

To BREXIT or not to BREXIT? This is the (only) question?



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Abstract:

The historical decision of United Kingdom to exit from European Union (called BREXIT) expressed by a representative national referendum started to produce economic effects. The future of Europe is significantly changing now. The hard negotiations between United Kingdom and European Union could be a sign for other Eurosceptic countries. The future of European Union project is uncertain now. The BREXIT should be a clear sign for European Union for a strong and extended reform. United Kingdom is more important for EU than the opposite. This potential separation is a clear loss for the whole integration project. United Kingdom hardly pleaded for reforms for many years. United Kingdom is one of the most developed, freest and competitive nation of the world. United Kingdom is more liberal and market oriented than many countries of European Union. United Kingdom has one of the most developed capital market and the biggest FOREX market of the world. The BREXIT offers now limited options for both sides, including the option to do not exit from European Union. This paper analysis the causes that led to BREXIT and potential economic effects for both sides, including the case of Romania.

Keywords: European Union, custom union, free trade area, political union, economic freedoms.

JEL Codes: F41, F15, E52, E44.

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1. INTRODUCTION

European Union was addressed as a post-war project for Western Europe, significantly divided and destroyed by that violent and aggressive conflict. It was seen as a providential solution to temper the nationalistic and protective behaviour and to change the mind of people toward a common substantial project.

The integration process had various stages and developments: more and more freedoms included in the process (ex: free trade of goods and services was later doubled by free movement of capital and people; custom union for specific goods have been replaced by a free trade agreement and later by single market etc.); additional policy and regulating competences have been allocated for European common institutions (ex: competition policy, foreign security policy, environment protection policy etc.) and more countries included inside this united group of countries (from the 6 initial founders European Union passed to still 28 countries, still more 6 countries are applying for membership status; the process of EU's enlargement was not an easy one).

Today, European Union encounters a population of 510 million inhabitants (in 2016), a real GDP of 14.7 trillion Euro in current prices (in 2015) that gets an average of 28800 Euro / capita, current prices in 2015 [1]. EU is on the first place as share of world GDP (23.8% compared with 22.2% for USA and 13.4% for China in 2014) but with a lower economic growth rate than other G20 countries like Indonesia, China, India or Argentina, the economic growth of EU28 was superior only to Japan in the last four years [2]. The combination between GNI per capita and GNI

per capita growth rate places EU28 today below Japan, Canada, Australia, Saudi Arabia and United States (United States, Japan and Canada are better in terms of GNI per capita and Australia is better in terms of GNI growth rate; Saudi Arabia for both) [3].

With an average of 47.4% general government expenditures of GDP in 2015 (Mexico has only 24.5% and the average for G20 was 46.7 in 2014) and with an average public deficit to GDP of -2.4%, the public deficit of EU28 is quite comparable with the United States, Japan and it is a little bit higher than in case of Canada or Australia [4]. This situation is keeping the ratio of gross debt to GDP higher than ten years ago: in case of EU28 this ratio is still below GDP (around 80%, EU-19 has this ratio around 90%, the ration significantly increased in latest decade for both EU28 and EU19) but in case of Japan (247% gross debt of GDP), United States (123%) and Canada (108%) the gross debt is higher than GDP [5].

European Union seems to provide some economic benefits for the members (individual, business, communities etc.): more economic freedom for those who want to travel, to work or to develop a business inside of this group of countries; improved democratic schemes, higher transparency and stronger rule of law; more equality and human development; better competition; better environmental protection; more cohesion and social rest; more investments and more jobs created etc. [6]

In spite of these benefits, today European Union is seen to be far away from `European` citizens: in 2016, 35% of them declared that they are not sure about the meaning of European Union citizenship and 13% never heard about this term; 91% declared that they are feeling to be citizen of EU and of their own country as well; 42% of EU citizens feel to be not very well informed by EU and 15% not informed at all about their rights as EU members. The opinion on the benefits of free movement of people inside European Union is strongly divided between those

who strongly agree on the benefits (32%) and those who tend to agree (39%), tend to disagree (16%) and strongly disagree (10%) on this issue[7].

