

The consequences of UK withdrawal From the European Union

By

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Abstract

The European Union is the most important development in European history since World War Two. Nothing else has had such a broad, deep, and lasting effect on the lives of Europeans. The topic of Europe has been a source of tension in the UK. The UK has long been one of the most skeptical and ambivalent members of the 28-country European Union (EU). The EU, the rest of Europe, allies around the world and the UK itself need to be prepared for the wider international implications of such a move. The approaching referendum on whether the United Kingdom should remain in or leave the European Union marks a defining moment for the country's foreign relations. In addition to determining the UK's future status in Europe, it will affect Britain's ability to thrive in and help shape a rapidly changing world.

خلاصة

الاتحاد الأوروبي هو أهم تطور في التاريخ الأوروبي منذ الحرب العالمية الثانية. ولا أي شيء آخر كان لها مثل هذا التأثير الواسع، العميق، والدائم على حياة الأوروبيين. وكان موضوع أوروبا مصدرا للتوتر في المملكة المتحدة. الاتحاد الأوروبي وبقية أوروبا، الحلفاء في شتى أنحاء العالم، والمملكة المتحدة نفسها تحتاج إلى أن تكون مستعدة لتداعيات دولية أوسع نطاقا لمثل هذه الخطوة. الاستفتاء يقترب على ما إذا كانت المملكة المتحدة يجب أن تظل أو تخرج من الاتحاد الأوروبي، الذي بدوره يشكل لحظة حاسمة بالنسبة للعلاقات الخارجية للبلاد. بالإضافة إلى تحديد مكانة المملكة المتحدة في أوروبا في المستقبل، سوف يكون لها تأثير على قدرة بريطانيا على التطور والمساعدة في تشكيل عالم سريع التغير.

Introduction

Britain's membership of the European Union has long been overshadowed by doubts about its commitment and whether it may one day leave, also known as a 'Brexit'. The election of a majority Conservative government in May 2015, David Cameron's January 2013 commitment to seeking a renegotiated UK-EU relationship and in/out referendum, and developments elsewhere in the EU have increased the possibility of a withdrawal. This has led to a wealth of analysis and comment about what this could mean for Britain, adding to an already

substantial literature on UK-EU relations. Despite this, the Brexit debate has long been a parochial one, focused largely on the implications for Britain. When in November 2015 David Cameron set out Britain's aims for a renegotiated relationship, he did so at Chatham House. The location helped convey his message that part of the European question in UK politics was one of national security, something that had until that point been largely overlooked. The wider implications of such a move – for the EU, Europe, transatlantic relations, and wider international relations– have often been ignored except for debates in a small international relations community of diplomats and scholars. The withdrawal of one of the EU's largest member states would almost certainly be a defining moment in the history of the EU with wider knock-on effects for European security and international relations. This presents a problem for all concerned. Until the election of a majority Conservative government at the May 2015 General Election, most in the rest of the EU (and to some extent the UK) had refused to contemplate a renegotiation of Britain's membership because it seemed a distant possibility. Without being able to weigh up the pros and cons of losing Britain, the EU cannot know how far it should go in negotiating, refusing or appeasing the UK. An EU without Britain might be a more united union that functions better. It might also become more divided, with a Brexit unleashing centrifugal forces that unravel the EU. British supporters of withdrawal or renegotiation also need to reflect on how the rest of the EU and others might respond, and how much leverage is gained from the threat of Brexit. Britain could be undermining its chance to lead Europe. As Cameron himself made clear in his speech at Chatham House, on current projections, by the middle of the century the UK will have the largest population, economy and military in the EU. Sidelining itself or withdrawing now means any deal or relationship will be determined not by what the best deal is for the UK, but what is in the much larger collective interests of the EU and Europe. This will be shaped by the outlook of the remaining EU, an outlook that Britain's departure could change into one much less hospitable to British interests.

Significance of the research:

Firstly, in terms of a theoretical framework, little research has been conducted on this topic; therefore, it requires further scientific study.

Secondly, contrary to the existence of a well-developed literature on EU-UK relation, there is a rather small and limited literature on the consequences of UK withdrawal from the EU. In addition, the studies that have been conducted so far to date are more descriptive than theoretical. Furthermore, to date, there are few comprehensive studies that show how the consequences of UK withdrawal from the EU. Thus, this paper will address the various theories of international relations in order to reach a

deeper understanding of the structural determinants of the consequences of UK withdrawal from the EU, which will not only be capable of explaining the outcomes of leaving the EU current foreign activities, but also of predicting future developments.

The research aim:

The main aim of this research is to present an objective and academic study in the field of political science and international relations in general, and Britain's decision making and leader in particular, in order to achieve a clear, objective and academic vision for the consequences of UK withdrawal from the EU. This subject currently has the main role in strengthening the position of the UK and in establishing a clear future going forward.

The research problematic:

The central research question of this paper is whether the UK is able to practise independence from the EU effectively after hold a referendum and to strengthen its position to establish an independent policy in Europe.

The research hypothesis:

The UK after withdrawal from the EU has negative effect for each of them. Moreover, after leaving the EU- the UK have become weaker and less active in Europe.

The research methods:

To write an academic research, several methods have been used, such as the historical method, to explain the UK-EU relation, the analytical method, to show how leaving the EU affects both sides, the case study method, which specifically focuses on the UK, and the future method, to predict the future of UK in Europe.

The research structure:

The research highlights three essential chapters. Before elucidating the analytical framework of this study, the first chapter will delve deeply into the understanding of historical background of the UK, the EU, and the UK-EU relations. The second chapter examines the legal mechanics of the UK withdrawal from the EU, followed by illustrating the legal implications of EU withdrawal for the UK and United Kingdom European Union membership referendum in 2016. Finally, the last chapter offers a brief discussion of the implications of Brexit's consequences for the UK and the EU and its impact on the UK and the EU.

