

BREXIT

December 13, 2018

Manifest Pedagogy

Brexit is a part of a large scale protectionist tendencies that have been pervading the globe in recent times which includes Protectionist policies of Trump, trade wars, etc. In all these issues, the issue of refugees has become a key area of focus, which can be further linked to issue of Rohingya and India's approach towards it. The issues being highly interlinked, an INTERDISCIPLINARY question might be expected.

In news

Britain decided to move out of European Union

Placing it in syllabus

Regional and global groupings and agreements involving India and/or affecting India's interests

Static dimensions

1. European Union – origin, growth, structure, functions and powers.

Current dimensions

1. Britain decided to move out of European Union
2. What is it?
3. Reasons for Brexit
4. Hurdles for Brexit
5. Impact on European Union
6. Impact on India

Content

European Union

- The **European Union (EU)** is a political and economic union of 28 member states that are located primarily in Europe.
- The EU has developed an internal single market through a standardised system of laws that apply in all member states in those matters, and only those matters, where members have agreed to act as one.
- EU policies aim to ensure the free movement of people, goods, services and capital within the internal market, enact legislation in justice and home affairs and maintain common policies on trade, agriculture, fisheries and regional development.
- For travel within the Schengen Area, passport control have been abolished. A monetary union was established in 1999 and came into full force in 2002 and is composed of 19 EU member states which use the euro currency.

What is Brexit?

- The United Kingdom (UK) intends to withdraw from the European Union (EU), a process commonly known as Brexit, as a result of a June 2016 referendum in which 52% voted to leave the EU.
- On 29 March 2017 the UK formally notified the European Council of its intention to leave the EU by triggering Article 50 of the Lisbon Treaty.

Reasons for Brexit

1. **Economics**– Opponents of the EU argued that it is a dysfunctional economic entity. The EU failed to address the economic problems that had been developing since 2008. For example, 20% unemployment in southern Europe.

2. **Sovereignty-** The second reason for Brexit is the rise of nationalism across the world.
 - Over the past few decades, a series of **EU treaties have shifted a growing amount of power from individual member states to the central EU bureaucracy in Brussels.** On subjects where the EU has been granted authority – like competition policy, agriculture, and copyright and patent law – EU rules override national laws.
 - **The immigration crisis in Europe was a trigger.** Some EU leaders argued that aiding the refugees was a moral obligation. But EU opponents saw immigration as a national issue, as it affected the internal life of the country.
 - **Political Elitism-** Finally, the political leadership of Britain faced a profound loss. The “leave” voters rejected both the Conservative and Labour parties. Both parties had endorsed remaining with the EU and saw many of their members go into opposition on the issue. Most “leave” supporters believed that the financial industry’s recklessness and incompetence had created a disaster for many.
3. **The EU is strangling the UK in burdensome regulations-** many British conservatives see the EU as imposing left-wing, big-government policies on Britain, some on the British left see things the other way around: that the EU’s antidemocratic structure gives too much power to corporate elites and prevents the British left from making significant gains.
4. **The EU was a good idea, but the Euro is a disaster-** The global recession that began in 2008 was bad around the world, but it was much worse in countries that had adopted Europe’s common currency, the euro. The unemployment rate shot up above 20 percent in countries like Greece and Spain, triggering a massive debt crisis. Seven years after the recession began, Spain and Greece

are still suffering from unemployment rates above 20 percent, and many economists believe the euro was the primary culprit.

5. **The UK could have a more rational immigration system outside the EU-** While many Brexit supporters simply want to reduce the amount of immigration overall, others argue that the UK could have a more sensible immigration system if it didn't have the straitjacket of the EU.
6. **The UK could keep the money it currently sends to the EU-** The EU doesn't have the power to directly collect taxes, but it requires member states to make an annual contribution to the central EU budget.

Hurdles for Brexit

1. **Approval by Britain Parliament** further complicated by different ideologies of various parties.
2. **Trade related issues** that are yet to be resolved.
3. **Border issue** between the British province of Northern Ireland and EU member state Ireland.

Impact on EU

Brexit will weaken those forces in the EU that favour greater integration. It will also make Germany even more preponderant. Meanwhile the British face a lengthy and difficult negotiation for a new relationship – probably along lines of the 'Canadian model'.

- The **impact of Brexit on the European Union(EU)** will result in social and economic changes to the Union, but also longer term political and institutional shifts.
- With the EU's policies on freedom of movement and the economic benefits and drawbacks which the UK and the EU provide each other with, there will be a clear impact with consequences for both institutions.
- Brexit is a momentous event in the history of Europe & now the narrative will be of **disintegration**

- The Americans now worry that, without British firmness supporting the hard line of Angela Merkel and other northern European leaders, the EU will be more likely to relax the sanctions on Russia that it imposed after the intervention in Ukraine.

Impact on Britain

- One in every ten UK jobs are linked to the trade with the EU. Therefore, Brexit might affect jobs directly or indirectly.
- 61% of UK small business exports go to the EU. Being able to trade freely with EU countries, with no tariffs, helps small business in the UK grow and create jobs. This might be affected.
- Impact of Brexit could lead into lower trade between EU and UK generating complications.
- It could also affect FDI, immigration and economic regulation of UK.

Impact on India

- This will make dollar stronger thus lead to inflation.
- Negative impact on the Indian firms in UK (TATA)
- Scope for increased investment in India by foreign nations.
- India can exercise leverage on UK as UK is in need of Bilateral deals.
- China and UK may get closer which may impact India's relations.

UK becoming a member of AIIB and China becoming a member of EBRD are proofs of this.

What should Britain do?

Britain may follow Norway model.

'Norway model'

The Brexit Committee this week made a significant intervention into the Brexit debate when it urged Theresa May to consider the 'Norway model' as her official fallback option.

What is the Norway model?

- The Norway model describes two key European organisations: The European Free Trade Association (EFTA) and European Economic Area (EEA). Norway, along with Lichtenstein and Iceland, is a member of both.
- EFTA is made up of the three countries listed above, plus Switzerland. The group trades between itself and has signed free trade deals with a number of non-EU countries, Canada, Mexico and others.
- The EEA, on the other hand, is a collaboration of all EU member states plus Norway, Lichtenstein, and Iceland. All EEA members, including the non-EU members, enjoy full access to the contentious European single market.
- EEA membership is only available to either EU or EFTA member states. So, under a Norway-style Brexit, Britain would leave the European Union, join EFTA, and then become the 31st full member of the EEA.

What are the pros of the Norway-style Brexit?

- Being an EFTA-EEA country would allow to Britain maintain full, tariff-free access to the single market. That would include services, which currently account for around 80% of Britain's economy.
- Most research suggests this would be the least damaging form of Brexit. The government's own impact assessment found the Norway option would be the least damaging option in terms of economic harm.

Test yourself : Mould your thoughts

Brexit is part of the larger protectionist tendencies that has been on a rise around the world in recent times. Critically

examine the statement and discuss the implications of Brexit on India.