyond the continent of Europe. Our thoughts move across the seas to the many communities in which our people play their part in every corner of the world. These are our family ties. That is our life. Without it we should be no more than some millions of people living on an island off the coast of Europe, in which nobody wants to take any particular interest” (Eden, 1960). It is far from clear if today’s Britain has been able to move away from this British dream — however imperceptible it may appear on the surface at present — which was so powerfully articulated by Eden 65 years ago.

The ‘Brexit’ that was voted for by a majority, albeit a small one, of the British public stemmed from, among other factors, this fundamental British inability to reconcile with the realities of today’s world when some significant segments of British politicians and the public are still submerged in the hallucination of past British ‘greatness’, though it is not at all evident in the pre and post-referendum public debate but lingers in the background. In seeking to negotiate better terms with the EU in February 2016, David Cameron, the then Prime Minister, was only replicating what Harold Wilson, Margaret Thatcher, John Major and Tony Blair, former British Prime Ministers, were able to extract from their EU partners of the day — largely cosmetic concessions which sought to demonstrate that they are able to stand up to the ‘European bullies’ in defence of British interests. All British Prime Ministers have played to the domestic gallery when it comes to Europe.

Cameron raked up the issue of British membership of the EU for two reasons besides other domestic compulsions mentioned above. First, He had been objecting to the prevailing EU rule of subjects of any EU member state enjoying the automatic right of claiming social security benefits after moving to another member state in the event of not being able to secure employment on arrival. Unemployment benefits enjoyed by British and other EU nationals in the UK are substantial which comprise weekly payouts to the spouses and for each of their children. Besides they are entitled to subsidised accommodation and free education for their children in state schools. Secondly, Cameron wanted to ensure a Treaty reform which will guarantee that the UK will never subscribe to the core EU objective of “an ever closer union” implying a possible emergence of a European super state (Bhattacharya, 2016).

The deal that was announced after intense negotiations in Brussels on 19-20 February 2016 was a compromise on both sides. The EU made certain
compromises that went a long way to meet the British demands as the EU leaders were anxious to keep Britain in. Cameron too had to make concessions. He did not manage to secure one of the fundamental British demands of curbs on EU migrants in the UK in terms of employment and social security benefits. However, the exercise proved to be futile as defying the will of Cameron and his government, the Labour opposition, a majority of MPs, big business, warnings of the then US President Barack Obama and the European leaders, the Bank of England and international financial institutions, the British people voted in favour of leaving the European Union in June 2016.

2. Brexit: Post-Referendum Debates and its Implications for UK-EU Relations

Many observers believe that Brexit was driven in large part by the anti-immigrant rhetoric of important segments of the British political establishment, particularly of the U.K. Independence Party (UKIP), who have long called for Britain to shut its borders not only to non-EU migrants but also to EU migrants. The UKIP had drawn votes since 2012 largely from older Conservatives who disapproved of EU membership and immigration. The UK had witnessed the largest inflows of EU nationals over the 10 year period that preceded the referendum. This was the result of the EU enlargements in 2004 and 2007 that brought in a number of new Eastern European member countries (Goodwin, 2017: 108-111). While Britain did not join the EU single border scheme known as the Schengen agreement and kept border controls in its own hands, it was unable to keep out migrants from the member states of the EU as the Treaty of Rome which founded the EU guaranteed free movement of people within the Union. For the UKIP and other hardcore supporters of Britain leaving the EU, especially in the Conservative Party, the only way to stop this migration from EU member states to Britain was for the U.K. to leave the Union.

But, immigration was not the only issue to drive Brexit. An understanding of the dynamics of the referendum verdict at the regional level makes clear the underlying political geography. A large majority of areas in England backed Brexit while the more ethnically diverse, socially mobile, and affluent constituencies of London and the university towns such as Cambridge and Oxford voted to remain in the EU. The strongest support for Brexit across the entire country emerged in working-class, economically disadvantaged, and Conservative-held districts near the east coast as also in areas where large percentages of the population had left school without any formal qualifications or
were pensioners. The extremist or populist insurgent parties forged connections with less-educated white working class voters who were economically left behind and socially conservative. These voters displayed political apathy, distrust and dissatisfaction, which was reflected in their support for Brexit (Goodwin, 2017: 108-111).