1.0 The historical background

1.1 UK's place in the world

Since the end of the Second World War, the UK has had to make a sequence of pragmatic adjustments to its position within the changing international context. In 1948, Winston Churchill thought of the UK as

lying at the intersection of three interlocking circles: broadly, the empire and Commonwealth; what he called 'the English-speaking world' (dominated by the United States); and Europe.¹ The Suez crisis of 1956 was a pivotal point as Britain was forced to abandon its imperial vocation and commit itself to the role of junior partner to the United States. Although the Commonwealth enabled it to retain a connection with its former colonies, this circle was never equal in weight to the other two. In the 1960s, economic decline and then depression in the 1970s drove the UK to seek membership of the European Community. Yet, from Margaret Thatcher's combative relationship with the UK's European partners to the failed ambitions of Tony Blair and John Major to put Britain at the 'heart of Europe', the relationship with the EU has always been awkward. This was epitomized by the UK's conscious decision not to join one of the EU's most ambitious political projects, the euro, which was launched in 1999.

Recently different British politicians have attempted to redefine the country's international role. As foreign secretary, David Miliband offered the vision of the UK as a 'global hub'. Taking advantage of the country's deep well of international linkages and diplomatic connections, the UK could serve as a global thought leader and agenda-setter in dealing with the 21st century's principal challenges.²

David Cameron, in his first term as prime minister, retained this notion of Britain being at the centre of a web of global networks. The thrust of his foreign policy was to wean Britain off its instinctive deference to the United States, and the Conservative Party off its political obsession with Europe. He championed instead the idea of Britain rebuilding economic and political connections with the world's rising powers and emerging markets, some of which, like India and China, had formed part of its former empire. To a certain extent, this was a return to Britain sitting at the intersection of Churchill's interlocking circles. By setting to one side the country's focus on the EU and relinquishing its sense of obligation to the United States, the new government could try to rebuild Churchill's first circle, this time under the mantra of a more commercial diplomacy so as to underline the economic imperative behind the strategy.³

¹ Winston Churchill, 'Speech at a Conservative Mass Meeting, Llandudno, 9 October 1948', in Randolph S. Churchill (ed.), *Europe Unite – Speeches: 1947 and 1948 by Winston S. Churchill* (London: Cassell, 1950), pp. 417–18.

² David Miliband, speech at the FCO Leadership Conference, Queen Elizabeth II Conference Centre, London,, Available at: <http://collections.europarchive.org/tna/20080205132101/www.fco.gov.uk> (Accessed: 1/7/2016).

³ Robin Niblett, *Playing to its Strengths: Rethinking the UK's Role in a Changing World*, Chatham House Briefing Paper, June 2010,, Available at: https://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Europe/r0610_niblett.pdf (Accessed: 3/7/2016).

This change in focus made sense on one level, given the shift in the centre of global economic gravity that has accompanied the rise of emerging markets. Over the past five years, Britain has indeed made some progress towards a more balanced set of foreign affairs. In 2012, Despite a wobbly political start, following Cameron's meeting with the Dalai Lama , economic relations with China have gradually improved.⁴ China has rewarded Chancellor George Osborne's persistence and given Britain a prominent role in the Chinese government's strategy to internationalize use of the renminbi. The UK's exports to China have grown from £7.3 billion in 2010 to £15.9 billion in 2014, an average annual growth rate of a little more than 20 per cent. ⁵This try to forge closer relations with Asia has not been restricted to Beijing. IN 2013, Japan and the UK and have signed a Defense Equipment Cooperation Framework and an Information Security Agreement, with the first Japan-UK Defense and Foreign Ministerial Meeting taking place earlier this year.⁶

Overall, nevertheless, the rebalancing of the UK economic and foreign policy has been only partially successful. Far from deepening their bilateral economic relationship, Britain and Russia since 2014 have become adversaries. Most Gulf states remain wary of considering the UK a strategic partner, following its support for the Muslim Brotherhood government in Cairo in 2012 and its criticism of the UK for human rights transgressions during the Arab Spring. New Delhi ignored the early blandishments of the coalition government, and the two countries have yet to strike up a new 'special relationship', as London had hoped. ⁷

There is also the problem that building stronger bilateral relations with the world's emerging powers is a competitive business. China and the United States are looking to do the same, and have the advantage of far larger domestic financial resources and markets for foreign investment – aided, in Beijing's case, by powerful government-supported commercial diplomacy. Also Britain must jostle for influence and market access with other EU member states, many of which have more competitive products and longer-standing commercial relationships with emerging markets.

Moreover while Britain has had success in boosting trade with Beijing, in 2014, British exports of goods to the country still accounted for just 3.2

⁴ Ibid.

⁵ HMRC, 'Summary of Import and Export Trade with EU and Non-EU Countries – Annual 2007–2014', 3 July 2015. Available at: <https://www.uktradeinfo.com/Statistics/Pages/Annual-Tables.aspx> (Accessed: 5/6/2016).

⁶ John Nilsson-Wright, 'UK Election Notes: Foreign Policy Opportunities – Security Cooperation with Japan', Chatham House, 23 April 2015. Available at: <https://www.chathamhouse.org/expert/comment/17500> (Accessed: 1/5/2016).

⁷ Office for National Statistics, 'How important is China to the UK economy?', 9 June 2015, Available at: <http://www.ons.gov.uk/ons/rel/internationaltransactions> (Accessed: 12/6/2016).

per cent of total UK exports, while 6.6 per cent of Germany's exports went to China.⁸ In addition, There has been recent disappointment for the UK's defence industry, with France's Dassault Aviation securing an off-the-shelf order from India for 36 Rafale aircraft after beating a rival bid from the makers of Britain-backed Euro fighter Typhoon.⁹ Expanding Britain's economic footprint in emerging economies is likely to get tougher. Some are entering complex economic and political transitions. Beijing is in the midst of a risky but essential move to escape the 'middle-income trap' by attempting to build an economy driven more by private consumption and services than by cheap exports and fixed investment. Making this transition is already causing domestic disruption financially, politically and economically. In other emerging economies, from Brazil to Turkey, deficiencies in political and regulatory systems and institutions still impede efforts to move up the global value and raise incomes. Some are seeing slower growth or recession. Meanwhile, the risks of economic as well as political instability are present in many other emerging economies, from Indonesia to Malaysia to South Africa.¹⁰

All this suggests that the European Union market's relative importance to Britain could actually increase again, if emerging markets continue to encounter turbulence while moving towards a middle-income economic model. It bears noting that their transitions are taking place just as the majority of EU member states implement a range of structural reforms in response to the euro crisis. Some of these changes should improve their growth and competitiveness prospects in the medium term, making them more valuable to Britain as investment and trade partners.¹¹

1.2 The European Union

In the first half of 21st century the European continent was the theatre of conflicts, which brought millions of dead humans and lots of destruction. For all of the centuries, Europe had a lot of bloody wars, only Germany and France for the period 1870 to 1945 fought three times. European leaders came to the conclusion that only political and economic integration can secure the peace between their countries. The vision of a

⁸ Peggy Hollinger and Amy Kazmin, 'Narendra Modi promises to buy French warplanes', *Financial Times*, 11 April 2015. Available at: <https://next.ft.com/content/2f352ba0-e02c-11e4-a4e2-00144feab7de> (Accessed: 5/5/2016).