This paper is focused on the voted option of United Kingdom to exit from European Union in the next period of time, the process simply called Brexit. The paper will start from the analysis of the current position of United Kingdom in the European Union and its historical evolution, will be focused on the potential explanations that generated the whole situation and will study the main arguments and counter-arguments in the favour of this political decision (both parties involved). The paper is discussing also the potential options for United Kingdom in this specific process of being separated from European Union.

2. THE PATH TO EU AND THE POSITION OF UNITED KINGDOM AT THE MOMENT OF THE VOTE ON BREXIT

The history of accession of United Kingdom to European Union is a very sensitive one. First of all, United Kingdom is not a founder member of European Union, in spite of pro-European attitude of main politicians of that time: Winston Churchill called for building United States of Europe speaking to the students of University of Zurich in 1946 – *“There is a remedy which ... would in a few years make all Europe ... free and ... happy. It is to re-create the European family, or as much of it as we can, and to provide it with a structure under which it can dwell in peace, in safety and in freedom. We must build a kind of United States of Europe.”* [8]. This fact is explained by various factors: United Kingdom, at that time, was more concentrated on the dissolution of the former British Empire; United Kingdom was closest to United States until Suez Crisis (late 1956); United Kingdom defended the social protection of British

workers in the field of coal and steel; United Kingdom preferred a free trade area instead of a custom union, this option protecting the interests of Commonwealth countries that provided agriculture products to United Kingdom and a constant Euroscepticism attitude of various political leaders across time [9].

United Kingdom followed a separated integration with few selected countries, seen as an alternative to European Union: European Free Trade Association founded by Stockholm Convention in 1960 by seven founding countries: Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom. Later, Finland and Liechtenstein have been accepted in EFTA (Finland in 1961 and Lichtenstein in 1991). All countries that obtain the EU member status leaved EFTA later: United Kingdom and Denmark left EFTA in 1973, Portugal in 1986 and, finally, Austria, Finland and Sweden in 1995. EFTA is formed today by only four countries: Iceland, Liechtenstein, Norway and Switzerland, playing a marginal role in the Western Europe. This integrative structure initiated by United Kingdom is today strongly integrated with European Union: three countries (Iceland, Liechtenstein and Norway) signed the European Economic Area Agreement with European Union enabling them to participate to EU's Single Market. The fundamental four freedoms are applied to those three countries without enabling them to vote for regulations applied to Single Market [10].

Admission of United Kingdom was not a happy story too. After refusing to be founder of European Union in 1957, United Kingdom firstly applied for being member of EU in the beginning of '60 years (in 1961 together with Ireland and Denmark) but was strongly vetoed by France in 1963 (the French President of that time, Charles de Gaulle, opposed to this application). Later, when de Gaulle left the French Presidency, United Kingdom applied again in 1973 and France (the President of that time was George Pompidou)

did not vetoed this application anymore, so United Kingdom finally became the member of this group of countries aiming to act as a single market [11]. The story continued later when United Kingdom withdrawn from Euro project following “Black Wednesday” (16 September 1992) speculators’ attack on pound that cost United Kingdom around 3.3 billion of pounds [12].

In spite of these difficult relationship between European Union and United Kingdom, United Kingdom is an important member for the whole integrative mechanism: United Kingdom is one of the most developed country of the world with a very good quality of life (13th place in the world, [13]); United Kingdom net contribution to EU Budget is around 7.1 billion pounds per year, that is about 0.9% of total public expenditures and 0.4% of its GDP, equivalent to around 110 pounds / capita each year, this contribution is about 12.6% from the total EU Budget [14]; United Kingdom is exporting more services to EU countries than is importing from there and is importing more goods from EU countries than is exporting there [15]; the trade balance of United Kingdom with EU is negative (and increased during last five years) and the trade balance of United Kingdom with non-EU countries is significantly positive (and increased in the last five years) [16]; 44.6% of United Kingdom’s exports are located in various countries of European Union and only 10% of cumulated exports of European Union countries are located in United Kingdom.