One of the immediate casualties of the adverse referendum verdict was David Cameron himself who had put his job on the line by strongly campaigning in favour of the ‘Remain’ campaign and took the honourable decision to resign when the verdict went against him. The other consequences of the verdict, both short and long term, are still uncertain but many analysts expect them to be significant on EU integration and severe on the British economy in terms of trade, investments and jobs, not to speak of political influence in the world (Smith, 2017: 83-87; Goodwin, 2017: 107-111).

Britain will be the first member state ever to leave the EU. Therefore, there is a great deal of uncertainty about how this will be achieved. According to the Treaty of Lisbon which came into force in 2009, any exit of a member state will be guided by Article 50 of the Treaty. The member state wishing to leave has to “trigger” Article 50 (serving official notice to the EU of its intention to leave) and the process of such exit will be put into motion that will last two years. At the end of two years the process will be deemed to be complete marking the formal departure of the concerned member state, assuming that negotiations between the departing state and the EU have been successfully concluded.

The successor of David Cameron, Theresa May who was originally a supporter of the ‘Remain’ campaign, has taken a politically correct line by declaring that she will honour the will of the British people and will carry out a Brexit as per the Lisbon Treaty. May confirmed in October 2016 that she will trigger Brexit by March 2017 which will begin two years of formal negotiations. However, much to the government’s chagrin, on 3 November 2016 the UK Divisional Court upheld a legal challenge brought against the government by some ‘Remain’ campaigners and ruled that the government cannot use the royal prerogative to trigger Article 50 of the Lisbon Treaty, and so leave the EU without a reference to Parliament. The court’s judgement meant that the process had to be subject to full Parliamentary control and oversight (LSE Brexit, 2016). The British government decided to appeal against the High Court order to the Supreme Court which ruled that MPs and Peers must have a say before Article 50 was triggered by the government. The government complied with this ruling and duly unfolded
its European Union Bill in early February 2017 with a road map (spelled out in a White Paper) laying out the government’s “12 principles”, including migration control and “taking control of our own laws”. These include:

1. Trade -- The UK will withdraw from the Single Market and seek a new customs arrangement and a free trade agreement with the EU.

2. Immigration -- A new system to control EU migration will be introduced, and could be phased in to give businesses time to prepare. The new system will be designed to help fill skills shortage and welcome “genuine” students.

3. Expats -- The government wants to secure an agreement with European countries on the rights of EU nationals living in the UK and Britons living in Europe.

4. Sovereignty -- Britain will leave the jurisdiction of the European Court of Justice and seek to set up separate resolution mechanisms for things like trade disputes.

5. Border -- The objective is to aim for “as seamless and frictionless a border as possible between Northern Ireland and Ireland”.

6. Devolution -- Giving more powers to Scotland, Wales and Northern Ireland as decision-making is brought back to the UK. On 1 February 2017 MPs backed the European Union Bill by 498 votes to 114 subsequently confirmed by an overwhelming majority of MPs rejecting all amendments moved by the opponents of the government giving Mrs. May the authority to invoke Article 50. It may be noted in this connection that the debate in Britain has raged primarily on whether the country should have a hard Brexit (coming out of the single market) or a soft Brexit (staying in the single market). (BBC News: 2017).