⁹ Martin Sandbu, 'Free Lunch: The Good, the bad and the ugly in structural reform', *Financial Times*, 15 April 2015. Available at: <http://www.ft.com/cms/s/0/e9c6e16e-e349-11e4-9a82-00144feab7de.html> (Accessed: 3/4/2016).

¹⁰ Herman Van Rompuy, 'Britain in Europe: channelling change together', speech to Annual Conference of Policy Network, 28 February 2013. Available at: <http://www.policy-network.net/uploads/media/164/8266.pdf> (Accessed: 1/6/2016).

¹¹ Geoff Dyer and George Parker, 'US attacks UK's "constant accommodation" with China', *Financial Times*, 12 March 2015. Available at: <https://next.ft.com/content/31c4880a-c8d2-11e4-bc64-00144feab7de> (Accessed: 13/5/2016).

new Europe, which would overcome antagonistic nationalism, finally emerged from the resistance movements, which had resisted totalitarianism during the Second World War.¹²

The idea of European integration was conceived in the aftermath of the Second World War. A pooling of steel and coal production, then the sources of all military power, was proposed as "the first concrete foundation of a European federation" by the French Foreign Minister Robert Schuman in a speech on 9 May 1950. This date is now celebrated annually as "Europe Day". Schuman's idea was that if countries shared resources and relied on others for key raw materials they would be less likely (and less able) to go to war with each other.

Schuman's idea was taken forward and in 1951 the European Coal and Steel Community was formed. The six founding member states of the European Coal and Steel Community were: Netherlands, Italy, Luxemburg, Belgium, West Germany and France. In 1957, these six member countries then signed the Treaty of Rome forming the European Economic Community. This created a common market between the countries allowing goods and services to move freely between them.¹³

In 1973, the UK, along with Denmark and Ireland, acceded to membership of the European Economic Community. There were further enlargements in 1981, 1986, 1995, 2004 and 2007. Membership now stands at 27 states with a total population of around 490 million.¹⁴

There are also a further five states who have candidate status. This means the countries are in Date of joining the EU Belgium 1952 France 1952 Italy 1952 Luxembourg 1952 Netherlands 1952 West Germany 1952 Denmark 1973 Ireland 1973 United Kingdom 1973 Greece 1981 Portugal 1986 Spain 1986 Austria 1995 Finland 1995 Sweden 1995 Cyprus 2004 Czech Republic 2004 Estonia 2004 Hungary 2004 Latvia 2004 Lithuania 2004 Malta 2004 Poland 2004 Slovakia 2004 Slovenia 2004 Bulgaria 2007 Romania 2007 4 the process of negotiating their accession to the European Union. The five candidate countries are Montenegro, Iceland, Turkey, Croatia and the Former Yugoslav Republic of Macedonia.¹⁵

The EU is a grouping of sovereign states that have committed to pursue common policies in certain areas. These member countries—25 as of 2004—are integrating economically above all, but politically as well. The EU itself is not a state: it is rather a unique creation in which the

¹² Iain McIver, *The European Union-A Brief History*. 20 June 2011. Available at: http://www.parliament.scot/ResearchBriefingsAndFactsheets/S4/SB_11-44.pdf (Accessed: 12/5/2016).

¹³ Ibid.

¹⁴ Luca Guzzetti, *A Brief History of European Union Research Policy*. 1995. Available at: <http://www.netaffair.org/documents/1995-a-brief-history-of-european-research.pdf> (Accessed: 25/4/2016).

¹⁵ Ibid.

independent member states pool their sovereignty, surrendering the right to make independent decisions in certain areas such as employment policy, environmental, or fiscal. The EU is different from the UN, as member states of the UN actually do not surrender their sovereignty. The UN leadership has no power to make member states comply with directives. The EU's central decision making institutions, nonetheless, do have the power to force members to comply. This power derives from the treaties that member states sign upon their entrance into the EU. Therefore the EU is a treaty-based organization, and a series of treaties govern the operations of the Union. The EU, unlike the US, does not as of yet have a constitution that governs economics, society, and politics. It is a goal to move towards such a constitution in the future.¹⁶

The process of European integration began to take on a momentum of its own, impelled not so much by a fear of Germany but by a goal of strengthening the European economy by combining countries' resources. This process continues today: European countries face no significant military threats in the world, but instead strive to realize the benefits of closer union. The past 50 years of expanding European integration have shown that such integration can bring stability, peace and even prosperity to formerly troubled lands—and this is one of the continuing motivations for EU enlargement.

1.3 The United Kingdom: background and relations with the European Union

Every country has a certain idea of its role in the world, which shapes its identity and the way it sees itself in relation to other countries. The historical epoch of the British Empire has significantly influenced the way the British political elite sees the position of the country in Europe. At the end of the 16th and the beginning of the 17th centuries, the first colonies of the British Empire were established. Later, the UK expanded considerably to become the greatest world empire in history. It had colonies on every continent and in all the oceans. In the 20th century the empire saw a rapid decline and finally returned Hong Kong to China, and all former colonies became independent. In the first half of the 20th century the British Commonwealth was created.¹⁷ It is a voluntary intergovernmental association mostly composed of the former colonies of the Empire. All of the subordinate territories are now independent countries with sovereign governments, but they all more or less remain symbolically loyal to the British Crown. Therefore, the UK shaped the history of the world for over three centuries, and it comes as no surprise

¹⁶ Council of The European Communities Commission of the European Communities, *Treaty on European Union*. 1992. Luxembourg: Office for Official Publications of the European Communities. PP. 7-9.