3. THE PRO AND CONS OF BREXIT

The referendum on Brexit was held on Thursday, 23 June 2016. The total voting population of that time was 51.4 million voters (around 65% of UK population). 46.5 million UK citizens registered their right to vote (around 72.2% of total voters). The total participation to this vote was 33.6 million voters. From them,

17.4 million people voted for leaving the European Union (51.89%) and 16.1 million people voted against BREXIT (48.11%). The difference was more than 1.27 million voters [16]. Younger people voted for remain in the European Union (voters against BREXIT under 30 were 63%) and low educated people voted for BREXIT (57% of voters with no qualification higher than GCSE were 57%) [17].

The main economic arguments *in the favour* of BREXIT, that dominated the voting campaign, could be summarized as follows:

- *Higher independence* to pursue its own interest in the relationship with other countries: British voters for BREXIT consider that the separation from European Union provides will enforce United Kingdom to renegotiate its international position and position. This independence could mean better adapted legislation and public policies to the interests of British tax payers.

- *Higher control on migration*: migrating people to United Kingdom are coming mainly from European Union. Before migrating in United Kingdom, a lot of non-EU citizens are migrating in EU countries that are members of Schengen Space. Separation from European Union would initiate some barriers against free movement of people from this Space. United Kingdom will be able to apply its own policy for migration. Visas and other potential barriers will be applied and the application for UK citizenship will be severely conditioned by British authorities. But, the existing data is indicating that migrants have a very high employment rate on British labour market [21, p. 19].

- Separation from *bureaucratic* Brussels: European Union became a very interventionist structure with many supra-national institutions that are the opposite of economy, business development, markets and job creation process. EU regulates everything today, including the sacrificing of pigs, products

labelling, bananas' curvature or cucumber shape. Over regulation is the consequence of this increasing EU bureaucracy because the jobs of EU officials and their salaries need to be justified. The cost of this over-regulation was estimated to 125 billion pounds [18]. Another consequence is the significant increase of EU's expenditures and a constant pressure on the local taxes transferred to Brussels by EU member countries.

- *Better trade* for United Kingdom: The balance of trade with EU is negative and increasing. The balance of trade with non-EU countries is positive and increasing. Leaving the European Union, in case of United Kingdom, is a good chance to re-evaluate these extra-EU trade opportunities and to increase the trade with major emerging non-EU countries such as BRICS countries. The relationship with Commonwealth would be reinforced and redefined.

There are several arguments pro-BREXIT that are at least debatable: [i]. The contribution of UK to EU was claimed to be around 17.8 billion pounds per year (2015), corresponding to 50 million pounds per day. Later, this contribution was reduced to 12.9 billion pounds corresponding to an average contribution of 200 pounds per capita. In fact, United Kingdom is net contributor to the EU's budget but with a less amount due to the fact that this country receives from EU an amount estimated to 4.4 billion pounds as grants and subsidies (ERDF paid 1.1 billion pounds and EAGF paid 2.3 billion pounds) and 1.4 billion pounds payments to private sector for specific expenditures (mainly research field, Horizon 2020 schemes). The contribution to European Union includes around 1 billion pounds as international financial aid that is independent from the quality of EU member. So, the net contribution to EU Budget is around 6.5 billion pounds per year only (less than Germany and slightly more than France and Italy) and decreased in the last years after a peak in 2013 [19]. [ii]. Lower prices (meaning lower inflation) if the United Kingdom will leave

European Union. In fact, the monetary policy remained with Bank of England because the country decided to quit Euro project and obtained a special status. Inflation has monetary causes and it is generated by money expansion. Bank of England applied a quantitative easing as the same applied European Central Bank in the last years. Both central banks expanded money in almost the same proportion. British pound is the same fiat money as is Euro. The impact on foreign investments, the impact on the jobs and employment and the impact on economic growth are still not clear.