On 29 March 2017, Theresa May triggered Article 50 of the Lisbon Treaty with a formal notification to the EU of the UK’s intention to leave the Union. The letter, addressed to the President of the European Council, reiterated Britain’s general objectives such as leaving the single market but reaching mutually beneficial terms on trade and other issues. In response the European Council President Donald Tusk came out with draft guidelines for the Brexit negotiations, which ruled out starting free trade talks with the UK before “sufficient progress” is made on other issues. Other issues include the fate of three million EU nationals
living in the UK and one million British nationals in the EU. Earlier in late February 2017, the European Commission President Jean Claude Juncker had warned the UK that the divorce from the EU will be at a hefty price. The EU wants the UK to honour its long term financial commitments before it leaves; otherwise there will be a big hole in Brussels’ multi-annual budget since Britain has always been a large net contributor to the EU budget. The worry from the EU side is that the unity -- currently evident on the Brexit issue -- could suddenly evaporate if member states had a fight over having to pay extra, or receive less money, should the UK walk out without coughing up a considerable sum. Some reports suggest that the UK could have to pay the EU up to 60 billion Euros after Brexit talks start. The amount will cover the UK’s share of the cost of projects and programmes it signed up to as a member, as well as pensions for EU officials (BBC News, 2017).

While the shadow boxing between the UK and the EU was on, surprisingly in late April 2017 Theresa May announced a snap election on 8 June 2017 ostensibly to strengthen her hands in the Brexit negotiations with a bigger majority in the House of Commons, which was looking a distinct possibility on the basis of opinion polls at the time. However, the gambit failed spectacularly with the Conservatives losing their overall majority (down from 331 to 318 in a House of 650) and the government is now dependent on outside support of the Democratic Unionist Party (DUP), a small Protestant sectarian outfit in Northern Ireland which had won 10 seats in the House of Commons, to shore it up. The situation in which the UK finds itself now is anything but enviable. The future of Theresa May and her government looks uncertain and pundits are betting on another election in the near future if not the replacement of Theresa May herself (Bhattacharya, 2017).

Ironically the EU leaders had indicated earlier that they are not concerned with the strength or weakness of the British government but are keen to begin the negotiations at the earliest. They also emphasise that they did not want the UK to leave the EU; however now that the British people have made their choice, the EU wishes to proceed with the Brexit talks for an early resolution. The EU has plenty more headaches to deal with: ongoing migration and Eurozone problems, security concerns about Russia and an unpredictable US President Donald Trump. Brussels does not care, they held, what political flavour the new UK government has; it just wants a stable UK government, with a secure Prime Minister at its helm, who will stay in place for the duration of the negotiations and who would not waver and u-turn after the agreements are made. A wobbly
British Prime Minister, unsure of her own position and unable to take tough decisions and sell them at home, increases the possibility of no Brexit deal at all and conjures up the cliff-edge scenario, where there is no agreement at the end of two years and Britain just ‘falls off’ the EU hurting both the EU and the UK badly. It may be noted here that the complexity of the Brexit talks is unique in the history of the EU. Unpicking 43 years of treaties and agreements covering different subjects was never going to be a straightforward task. The task is further complicated by the fact that it has never been done before and the negotiators will have to feel their way through the maze they have to deal with. The post-Brexit trade deal is likely to be the most complex and contentious part of the negotiations because it needs the approval of more than 30 national and regional Parliaments across Europe, some of whom may want to hold referendums (BBC News, 2017).

3. Brexit Negotiations between the UK and the EU

The first round of negotiations was held on 19 June 2017. It was agreed in the meeting between David Davis, Brexit Secretary from the UK side, and Michel Bernier from the EU side, that the initial focus will be on expat rights, a financial settlement and “other separation issues”. Discussions aimed at preserving the Good Friday agreement (which brought an end to the 30 year old sectarian strife between Protestants and Catholics in Northern Ireland) and common travel area in Ireland will also begin. The UK which was insisting on simultaneous trade talks appears to have given ground on that issue as Mr Bernier said that the UK’s future relationship with the EU, including trade, would only be decided once the European Council felt “sufficient progress has been made” on the other issues.

While the inconclusive election results in the UK and the consequent uncertainty in Britain added yet another dimension to the Brexit talks, Theresa May was quick to zero in on the expat question which, as we have already noted, appears to be the highest priority for the EU. May unveiled the initial British proposal at an EU summit in Brussels on 22 June 2017 on this question by offering to grant EU nationals who had lived in the UK for five years at the cut-off date -- yet to be announced but expected to be between March 2017 and the moment the UK actually leaves the EU -- new “UK settled status”. Those who qualify for the settled status will be allowed to stay in the country and access health, education

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1 Ireland is a part of Schengen while the UK was not.
and other benefits. The plan would affect the 3.2 million EU citizens now living in the UK, around a million of whom have lived in the country for less than five years. How these people would be affected is subject to fresh clarifications from the UK side. (BBC News, 2017).