¹⁷ Pickard, Sarah. *Civilisation britannique*. Paris: Pocket, 2003. PP. 2-3.

that many British politicians and leaders and a large part of its population still feel somewhat superior to the other European countries. In addition, when entering the EU, people of most member countries saw it as a positive step towards reaching out to the world and as a way to improve communication with other states. Smaller countries saw it as an advantage, such as Slovenia, while others wanted to improve their unfavorable image from the past, such as Germany. For the former British Empire, conversely, belonging to and being constrained by European institutions meant a loss of their world-wide influence, and the focus only on Europe consequently narrowed its opportunities. This can be called a psychological barrier and it results in a considerable difficulty for the relationship between Europe and the UK.¹⁸

Another complication arises from the fact that the UK did not partake in the founding of the European Union. The founding club of countries established basic rules that cannot easily be changed, and consequently members who join later will very often encounter difficulties to adapt to the rules already in place. In the process of establishing the EU, the UK had a couple of opportunities to participate, but it decided not to take advantage of them. The first practical step towards creating a federal Europe was made about in the period of the 1950s, when negotiations over the creation of the European Coal and Steel Community began. The Labour Government of Clement Attlee was invited to take part but officially declined the offer. Later, when the European Coal and Steel Community was put in place, the six founding states wanted to extend the common market for steel and coal into a general common market.¹⁹ In 1957 the Treaty of the European Community was signed, which led to the creation of the European Economic Community and the European Atomic Energy Community. This was a very significant event in the formation of the modern European Community, but the Conservative Government of Anthony Eden did not recognize its importance and refused to sign the treaty. According to Professor Stephen George, at the beginning the Conservative Government did discuss the possibility of joining with the six founding countries but eventually chose to back out as they saw the Community's plans as too ambitious. In the aftermath of the treaty, the six EEC members flourished economically while the UK suffered continuous economic decline. It was only after this most successful period of the Community, that the UK entered the ECC. In the meantime, the six countries had actively shaped the community to their

¹⁸ Ibid.

¹⁹ Seldon, Andrew. 'How will history judge Blair'. *BBC News*. 10 May 2007. Available at: http://news.bbc.co.uk/2/hi/uk_news/politics/6636091.stm (Accessed: 11/5/2016).

advantage, which offered them many more benefits than for the latecomer Britain.²⁰

At the end of the 1950s and during the 1960s the economic decline of Britain on the one hand and the economic prosperity of the Six on the other largely influenced British leaders and politicians, who completely changed their mind about the closer links with Europe. It was the economic motivation that urged the UK into applying for membership. Britain does not strive for political integration, it is reluctant to transfer its sovereignty and it opts for the intergovernmental cooperation structure instead. In order to become a member of the EEC, the UK had to accept the Communities Act as a legal basis of its membership. Nevertheless Britain continues to define its cooperation with Europe as intergovernmental and not as a constant process of political integration in which supranational institutions take precedence over all domestic governments.²¹

In all European states nearly all surveys of public opinion demonstrated widespread disillusionment with the European integration. What is particular about the UK is that public discontent and uncertainty are equally shared by the political elite. Ever since there has been a change in opinion and both main parties have been divided over the European issue. This became fully apparent from the very beginning of the UK integration. Specifically, when the UK joined the EEC under Edward Heath's Conservative Government, there was no economic upturn and with the Oil Crisis in 1973, economic progress was obstructed everywhere. At the time the Labor party was opposed to the ECC and they promised to hold a referendum on withdrawal if they came into power. The Labor Government, in 1975, led by Harold Wilson, kept its word and held a referendum. Nevertheless, the outcome was that the majority voted for staying in and consequently Labor changed its mind. Labor became even more interested in Europe when some social issues were raised by European law. For instance, some parts of the British Employment Protection Act of 1978 were declared unfair according to European law because part-time workers received less social protection.²² On the other hand, the Conservative Party gradually started turning against the idea of integration, which only accelerated with their new leader from 1975, Margaret Thatcher. Margaret Thatcher, who became Prime Minister in 1979, openly expressed her very negative attitude towards the EEC. The period of her service was marked by an increasing

²⁰ George, Stephen. *An awkward Partner: Britain in the European Community*. Oxford: Oxford University Press, 1998. P. 4.

²¹ Churchill, Winston. *Winston Churchill's speech to the academic youth*. Zurich, 1946. Available at:

<http://www.europa-web.de/europa/02wwwswww/202histo/churchil.htm> (Accessed: 11/4/2016).

²² Ibid.

political isolation of Britain from Europe. She was ardently against complete economic, political and social integration. Her Chancellor of the Exchequer, Sir Geoffrey Howe, argued that Britain contributed much more to the European budget than the other countries and he thought that something had to be done about it.²³ Turning back to Thatcher, she was particularly reluctant to adapt to revolutionary changes, such as the collapse of communism in Europe and the fall of the Berlin Wall, that took place on the world political scene in 1989 and 1990, and this was the main reason for her downfall. She was replaced by John Major, whose government ratified the Maastricht Treaty in 1992, which led to the formation of the EU in 1993. However, John Major opted out of the section of the treaty dealing with social policy, as well as of joining the monetary and economic union. In this way the awkward position of Britain was once again reinforced.²⁴

The Labour Party, in 1997, led by Tony Blair, ensured an outright victory with their pro-Europe manifesto. The new Prime Minister was very enthusiastic about the Union and one of the first things he did when he came into power was to sign the Social Chapter. In his election campaign, Tony Blair also announced the referendum on adopting the euro; however, it did not take place during his service. Generally observing, Labour under both Gordon Brown and Tony Blair, achieved a much more favorable image of the UK as an EU member state than it used to have.²⁵ Nevertheless, during this period one more issue became apparent in Britain's relationship with the EU- the "special" connection with the United States. Many European countries see the Union as a kind of counterweight to the United States. Nevertheless, the UK is not in favor of this notion since it would jeopardize its specific relationship and hamper the UK's foreign policy options. That there is an alliance between London and Washington was demonstrated directly after the terrorist attacks in September 2001. Tony Blair immediately announced that the UK will support the United States and stay with them no matter what, and to back this up, he sent large numbers of British troops to Iraq and Afghanistan. In spite of the widespread unpopularity of these decisions both in Europe and at home, Tony Blair has not changed his opinion that

²³ Thatcher, Margaret. *The Bruges Speech*. Bruges, 1988. Available at: <http://www.margaretthatcher.org/speeches/displaydocument.asp?docid=1073>

(Accessed: 14/5/2016).