The main economic arguments *against* the exit of United Kingdom from European Union, that dominated the voting campaign, are the following:

- *A reduction of economic growth*: major experts predicted a significant economic meltdown due to this decision. PwC estimated an economic growth gap between “remain” and “leave” decision of 4-5% in the next 4 years [20]. The same, International Monetary Fund predicted a strong fall of British economy after BREXIT decision [21]. In fact, the real data shows that the decline of economy is missing and United Kingdom is doing better than any prediction. Of course, we should take into consideration that separation is still not activated and British economy is still functioning inside of Single Market. Domestic sales continued to grow after referendum, the domestic sales of manufactured goods increased in Q3 2016 with 13% (9% in Q2 2016) and the domestic sales of services increased with 9% in Q3 2016 (24% in Q2 2016) [22].

- *The BREXIT will limit the access of United Kingdom to a very important market*. The Single Market of European Union is important for United Kingdom from both sides: as an important export market for British products and services and an important import market, especially for technology, capital goods and raw materials. But, because the net export with European Union is

negative (more imports than exports), we can estimate an additional growth rate for real GDP after BREXIT (the negative net export is negatively influencing the economic growth). The positive trade balance with non-EU countries and opportunities to increase the trade volume with Commonwealth territories could significantly compensate such problem. Export of manufactured goods increased in Q2 2016 with 9% and in Q3 with 17%. The same situation in case of export of services, an increase with 11% in Q2 2016 and with 8% in Q3 2016 [22].

- A significant *depreciation of British pound*: the IMF predicted a strong depreciation of pound on long term due to the reduction of exports to EU countries and the limited capacity to redirect these exports to other non-EU markets [21, p. 26 and p. 29]. The IMF specialists estimated a depreciation between 5% and 15% for the next years. The depreciation is additionally argued by a specific need to boost the exports by using depreciation. However, the real data until now indicates that the depreciation of pound started before (2014) and the Bank of England significantly contributed to this depreciation during the referendum weeks [22]. This depreciation will continue if the central bank will continue to apply an expansionist (unconventional) monetary policy with massive quantitative easing applied. The depreciation is more connected to the monetary policy than to the foreign trade. The deficit of trade balance could be know compensated by financial flows that could significantly reduce its impact on the depreciation of British pound.

- The *investments* in the British economy will significantly decrease in the next period of time: the foreign companies currently located in United Kingdom will relocate their activities in case of BREXIT in order to remain in the European Union and to benefit from the Single Market facilities. In fact, those companies (especially

those from financial sector) decide for British location motivated by the financial markets development and international importance of London Stock Exchange. European Union members such as Germany, France or Italy should pay a lot of efforts to develop their financial markets and institutions at a comparable level. The level of integration for European financial markets is still reduced. The opposite interests and approaches regarding this particular field are very present in the European Unions' policies. A lot of barriers and regulations need to be removed or refined to boost the financial transaction and to move the attention of international investors from London to any other European member country today. The current data are not confirming this pessimistic predictions on investments and are showing that the investments in the manufactured sectors continued to increase with 8% in Q3 2016 (16% in Q2 2016) and the investments in the services sectors increased with 11% in Q3 2016 (23% in Q2 2016)[22].

- The *unemployment rate* will increase due to the estimated economic decline after the BREXIT: according with IMF calculations, the BREXIT decision will generate an unemployment rate between 5% and 5.3% during 2016 – 2021 in a basic scenario and a rate between 5.2% and 6.5%, the same period, in an adverse scenario [21, p. 32]. The actual data on unemployment rate shows that employment rate grew with 15% in Q3 2016 (12% in Q2 2016) in case of manufactured goods sectors and with 14% in Q3 2016 (19% in Q2 2016) in case of services sectors [22]. The competitiveness of United Kingdom market, the economic freedom of this country and the power of private (real) economy is indicating a very robust economy with a very flexible labour market that can resist to significant shocks such as the vote on BREXIT was.