The initial responses from the EU side to the proposals on the expat question made by Theresa May were not particularly positive. While the German Chancellor Angela Merkel described the UK plans to safeguard EU citizens’ rights in Britain after Brexit as a “good start”, the European Commission President Jean Claude Juncker described them as “a first step” but added that it was “not sufficient”. Members of European Parliament (MEP), comprising four political groups who make up two-thirds of the European Parliament (EP) including EP Chief Brexit negotiator Guy Verhofstadt, said the proposal is a “damp squib”. It offers Europeans in Britain fewer rights than Britons in the EU. They also pointed out that they have the power to reject any Brexit deal before it can go ahead because the European Parliament must approve the withdrawal agreement. These assertions have been contested by the UK side who argue that the “basic rights” of the 3 million EU citizens living in the UK now would be “preserved”. However, the UK proposals would be dependent on the EU granting Britons living in other EU countries the same rights. The conflicting rhetoric on both sides in this regard have to be resolved in the Brexit negotiations (BBC News, 2017).

The issue was taken up in right earnest in the second round of negotiations which was held in mid-July 2017 when the UK Brexit Secretary urged both sides “to get down to business”. He also said that it was time to get to the “substance of the matter”. The call “to get down to business” from David Davis is meant to signal that the Brexit talks were entering a serious phase and according to press reports the issues of citizens’ rights and finance were discussed. The atmosphere of the talks has also improved after the acknowledgement by the UK that it has obligations to the EU which will survive its withdrawal and need to be resolved. The government’s official position, confirmed in a parliamentary statement in early July, 2017, is that it will “work with the EU to determine a fair settlement of the UK’s rights and obligations as a departing member state, in accordance with law and in the spirit of our continuing partnership”. The next few rounds of talks were deemed crucial as progress in the three areas by October 2017 -- citizens’ rights, finance and the border question in Ireland -- was to determine if the all-important trade issue will find a place in the next rounds of negotiations.
Until the negotiations got off the ground fully, the uncertainty was progressively more damaging for the British economy. The immediate economic fallout from the referendum had appeared less damaging than feared for the post-Brexit period providing some relief to the government as international markets came to understand that negotiations over the terms of exit and the nature of Britain’s future relations with the EU would take at least two years and probably longer to settle. Many hoped that their fears about Brexit had been exaggerated. However, in the weeks following the vote in June 2016, speculation had centred on how Britain might work out a deal that would preserve its access to the European single market. EU leaders, especially Germany’s Angela Merkel and France’s former President François Hollande, had publicly hinted in 2016 if Britain wanted access to the single market on terms available to an existing member (warnings which were subsequently reinforced by Donald Tusk and Jean Claude Juncker earlier in 2017) it would also have to accept free movement of EU citizens into Britain which would be anathema to any British Prime Minister committed to the essential elements of the referendum verdict i.e. to reclaim control of borders and laws.

As the negotiations appeared to be stalemated (no agreement had been reached on the three issues of EU and UK nationals, financial arrangements and the Irish border till date) Theresa May delivered a wide-ranging speech at Florence, Italy on 22 September 2017 unfolding the UK’s position on the issues that were blocking progress. While she did not mention any figure which her EU interlocutors were keen to hear, Mrs May hinted for the first time that the UK would “honour commitments” made while it had been a member to avoid creating “uncertainty for the remaining member states”. This was construed as though she did not specify how much the UK would be prepared to continue to pay into the EU for two years after it leaves in March 2019 the UK would fulfil its financial commitments. In fact as things stand at the moment (October 2017) the entire negotiations have come down to the question of money. After five rounds of negotiations the EU remains insistent that there will be no negotiations on a transition period (the UK wants at least a two year transition period after March 2019 for existing market access arrangements to apply to give it space and time for adjustments) or on future relations (trade and other related arrangements), until financial commitments have been clarified. In her Florence