²⁴ Ibid.

²⁵ British Influence, *Press Release: The Norway option is the lose-lose option for Britain*, November 2014. Available at: http://www.britishinfluence.org/press_release_the_norway_option_is_the_lose_lose_option (Accessed: 3/3/2016).

the British interests are best guarded by remaining “shoulder to shoulder” with the American government.²⁶

2.0 UK withdrawal from the European Union: the legal mechanics

A great deal of uncertainty surrounds the legal questions associated with the process for leaving the EU. This chapter examines the two main points: first, process for leaving under the EU treaties. Second, United Kingdom European Union membership referendum, 2016 .

2.1 The legal implications of EU withdrawal for the UK

Article 50 of the [Treaty on European Union](#) (TEU) outlines the procedural steps for a Member State wishing to withdraw from the EU. This provision was introduced by the Treaty of Lisbon and has consequently only been in force since 1 December 2009. It has never been used. The article sets out the steps necessary under the law of the European Union. As Article 50(1) TEU makes clear, EU law does not interfere with the constitutional requirements in the member state concerned. Particularly, EU law makes no provision for sub-state entities, but leaves these questions to be determined by the law of the member states. Procedurally, Article 50 requires that a member state notify its intention to withdraw to the European Council. Under the provision, no reasons need to be given. The UK government, In this case, would need to inform the President of the European Council. EU law does not determine how the decision to withdraw is reached internally. Especially, it does not require that the national government hold a referendum or consult with its sub-state entities, such as Scotland. Consequently, the wording of the referendum question or the extent of the franchise is of no concern to EU law.²⁷

The treaty foresees two options in which withdrawal can occur. The *first option* is the conclusion of a withdrawal agreement.

A withdrawal agreement would not only set out the exact ramifications of leaving (eg the withdrawal date; the role of UK representatives in the EU institutions during transitional periods; what would happen to civil servants with British nationality working for the EU institutions), but it would also regulate the future relationship between the UK and the EU. Article 50 does not provide any specifics. This means that the future relationship is negotiable in its entirety. Negotiations would take place in accordance with Article 218(3) of the [Treaty on the Functioning of the European Union](#) (TFEU). The Council of the EU would nominate a negotiator or negotiating team for this purpose. This team would

²⁶ Peter Spence and Szu Ping Chan, *Safe harbor: why the Norway option could take the risk out of Brexit*. 28 June 2016. Available at: <http://www.telegraph.co.uk/business/2016/06/18/safe-harbour-why-the-norway-option-could-take-the-risk-out-of-br> (Accessed: 17/4/2016).

²⁷ Tobias Lock, *The legal implication of EU withdrawal for the UK and Scotland*. 12 October 2015. Available at: <http://www.europeanfutures.ed.ac.uk/article-1809> (Accessed: 20/4/2016).

normally involve officials from the European Commission. The agreement would then need to be concluded between the Council (acting with a qualified majority) on behalf of the EU and the UK government on behalf of the UK. For this purpose, the UK would not participate in the Council. The qualified majority would be calculated on the basis of the remaining (currently 27) Member States.²⁸ It is noteworthy that the treaties envisage a bilateral agreement between the UK and the EU. In contrast to an accession agreement for a new Member State, it would not necessarily be multilateral (concluded by all member states) and would thus not modify the EU treaties themselves. In consequence, any withdrawal agreement would need to comply with the treaties. A future relationship between the UK and the EU could not contradict them. However, for practical reasons, withdrawal might be achieved through a mixed agreement. Mixed agreements are concluded between the EU and its Member States on the one side, and other countries or organizations (in this case the UK) on the other. They are very common in the EU's external relations. Mixed agreements are often used when the EU itself does not have the competence to conclude a deal on its own. This can be the case where a political dialogue is included, such as the [Cooperation Agreement](#) and Partnership with Russia, or where there are direct budgetary implications for the member states. Given the immense complexities associated with a withdrawal agreement, it might [become necessary](#) to include the member states, as the EU alone might not have competence in all the areas covered by the deal. Accordingly, the Member States would be parties to the agreement as well. The resulting ratifications in each country could considerably prolong the process.²⁹

The *second option* is that no agreement is reached. In this scenario, a country ceases to be a member state two years after notification of its intention to withdraw, unless the European Council decides to extend this period, in agreement with the country in question. The period could be extended, for example, if negotiations are still ongoing after two years. Should the UK's membership terminate on this basis, there would be no agreement regulating future relations with the EU. The UK would be in the position of a third country. The main agreements governing trade relations between the UK and the EU in such circumstances would likely be those under the World Trade Organization (WTO). In fact, such a reality is unlikely to come about, as it would be in the interest of all parties concerned to come to an arrangement.³⁰

2.2 United Kingdom European Union membership referendum, 2016.

²⁸ Ibid.

²⁹ Vaughne Miller, *Leaving the EU*. 2013. London: House of Commons Library. P. 1.

³⁰ Ibid.