- The *increase of inflation* is another economic consequence associated to the vote on BREXIT: the basic IMF scenario is

indicating an inflation (measured through CPI) between 0.8% and 2% during 2016 and 2019 and the adverse scenario on inflation is indicating values between 1.2% and 4% in the same period of time [21, p. 32]. The current data on inflation are not publicly available yet but this is the most important pressure anticipated by British companies. The costs with raw materials procurements seem to be the driver of their inflationary expectations [22]. However, we should mention that inflation is a monetary phenomenon and it is directly linked to the monetary policy of Bank of England and less connected to the idea of being part of European Union. Additionally, United Kingdom kept the independence of its monetary policy by rejecting the single currency from the beginning.

Additionally, we should mention that, few month after the vote on BREXIT, the confidence in the economic development is still high at the business level: 36% of British companies are confident that their turnover will increase in the next period in Q3 2016 (40% in Q2 2016) in case of manufactured goods sectors and 28% in case of services sectors, the same quarter (44% in Q2 2016). This positive attitude is very important and keeps the economy connected to the sustainable mechanisms of growth. Consequently, the British employers are confident in the continuing employment for near future: 16% the confidence level for manufactured goods sectors in Q3 2016 and 15% in case of services sectors, the same quarter [22]. Excepting London area, all British regions are very optimistic in terms of employment and business development.

4. THE ALTERNATIVES FOR UNITED KINGDOM AFTER BREXIT REFERENDUM

The consequences of BREXIT vote are depending on the choice of United Kingdom to exit from European Union. Several options are today discussed by specialists: [i] to keep the current status of EU member state; [ii] to reconsider the European Economic Area (EEA) membership – called “Norway solution”; [iii] to negotiate a bilateral agreement with European Union – called “Switzerland solution”; [iv] to negotiate a new Free Trade Agreement with European Union and, finally, [v] to apply the World Trade Organization (WTO) rules like any other country totally separately from European Union.

The *first alternative* is plausible only if the British politicians will decide to do not act according with the referendum results. At the referendum moment, the UK Parliament members are less balanced than the referendum results: from Conservative Party, 185 members declared to be for *remain* position and 138 members for *leave* position; from Labour Party, 218 members declared to be for *remain* and only 10 members again [23]. The current UK Prime Minister claimed that the BREXIT process could start without the vote on in in the Parliament because the negotiation of treaties (as European Union is in fact) is a clear attribute of government. The Parliament position is opposed to this one due to the fact that leaving European Union will impact the statutory law. In the absence of clear written provision in a constitution, the problem how to legally start the BREXIT seems to be very complicated. However, the subject is very sensitive from political perspective, the cost of rejecting the results of referendum being significant in this case. Additional pressures are exercised today by those who want a second referendum on this topic: 4.2 million Britons signed a petition addressed to British Parliament calling for a second

referendum on BREXIT and for implementing a rule that if vote is less than 60% based a turnout less than 75% there should be another referendum [24]. The most sensitive problems with *remain* option are: the very limited ability to avoid EU's regulations, the net contributions to EU budget, not an independent immigration policy and a lack of independence to negotiate deals with non-EU countries (especially Commonwealth territories, USA and Canada).

The *second option* reconsiders the former position of United Kingdom in the European Economic Area (EEA, today this integrative structure is composed only by Norway, Island and Lichtenstein). In fact, this area is an agreement signed in 1992 between three out of four countries that remained in the former European Free Trade Agreement (EFTA, created by *Outer Seven* countries: Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom and later two members, Finland and Iceland). Switzerland rejected by referendum the participation to EEA and decided to develop personal economic relations with European Union (Single Market) based on specific bilateral agreements. If United Kingdom will decide to return in the EEA as full member of this structure, the country will have the possibility to negotiate with non-EU countries alone, to pay a little bit less than today to the EU budget (the contribution per capita of Norway was 106 pounds and Britons paid 128 pounds, the same year)[25], to ignore some Common EU policies (Agricultural policy, Fisheries policies) but should continue to accept immigrants from EU due to the free movement of labour Single Market condition. The subsidies granted by EU for agriculture will be replaced by a financial support locally decided. The voting right on EU legislation is missing so United Kingdom will have a formal opinion on EU rules and regulations. The position of Norway, the biggest country now from EFTA, is not in the favour of re-accepting United Kingdom in this structure. United Kingdom is

significantly bigger than all still existing four economies and will imbalance EFTA a lot.