2 UK’s financial commitments have been estimated as being at least Euro 60 billion for the EU budgets in 2019 and 2020 (BBC News 2017).
speech Mrs May also proposed a “bold new strategic agreement” on security co-operation. On trade she said the two sides could do “so much better” than adopt existing models and there was “no need to impose tariffs where there are none now”. The UK was also prepared to make “ongoing contributions” to projects it considers greatly to the EU and the UK’s advantage, such as science and security projects. The UK did not want to “stand in the way” of closer EU integration as had been outlined a few days earlier by Jean Claude Juncker (BBC News, 2017).

The Brexit negotiations figured again at the EU summit on 19 October 2017. Speaking at the end of the two day summit Donald Tusk, President of the European Council, said that reports of deadlock over the negotiations may have been exaggerated; progress was “not sufficient” to begin trade talks now but that does not mean “there is no progress at all”.

Giving a clear insight into the fact that the EU President and the chief negotiator were not on the same page on the status of the talks Mr Tusk said while he was not at odds with Mr Bernier his own role was to be “a positive motivator for the next five or six weeks”. Mr Tusk further added that he felt there was “goodwill” on both sides and that explains why he was more optimistic than Mr Bernier emphasising that they were in a “different role” (BBC News, 2017).

While on the surface the EU27 appear not satisfied with the progress made so far, they actually believe that the UK is not too far off “sufficient progress” according to Mujtaba Rahman, the Managing Director for Europe at the political consultancy Eurasia group. That is why both sides have said that they want to accelerate the negotiating process, and prepare for discussions about the future. In fact over the next few weeks the EU27 will be engaged in an internal discussion about the transition process after March 2019 and the nature of a future relationship. They would not talk directly with the UK about these issues until December 2017 at the earliest and only then if “sufficient progress” has been made on all the “divorce” arrangements, including money. It is being speculated that in their internal deliberations on transition the EU27 will probably offer to prolong all existing EU rules and regulations which would mean that after Brexit (March 2019) -- for “about two years” (i.e. for the length of a transition period) -- the UK will be outside the EU’s political institutions, but inside its economic arrangements. It also means the UK would have to accept EU budget payments, EU regulations and the jurisdiction of the European Court of Justice. This indeed was the biggest take away for Mrs May from the Brussels summit on 19 October.

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3 Michel Bernier, the EU negotiator, had said earlier in October that the talks were deadlocked.
as all EU leaders knew that the British Prime Minister was in a politically difficult situation and did not want her to go home empty-handed; so, as noted above, they had promised they would start talking among themselves about trade and transition deals (crucial to Britain) as early as 23 October 2017 (BBC News, 2017).

But the details of trade and transit deals the EU 27 have in mind are difficult for some Brexit supporters in the UK to stomach. However, realising that Britain can not have it all its own way, Mrs May, in her Florence speech, had already accepted that the framework for any transition would be “the existing structure for rules and regulations”. While it is premature to speculate about what the nature of the transition would be like British media and experts are already wondering about what kind of problems might arise if the UK tried to argue for exemptions or exceptions (as it had done in the 1990s for the Schengen and the Euro projects); for example if the UK wishes to leave the Common Fisheries Policy of the Union as it leaves the EU in March 2019. There is also an issue here about the EU’s own unity on trade and security talks which will be much harder than the terms of transition. What is confounding EU most is what is it that the UK wants. Every change in emphasis in London adds to the confusion. The biggest worry is that even after the expiry of seven months since Theresa May triggered Article 50 of the Lisbon Treaty in March 2017 hardly any worthwhile progress has been made on some of the initial key issues let alone the issue of trade and transition. There is a danger that the negotiations may be timed out (BBC News, 2017).4