The United Kingdom European Union membership referendum, known within the UK as the EU referendum and the Brexit referendum, was a non-binding [referendum](#) that took place on Thursday 23 June 2016 in the UK and [Gibraltar](#) to gauge support for the country's continued membership in the [European Union](#). By a majority of over 1.25 million (51.9%), the UK has voted to leave the EU. The result was split between the [constituent countries](#) of the United Kingdom, with a majority in [England](#) and [Wales](#) voting to leave, and a majority in [Scotland](#) and [Northern Ireland](#), as well as Gibraltar, voting to remain. In order to start the process to leave the EU, which is expected to take several years, the British government will have to invoke [Article 50 of the Treaty on European Union](#), but it has not yet done so. Our close neighbors thus join the people of Greenland as the only jurisdictions to reject EU membership in a referendum. Brexit has already had, and will continue to have, major economic and political implications for the UK itself but also for Ireland and the rest of the EU. This vote will also have important legal consequences.³¹

Those who favored the UK [withdrawal from the EU](#)—commonly referred to as a Brexit (a [portmanteau](#) of "British" and "exit") argued that the EU has a [democratic deficit](#) and that being a member undermined national [sovereignty](#), whereas those who favored membership argued that in a world with many [supranational organizations](#) any loss of sovereignty was compensated by the benefits of EU membership. Those who wanted to leave the EU argued that it would allow the UK to better control [immigration](#), hence reducing pressure on public services, jobs and housing; save billions of pounds in EU membership fees; allow the UK to make its own trade deals; and free the UK from EU regulations and [bureaucracy](#) that they saw as costly and needless. Those who wanted to remain argued that leaving the EU would risk the UK's prosperity; diminish its influence over world affairs; jeopardize national security by reducing access to common European criminal databases; and result in trade barriers between the EU and the UK. Particularly, they argued that it would lead to job losses, delays in investment into the UK and risks to business.³²

Immediately following the result, the Prime Minister Cameron announced he would resign, having campaigned unsuccessfully for a "remain" vote. He was succeeded by [Theresa May](#) on 13 July. The opposition [Labor Party](#) also faces a leadership challenge as a result of the EU referendum.

³¹ Malcolm Coles and Ashley Krik, *EU referendum results and maps: full breakdown and find out how your area voted*. 1 July 2016. Available at <http://www.telegraph.co.uk/news/2016/06/23/leave-or-remain-eu-referendum-results-and-live-maps> (Accessed: 3/7/2016).

³² Adam Hug, *Renegotiation, reform and referendum: does Britain have an EU future?*. 2014. London: The Foreign Policy Centre. PP. 47-49.

In response to the result, the [Scottish Government](#) announced that it would plan for a possible [second referendum](#) on independence, and announced that it would like "discussions with the EU institutions and other member states to explore all the possible options to protect Scotland's place in the EU". Meanwhile, [Nigel Farage](#), leader of the anti-EU [UKIP](#) stood down after his party's long-term ambition had been accomplished.³³

3.0 Brexit's consequences for the UK and the EU

After Brexit becomes a reality, the UK's post-referendum trajectory depend on whether the transitional period is a flexible but orderly exit carried out in a spirit of partnership with the EU, or whether the split is acrimonious and messy, without properly tying up all the legal loose ends. In a scenario in which pragmatism prevails over resentment, financial and economic tensions could be limited by Brussels and London negotiating an amicable separation agreement.

In addition, the UK's withdrawal from the EU would not only have economic consequences but also change the internal and international political climate, but it could have important political repercussions within the EU and also on its relations with other European Community's countries. Also, it could stimulate the other EU member states to re-evaluate the terms and conditions of their membership. The same applies if Great Britain fails to renegotiate these terms and conditions while keeping the status of EU member.

3.1 Impact on the UK

Shortly after a vote to leave, the UK would probably trigger the voluntary withdrawal procedure foreseen in the [EU's 2009 Lisbon Treaty](#), which allows for a two-year period to reach a separation agreement. Without such an agreement, the UK which currently enjoys unrestricted access to the rest of the EU under the [Single Market](#) rules would revert to the default trade arrangement with the EU, based on WTO rules.

Under the latter scenario, the EU would apply its external customs duties to UK goods. It could also introduce non-tariff hurdles for goods (such as technical standards) and especially services (including licenses). Brussels would also be able to restrict London's ability to conduct euro transactions and euro-derivatives transactions, and thereby undermine the position of the city as a financial centre. UK citizens could also lose their automatic right to work in the rest of EU. Moreover, the EU's new external border would divide Northern Ireland from the rest of the island and could thereby [jeopardize](#) the peace agreement.

Even in the event of a more amicable separation, there would still be multiple adverse impacts on the UK. Regarding the economic impact, an

³³ Ibid.

overwhelming majority of serious [analyses](#) from [government](#), [business organizations](#), [academia](#) and [think tanks](#) from within the UK, as well as from the [International Monetary Fund](#) and [Organization for Economic Cooperation and Development](#).³⁴

The research identified eight main potential impacts on the UK economy and politics from a possible UK vote to leave the EU, and subsequent withdrawal from the EU.

3.1.1 Lower levels of trade and investment

At present, UK businesses are able to export goods tariff-free to other EU member states. Likewise, businesses in other EU countries can export goods to the UK tariff-free. The EU is still the largest export market for UK goods and services, although its share of total UK exports has fallen from around 55% in 1999 to around 45% in 2014. On the other hand, the UK accounts for around a tenth of EU exports. The UK's total stock of inward (foreign direct investment) FDI has grown steadily over time since accession to the EU, amounting to around £1 trillion in 2014. By leaving the EU the UK could face an increase in tariffs and/or non-tariff barriers (NTBs) to trade with the EU following exit from the EU, depending on the nature of the post-exit negotiated arrangement with the EU. An increase in trade barriers would be likely to have a knock-on impact on investment and, in particular, FDI, as EU market access restrictions may lower the returns to investment in the UK.³⁵

3.1.2 Increase in uncertainty

In the short-term following a UK vote to leave the EU, there is likely to be significant political and economic uncertainty around the UK's future relationship with other EU member states after the UK voting to leave the EU. This is because it would take at least two years, and perhaps more, before the post-exit relationship between the UK and the EU would be clarified in relation to trade and other matters. This uncertainty would be likely to manifest itself in increased financial market and exchange rate volatility, higher risk premia in credit and equity markets, and possible consequential impacts on investment and business confidence. Some of this could be offset by some positive sentiment around whether the UK would become more prosperous outside of the EU, but this is not considered to be the most likely outcome. Thus, it would still expect uncertainty to have a negative impact on GDP.³⁶

3.1.3 Reduction in fiscal contributions

³⁴ Dustmann, C. and Frattini, T., *The Fiscal Effects of Immigration to the UK*, CReAM Discussion Paper No. 22/13 (2013), November 2013. PP. 9-11.

³⁵ Bloomberg, *Bloomberg Brief: Brexit Special*. 2015. Available at: <http://www.bloombergbriefs.com/content/uploads/sites/2/2016/02/Brexit-Special-02-2016.pdf> (Accessed: 15/5/2016).