The *third option* is called Switzerland option and consists a set of specific bilateral agreements that will be signed by United Kingdom after BREXIT with EU. In fact, the relationship between Switzerland and European Union is based on two main bilateral agreements: the first one signed in 1999 and covering aspects like free movement of people, air traffic, road traffic, agriculture, technical trade barriers, public procurement and science and the second one covering issues regarding security and asylum and Schengen membership, cooperation in fraud pursuits and final stipulations in open questions about agriculture, environment, media, education, care of the elderly, statistics and services. Switzerland entered in Schengen space in 2008 but in 2014 a referendum on limiting the freedom of movement of foreign citizens to Switzerland initiated new negotiations between this country and EU that finished in 2016 with a new agreement in this area. As we can notice, the bilateral agreements signed by Switzerland and EU are constantly and strongly based on popular consultancy through referendums. The citizens are often called to express their opinion on various aspects of this relationship. The costs of doing this is totally assumed by them. The contribution per capita to the EU Budget is significantly more reduced for Switzerland but is still there (53 pounds per year compared with 128 pounds paid by UK). Compared with “Norway option”, this option has a lesser fiscal cost, the passporting procedures will be applied, a lesser access to marked and a very limited right to decide about EU rules. Thinking to this option, we should add the fact that United Kingdom has an economy significantly bigger than Switzerland. Moreover, the production, trade and investments structure is different. In a bigger country the economic and social

problems have different complexity and the democratic agreement is more difficult and more costly to be achieved.

The *fourth option* is to negotiate a completely new free trade agreement with European Union. This option has a lot of unknown features: the capacity of United Kingdom to influence the EU legislation, the access to Single Market, the visa procedures or the fiscal contributions to European Union. It is unclear if the British politicians will have enough bargaining power to negotiate favourable conditions for their country. The last experiences with the negotiations on Transatlantic Trade and Investment Partnership (TTIP) with United States and with the negotiations on Comprehensive Economic and Trade Agreement (CETA) with Canada blocked by referendum in a part of Belgium prove that this negotiation of a new agreement is very difficult. This difficulty is particularly derived from the current EU politicians' mentality that transformed the EU project into a very interventionist and protectionist one. All non-EU countries should be banned by various hidden or explicit barriers to access the EU Single Market. This mercantilist view on international economic relations is quite obvious and will highly influence the negotiations. It is clear for everybody that an option like this will enforce United Kingdom to independently settle its trade and investments deals with other countries. The same in case of immigration policy. This process will take longer than all the others.

The *last available option* is to apply the WTO rules. European Union and United Kingdom are both members of this international organization. In this case, United Kingdom will act completely independent from European Union, with a limited access to Single Market, with visas applied, without fiscal contributions to EU budget, with a complete independence to negotiate treaties with other countries or to decide for various policies (including immigration). This is a fast option but with many hidden costs for

United Kingdom. For instance, the exports to United States are only of 51 billion \$ compared with 46 billion \$ in Germany, 34 billion \$ in Netherlands and 27 billion \$ in France. The UK exports are highly limited to cars (46 billion \$), gold (37 billion \$), crude oil refined products (45 billion \$) and medicaments (20 billion \$). With this sensitive structure (by countries and by products) it is very difficult to estimate clear economic benefits from leaving EU single market completely. EU single market is important for United Kingdom and constantly generated economic growth for this very competitive country.