It is the domestic scenario in Britain that is contributing to the mounting confusion in the negotiations. Even after sixteen months since the referendum in June 2016 Britain remains a house divided —almost down the middle. For instance a recent poll carried out for the TIMES newspaper found that 42% of the people think that Britain is right to leave the EU while 47% think it is wrong, the biggest gap since the referendum. So far as British politics is concerned, in spite of a clear majority of MPs in all the parties favouring a soft Brexit it is the zealots who rule the roost when it comes to leaving the EU with the moderates effectively sidelined.5 Both Labour and the Conservatives are riven with divisions between leavers and remainers, hard and soft Brexeters. For the

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4 Michel Bernier has said that he wants the discussions to be over by October 2018.
5 Theresa May herself is trying to achieve a balance between a hard and a soft Brexit while working strenuously not to alienate the hard Brexeters in her party to safeguard her own position as party leader and Prime Minister

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Conservatives the division is not just about a hard and a soft Brexit. It is also about economic policies that cut across the Brexit divide. Take for example the post-Brexit agricultural policy. One section of the Party would end all subsidies to farmers and allow the market to take its course. For others, especially in rural constituencies dependent on the farm vote, such a policy would be suicidal. On the question of the potential economic damage to the British economy in the event of a hard Brexit the gung-ho confidence of the hard Brexiter in the cabinet, led by the Foreign Secretary Boris Johnson, is all the harder to explain away in the face of the cold reality (Menon, 2017a).

So far as the Labour Party is concerned, there is a curious ambivalence at the leadership level with Jeremy Corbyn, the Party leader not very keen on discussing Brexit in public. It may be remembered that Corbyn’s critics accused him of not campaigning sincerely enough against a Brexit despite his public profession of siding with the ‘Remainers’. Labour is divided between those who are more interested in exploiting the ‘civil war’ within the Conservative Party and the Cabinet over Brexit and use it to win the next general election whenever it is held even if it means a hard Brexit and those who are alive to the cost of a hard Brexit (most Economists think that a hard Brexit would slice about 3% of the UK GDP). In such a scenario there will be less money available for social welfare programmes which will bring justice for “many” (Menon, 2017b). Such a polarisation within the two major parties is reflective of the same at the national level and each politician is acting according to what suits his or her career interests; in the process the moderates in both the major parties who could prevent a hard Brexit (I have already explained what that means in real terms) have been largely marginalised and are silent (Menon, 2017c). What all this Machiavellism in British politics boils down to is further uncertainty over the Brexit talks as it meanders along almost in a blind alley.

Perhaps the lack of an immediate post-referendum economic crisis, except for the fall in the Pound -- in fact the British economy performed quite well in the one year since June 2016 -- had created a complacent belief that the loss of the EU market access would not badly damage Britain’s economy and alternative markets, especially those of China and India besides others in the wider world, would compensate damage to British trade if any. The picture however has dramatically changed after the 8 June 2017 elections and what the UK is looking into now is uncertainty -- in domestic politics, economy (which, according to a recent assessment by the Governor of the Bank of England, has worsened) and
the Brexit negotiations if not even in restructuring its relations with the rest of the world (BBC News, 2017).

For Britain the Brexit referendum only confirmed the divisions among social groups that had been widening for decades and gave these social groups the opportunity to express themselves by voting to leave the EU. As already noted Theresa May, originally a ‘Remain’ campaigner, quickly converted herself to the ‘hard Brexit’ line by outlining the government’s intention to exit the single market (as noted above she has subsequently changed her stand on the single market) and to end free movement from the continent in its current form. Subsequent developments, especially the inconclusive election, made her position somewhat untenable the ramifications of which will only become clear in the weeks and months ahead. However, the polls and surveys carried out in recent times show strong support for the core pillars of her plan. Large majorities have supported the PM’s position on controlling immigration from the EU and leaving the single market. There is also no indication that those who voted for Brexit are prepared to revisit their position or regret having voted for Brexit. According to one British commentator, May’s strategy is likely to further accelerate the polarization in British society with the Remain voters wishing to retain strong links to the single market and the EU while the Leave supporters preferring stronger controls on immigration and a restoration of undiluted national sovereignty. May’s strategy will definitely resonate strongly with the latter group; however, it is likely to alienate middle class professionals and social liberals who continue to wield considerable electoral power (Goodwin, 2017: 111).