³⁶ Dustmann, C. and Frattini, T., *The Fiscal Effects of Immigration to the UK*. PP. 2-3.

All EU member states are required to make a financial contribution to the EU budget. From 2010 to 2015, the UK's average annual gross contribution to the EU amounted to around £16.8 billion. Nevertheless, the UK also receives a rebate and funding from the EU in the form of farming subsidies and funding from rural and regional development programmers and other EU initiatives. This means that the UK's average annual net contribution to the EU budget over these same years is estimated to be around £8.8 billion, or around 0.5% of GDP. After leaving the EU, the UK would no longer be required to make budgetary contributions (unless these were part of a negotiated bilateral deal, though this is not a feature of the scenarios we have modeled). However, It would also cease to receive funding from the EU (e.g. in relation to the Common Agricultural Policy and research and development).³⁷

3.1.4 Reduction in migration in to the UK

Free movement of labor is one of the four fundamental freedoms of the EU, allowing EU nationals to move between and reside freely in other member states. The inflow of EU nationals into the UK has more than doubled since the 2004 EU enlargement⁴ and individuals born in other EU member states now account for over 6% of people in employment in the UK. Following the UK's exit from the EU, restrictions could be placed on immigration to the UK from the EU (and vice versa), in particular on the inflow of lower skilled labor.³⁸

3.1.5 Reduction in regulation

After leaving the EU, it would no longer be bound by regulations originating from the EU which could create some scope for deregulation and a potential reduction in regulatory costs. Regulation is usually intended to address market failures, such as monopoly power, externalities or to provide public goods. However, the potential savings from reducing regulatory costs could be relatively limited once the foregone benefits of regulations are taken into account. Furthermore, the UK may have limited scope to change those regulations that have been largely driven by global initiatives following the UK's exit from the EU.³⁹

3.1.6 The Scottish independence referendum

On 18 September 2014 a referendum held in Scotland on the question of independence from the UK. If this is negative, so that Scotland remains in the UK, then the question of the UK's departure from the EU will have a

³⁷ Fitch Ratings, *Fitch: Brexit Vote Would Be Moderately Credit Negative for UK*. 14 December 2015. Available at: <https://www.fitchratings.com/site/pr/996667> (Accessed: 18/4/2016).

³⁸ Di Giovanni, J., Levchenko, A. and Ortega, F., *A global view of cross-border migration*. 2014. Available at: http://alevchenko.com/diGiovanni_Levchenko_Ortega.pdf (Accessed: 2/4/2016).

³⁹ Griffith, R. and Macartney, G. (2010) "Employment protection legislation, multinational firms and innovation", IFS Working Papers W10/01, Institute for Fiscal Studies. P. 148.

similar impact on Scotland as elsewhere. In other words, Scotland would no longer be part of the EU, but it might still be covered by some legislation or other arrangements from the EU period if that were the outcome of a negotiated exit. As mentioned above, it would not face constraints under EU law in the exercise of its devolved powers, and its regions would not benefit from EU funding. Scotland's future relationship with the EU has formed a key component of the debate ahead of the independence referendum, with the Scottish Government taking the view that Scotland would negotiate its membership of the EU (to begin on the day of independence) from a position of EU membership as part of the UK.⁴⁰

3.1.7 Policing and border issues

It has been argued that "the devolved institutions and EU programmes have facilitated engagement and embedded Northern Ireland as a region deeper into EU than at any time before".⁴¹ A UK withdrawal could represent a significantly changed context for the work of the institutions, which might be subject to any stresses emerging in UK-Ireland relations following a UK EU-exit.⁴² UK withdrawal from the EU might also have implications for AngloIrish co-operation in dealing with cross-border crime and terrorist activity. In discussions on the UK opt-out from policing and justice measures in 2014, the Northern Ireland Executive's Justice Minister, David Ford, highlighted the enhanced co-operation between authorities on both sides of the border as a result of the devolution of policing and justice powers to the Northern Ireland Assembly.⁴³ The RoI Justice Minister, Alan Shatter, told the Dáil that the Garda was committed to improving cross border co-operation and that he would work with David Ford and the UK Secretary of State for Northern Ireland to ensure effective responses to terrorism and cross-border terrorism. However Mr Shatter was concerned that a UK withdrawal from police and justice measures "would be a retrograde step in the area of security co-operation".⁴⁴

3.1.8 What does this mean for populist insurgents?

Anti-establishment political movements, especially far-right parties in Western Europe, will take inspiration from Brexit. Among the most galvanized will be France's National Front, whose leader, [Marine Le Pen](#), is eyeing next year's presidential election. She is unlikely to win, but she

⁴⁰ Lords EU Committee "EU Police and Criminal Justice Measures: The UK's opt-out decision", 2012-2013, p 91.

⁴¹ David Charter, *Au Revoir, Europe: What if Britain left the EU?* Biteback Publishing Ltd, 2012. PP. 57-59.

⁴² Ibid.

⁴³ F Nicholson and R East, *From the Six to the Twelve: the Enlargement of the European Communities*, chapter entitled "Greenland: Withdrawal", 1987. PP. 98-99.

⁴⁴ Ibid.

could come a strong second. The far right will not come to power in any EU country. But it will be capable of attracting enough support to shape political debate, on the left as well as the right, and therefore to influence governments' actions. Immigration policy will be a case in point.⁴⁵

3.2 Impact on the EU

Some [argue](#) that Brexit would lead to the collapse of the EU, but this is highly unlikely. Unfortunately for the rest of the EU, the consequences of Brexit would not be limited to the UK. Brexit would fan the flames of [growing anti-EU sentiment](#) in Europe, emboldening nationalist and eurosceptic movements, and leading to a retreat from EU-level solutions to cross-border challenges. Brexit may also boost a new generation of nationalist leaders (most likely in France, Hungary, and Poland) to copycat the '[blackmail tactics](#)' employed by David Cameron to obtain concessions from the rest of the EU. Hungarian Prime Minister Viktor Orban has already emulated these tactics by calling for a national referendum in the hope of obtaining a popular mandate so as to better resist attempts by the European Commission to accept its quota under a new refugee relocation scheme.