5. CONCLUDING REMARKS

The BREXIT problem *is not a simple one* due to the fact that this is the first case of exit from European Union and because United Kingdom plays an important economic role for this integrative structure. This problem is not simple for both parties involved - United Kingdom and European Union. The politicians from United Kingdom should solve the following sensitive priorities: to define better which aspects of European Union are today problematic for their country, to reach a political consensus on the initiation of BREXIT mechanism (today is not clear if the Prime Minister should start the process without the consent of Parliament or not), to reach a political consensus on the further agreements on European Union and to successfully conduct the negotiations with European Union representatives. The priorities for European Union consists in the following: to adopt measures that diminish the economic and social impact of BREXIT; to negotiate with United Kingdom the exit and further relationship with this important economy; to minimize the potential similar requests for exit and to prevent the dissolution of European Union. In fact, European Union should understand that BREXIT is a

consequence of increased interventionism and bureaucracy over decades. The reforms of European Union, constantly claimed and supported by United Kingdom, should be a priority too.

Due to the complexity of the process and due to its potential negative effects, the referendum on BREXIT *is insufficient for the process now*. This referendum established only if Britons agree or not to be member of European Union. The referendum did not discussed about the main benefits / costs of being member of this integrative structure to understand clearly what features of European Union are the most inconvenient for United Kingdom. The referendum did not asked about the option for exiting European Union (those 5 options discussed in the paper). Each option has different implications for United Kingdom and its citizens: if the politicians will decide for European Economic Area, United Kingdom will continue to pay for the budget of EU and will have limited control on the EU rules; the immigration EU rules will continue to be applied in case of such option. It is very important to know how to settle the future relationship with European Union before starting any negotiation or agreement debates.

Despite the potential anti-BREXIT assumed position for almost members, the UK Parliament *should be directly and deeply involved in the process*. This implication in the BREXIT process could be useful for accelerating the process (if the Parliament will be avoided by the Prime Minister, potential appeals could be initiated), for increasing the legitimacy of the process and for improving the debates and consultancy during the negotiations for obtaining the best agreement for United Kingdom. However, the Parliament is seen to be against this exit, generating delays as much as possible. Moreover, the political process of democratic debate and vote should be highly used due to the massive support of *remain* option (the both sides are relatively closed each other).

Social unrests or protests could be generated if the democratic process it is not used accordingly and if politicians will decide to transfer the responsibility in few hands only.

Another sensitive problem will be the situation of the other three countries: Scotland, Wales and Northern Ireland. The vote on BREXIT in these smaller countries was different (only in case of Scotland and Northern Ireland, Wales voted for BREXIT). In this case, a dissolution for United Kingdom could be an additional pressure for the whole process. Starting a negotiation for EU separation, without including the special interests of these countries that voted for *remain*, will be a huge political mistake.

Finally, we should mention that today, economically speaking, *European Union counts more for United Kingdom than the opposite*. This idea will dominate the both sides during the negotiations and any compromise will be harder to be obtained by UK negotiators. The clear existing economic constraints and dependencies will place United Kingdom in an inferior position during the negotiations. Additional interests will make the negotiations harder: for instance, United Kingdom is an important provider of cars in European Union competing countries like Germany, France and Italy that play a significant role on this market. European Union is a very protectionist economic structure that is acting against opening the markets and removing the trade and investment barriers (see TTIP and CETA negotiations). The interests of EU members are often placed above economic reasons, many times more efficient flows with non-EU members being replaced by less efficient ones involving EU members. There are a lot of specific mechanisms that stimulate inter-EU transactions instead transactions with foreign partners. The EU agriculture policy is the best example: this policy is clearly focused on market access restrictions to limit the imports from foreign countries by applying tariffs, special safeguarding

measures, tariff escalation measures, tariff rate quotas and non-tariff barriers in this respect.

We can conclude with a very important idea that should dominate the further negotiations: any country / community should be free to decide about its sovereignty and political status. The neighbouring countries should help this effort to find the best solution for these communities and their individuals. In a globalized world, economic isolation or retaliation against your potential partners are perfect ways to failure.

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