4. Implications for the European Union

The impact of Brexit on the European Union itself has also been a subject of much debate, both preceding and following the referendum in June 2016. First and foremost, exercise of power by the EU which has established itself as a leading international actor in recent times, is dependent on unity among member states. With the UK scheduled to leave the Union in less than two years unity will not be any easier to achieve though London has at times been quite an awkward club member. It may be noted here that the principal basis of EU power in international relations is the size of its single market. To quote a noted EU

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6 See Bhattacharya (1994) for details.
expert, “the combined gross domestic product of the 28 member states is slightly larger than that of the United States or China, and these three big players have similar shares of world trade in goods. Because of the EU’s size and wealth, countries want to trade with it. In principle, this gives the EU leverage. Brexit will diminish that leverage. British gross domestic product accounts for approximately 19 per cent of EU’s GDP. Although the EU without the UK will still be one of the top three largest markets in the world, it will be almost a fifth smaller than it had been before Brexit” (Smith, 2017: 84).

Brexit also negatively impacts other EU foreign policy instruments. With the UK currently contributing almost 15 per cent of all EU funding for developing countries the EU’s aid budget will be substantially reduced. With the loss of British experts the EU External Action Service (EUEAC) will also be affected and this loss will be keenly felt as EU diplomacy is dependent on the diplomatic capacities of its member states. Britain may not have been at the forefront of recent EU diplomatic efforts such as the mediation of the Ukraine-Russia conflict or the management of relations with Turkey regarding the refugee crisis (when Ankara agreed to act to stem the flow of Syrian refugees through Turkish territory on their way to Europe in search of a better life), it did play a notable role in this arena, especially during negotiations with Iran on the nuclear issue. (Smith, 2017: 85).

Britain has not been a notable actor in EU defence cooperation and in fact was ranked among the most reluctant member states in this regard. It was also not a major contributor of troops to EU military missions. However, a withdrawal of British defence capabilities will surely be felt as the UK provided crucial resources to some missions. Notable among these was providing the operational headquarters for the EU’s anti-piracy mission off the coast of Somalia. Brexit, nevertheless, will not necessarily preclude future British participation in EU missions abroad as mechanisms already exist allowing “third countries”, including Norway and the United States, to do so (Smith, 2017: 85).

Another area where the EU will undoubtedly feel the absence of the UK, one of its key member states, in its fold is in the arena of soft power (its power of attraction). The EU’s global image has already taken a battering as it battles a succession of crises, already noted above, and its apparent inability to resolve any of them satisfactorily. Consequently, its ability has been reduced to convince other states to support its preferences without having to resort to its other sources of power such as trade. There is also the fear in the EU that Brexit will fuel the
anti-EU populism in several other member countries. However this apprehension has dissipated somewhat in recent weeks after the anti-EU populist parties lost elections in Austria, the Netherlands in March, 2017 and, most significantly, in France in May, 2017 when the Far Right candidate of the Front National, Marine Le Pen, lost to the centre-left candidate, strongly pro-EU, Emanuel Macron by a huge margin (Bhattacharya, 2017). The EU also partially overcame the next big test in this regard when the sitting German Chancellor Angela Merkel won the German elections in September 2017 though German voters fired a warning shot across her bow by giving the Far Right Alternative for Germany party (AFD) nearly 13% of the vote and therefore sending the first Far Right representatives to the Parliament since the end of the Second World War. This is why most commentators have viewed Merkel’s electoral win as a pyrrhic victory. Populism and anti-EU sentiments among Europeans still remain strong.