By removing a major power from the EU, Brexit would increase the already dominant influence of Germany in the Union. This in turn could heighten tensions in countries suspicious of Berlin – including France, where Marine Le Pen and her far-right National Front party have gained strength ahead of the 2017 presidential elections. Germany and its like-minded partners in the EU would nevertheless try to put the house together again with renewed integration initiatives to counter the reputational damage of UK secession. Rhetorical resolve would be immediately forthcoming, but real action would be delayed as Germany will be caught up in its own national election in 2017.⁴⁶

How might Brexit impact on EU policies? There are four likely areas of change: the euro currency system, the EU's budget and liberalization, the nexus of immigration and border management and foreign and security policy more broadly.

3.2.1 The EU's budget and liberalization

Without the UK, the EU budget would have to do without the UK's €[10.5 billion](#) net annual contribution. This would certainly require a thorough review of budget allocations and revive a debate about raising new resources for the EU. In addition, the weight of the 'economically

⁴⁵ Simon Mixon, *A British exit from the EU would have global consequences*. 10 January 2016. Available at: <http://www.wsj.com/articles/a-british-exit-from-the-eu-would-have-global-consequences-1452457222> (Accessed: 13/4/2016).

⁴⁶ Ryan Browne, *Brexit: what does the EU referendum mean for the US?*. 21 June 2016. Available at: <http://edition.cnn.com/2016/06/21/politics/what-brexit-means-for-the-united-states> (Accessed: 13/2/2016).

liberal' bloc in the EU (currently the UK, the Netherlands, Sweden, Denmark and Estonia) would decline. Because of this, pundits have suggested that a post-Brexit EU would probably become more protectionists, yet there has been a growing consensus across the Union in favor of liberalizing internal markets in goods, services and labor.⁴⁷

3.2.2 Foreign and security policy

Foreign and security policy would perhaps be the least-fraught areas. It is undeniable that Brexit would seriously threaten the EU's global standing and soft power status, its ability to play a greater role on global security issues and the likelihood of concluding the Transatlantic Trade and Investment Partnership (TTIP) deal with the United States before the end of President Obama's term. On the other hand, EU decision-making without the historically 'unruly' UK would become simpler and lead to a more truly *common* [Common Foreign and Security Policy](#). Indeed, without the UK, there would be less opposition to the establishment of a permanent structure for defense cooperation, with more pooling and sharing of capabilities, more cooperation on defense planning and the creation of a single military headquarters in Brussels.⁴⁸

3.2.3 The euro currency system

In the wake of a Brexit, there is a risk that the euro will [depreciate](#). In the longer run, however, the eurozone would have more power to drive economic and financial policy in the EU. France, Germany and Italy all say they want to make the euro system more robust on the fiscal side, but behind this simple statement lie profound disagreements, with Italy wanting eurobonds, Germany blocking anything that smacks of a transfer union and France making speeches about the need for an EU 'finance minister'. Progress towards a capital markets union would also continue, although at a slower pace and in a different direction from London's preferred approach. Some major United States banks have already declared that they might relocate their European branches from London to Europe.⁴⁹

3.2.4 The nexus of immigration and border management

On the immigration front there is much to be done. The [refugee crisis](#) of the past year has clearly demonstrated that the EU needs to move towards a centralised border control and asylum mechanism. Although such momentous moves are unlikely in the foreseeable future, the need for common action will only increase as migration pressure from Africa is added to the current movements from the wider Middle East, creating an ever-bigger challenge. At the same time, a Brexit would reduce the EU's

⁴⁷ Ronja Kempin and Jocelyn Mawdsley, 'The UK, the EU and European Security: a German Perspective', *RUSI Journal*, Vol. 158, No. 4, August/September 2013, pp32-36.

⁴⁸ Ibid.

⁴⁹ Bloomberg, Bloomberg Brief: Brexit Special. PP. 5-6.

ability to tackle cross-border organized crime and transnational terrorism, unless new coordination and cooperation mechanisms can be established with the UK.⁵⁰

Brexit would not only be bad for the UK, but would also be on balance bad for the EU. Both parties could waste years negotiating a new relationship. At a time when the post-World War II international order is under strain and Europe's societies are increasingly threatened by protectionism, it is abundantly clear that the EU needs more than ever to be able to resolutely face the big global challenges. But if the Remain vote prevails on June 23rd, the EU could be strengthened on multiple fronts – internally, through further liberalisation of the single market, and externally, as a robust pillar of a liberal order in an increasingly hazardous and chaotic world.

Conclusion

A British exit from the EU is not something to be casually overlooked. Developments in Britain and the EU have increased the possibility of the referendum leading to a vote to withdraw. Britain's difficulties with the EU long pre-date the current government and reflect deeper problems in Britain's party politics, identity, constitution, political economy and place in the world. A changing EU and Eurozone could also push the UK to the margins – or out – of the EU. Despite this, the implications for the EU of a Brexit remain under-researched in public. To be fair, the entire topic of EU disintegration is marginal to the large body of literature that offers theories of European integration. Further research is necessary to take the debate beyond the narrow British-focus that has so far characterized the debate.

A Brexit could confront the EU with significant and unprecedented practical and philosophical challenges. The withdrawal of any member state would be a defining moment for the EU, to lose as large a state as the UK even more so. This is especially so given Britain will remain a growing European power, even if a Brexit encapsulates the decline and end of Britain's position as an EU power. UK-EU relations will remain an important relationship for understanding European politics. The EU's development – whether it unites, disintegrates or muddles through – will be shaped by a myriad of factors, one of which will be its relations with the UK. The EU therefore has a calculation to make about Britain's utility and how damaging or beneficial a Brexit could be. In addition, other European countries such as Norway, Switzerland and Turkey need to consider what a Brexit could mean for their relations with the EU. A Brexit might change the EU, European politics, transatlantic relations,

⁵⁰ Adam Hug, Renegotiation, reform and referendum: does Britain have an EU future?. PP. 9-10.

European security and the EU/Europe's place in the wider international system.

The British people would be making a decision without fully appreciating what this could mean for their allies and the wider geopolitical system in which their country plays a role. Focusing exclusively on the pros and cons for the UK, or on what ideal post-withdrawal relationship Britain should secure, creates a debate that is blind to dealing with the wider implications of such a decision.

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