The European Movement International (EMI) produced a detailed report entitled “The Consequences for a British Exit from the European Union” in 2016 prior to the referendum in June 2016 in which it did a crystal-ball gazing study of the potential impact of a British withdrawal from the EU in two principal issue areas besides others such as migration, trade and sovereignty. On the trade front the report says “the UK is more dependent on the EU than vice-versa given that 12.6% of UK’s GDP is linked to exports to the EU whereas only 3.1% of GDP among the other 27 member states is linked to exports to the UK. The EU is the destination of 44% of UK exports and 60% of total UK trade is covered by EU membership and the preferential access it grants to 53 markets outside the EU”. On the issue of sovereignty the report says “No alternative type of relationship offers co-operation on security similar to that available through EU membership: neither Norway nor Switzerland have equivalent access to the European Arrest Warrant”. The report concludes, on a pessimistic note, “.... leaving the EU will be a mistake of paramount proportions, one whose effects will be felt sharply in the short term and will have a lasting impact on the UK (and it may well have added, to a lesser extent, on the EU itself) for many years to come” (European Movement International, 2016).

While the Brexit negotiations are underway it is time for the European Union to do a stocktaking of where it stands now and what the future road map should look like with one of its key members about to depart. At the Rome summit of the EU 7

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7 This is viewed by most commentators as a protest against Merkel’s decision to grant asylum to over one million Syrian refugees.
leaders, held on 25 March 2017, to mark the anniversary of 60 years of the organisation, the need for unity was given the utmost importance. In the Rome Declaration, issued after the summit meeting of 27 leaders of the Union (Britain was absent as Brexit negotiations were about to get underway) the achievements of the Union like peace and prosperity were highlighted and a pledge was taken to stand united noting the fact that in a turbulent world individual EU states did not have much clout to influence world events; only a united Union can do so. The Declaration also noted that the Union is facing unprecedented challenges—both global and domestic—such as regional conflicts, terrorism, migratory pressures, protectionism and social and economic equalities. The Declaration promised that in ten years the Union wanted to build an organisation that ensured peace and security, its competitiveness, prosperity, sustainability and social responsibility with will and capacity to play a key role in the world and shape globalization. Keeping these objectives in mind the leaders adopted the Rome Agenda which include a safe and secure Europe, a prosperous and sustainable Europe, a social Europe and a stronger Europe on the global scene (European Commission, 2017; Bhattacharya, 2017). It is worth noting that Brexit found no reflection in the Declaration as the leaders were keen to stress the unity on display as not any division.

Laudable as these objectives are no doubt, the pitfalls that lie ahead are also formidable. Apart from Brexit, the subject matter of this paper, the Union also faces other grave challenges (some of them briefly referred to above) i.e. the potential contagion effects of Brexit (though these have been contained to a certain extent in recent months), the Eurozone and migrant crises which remain largely unresolved and the threat of terrorism which continued unabated with successive attacks in different parts of the continent in recent times. A British exit from the Union unquestionably further weakens the fundamental fabric of the EU at a difficult time of its existence.

5. Final Thoughts

While uncertainty looms large over Brexit it is important to remember that everything hinges on the final outcome of the negotiations between the UK and the EU which, on present indications, appears to be less than one and a half year away. It is also important to remember that uncertainty is the last thing the world of trade, industry and business prefers. However that is precisely what the outcomes of the Brexit referendum and the inconclusive British general elections (and now the shadow boxing between the UK and the EU in their negotiations...
over a British exit) have generated -- both in the UK as well as the EU. The overtly self-confident band of hard Brexiteers in the UK who engineered the crisis that Brexit (and now an inconclusive election in the UK) has spawned look set to propel the two sides into some sort of crystal-ball gazing in the next few weeks and months. An optimist would look at the picture both as a challenge and an opportunity. It is a challenge and an opportunity for the UK to reformulate its political, economic and strategic priorities if not its very identity which always posed a question mark to its 43 year membership of the EU; it appears that the optimists in the UK are prepared to believe that there may be costs in the short term but the long term benefits (whatever they may be and hard to calculate at the moment) would outweigh the short term costs. It is a challenge and an opportunity for the EU to re-unite the post-Brexit Europe behind Germany and France, the two countries who forged the original European project in the first place, and initiate the kind of reforms that people across Europe are calling for to save the EU. Such a reconfiguration of priorities on both sides is inevitable in an ever changing and fast moving Europe and the world.

References


[14] LSE Brexit. Blogs.lse.ac.uk/Brexit


