

THE AFTERMATH OF BREXIT

In a referendum that was held around four years ago on June 23rd, 2016, the people of the United Kingdom(UK) voted to leave the European Union(EU), a political and economic union of states located primarily in Europe.

After many heated debates within Westminster, the UK agreed to the terms of its EU departure and officially left the union on the 31st of January, 2020, termed by many as Brexit day. However, both the sides still need to decide how their future relationship will look like, and a deal is set to be negotiated during an eleven-month transition period that begins immediately after Brexit day.

Ever since the referendum, there has been a lot of uncertainty that has affected the nation and has come at the cost of two of their Prime Ministers' jobs. With the Conservatives having a landslide victory in the election of 2019, Boris Johnson, the leader of the Conservative party and the current UK prime minister, will be the man to lead the nation in a post-Brexit world.

To understand what the future holds, we have to first look at the past and understand how the EU came to be and why Britain joined it in the first place.

To help with the recovery after the devastation brought by World War 2, and to ensure regional integration, the European Coal and Steel Community(ECSC) was formed in 1951 by six nations- Belgium, France, Italy, West Germany, Luxembourg, and The Netherlands. This created among its member states, a common market for coal and steel, which also served to neutralize competition and to make war materially impossible. Subsequently, the European Economic Community(EEC) was created in 1957, which aimed to bring about an economic integration of its member states, which was to be achieved by incorporating a common market and a customs union. This would mean that the nations that are a part of the EEC would function as one trade block with free internal movement of goods and a common external tariff. After the merger treaty signed in Brussels in 1965, the European Communities(EC) came into being. This unified the ECSC, the EEC, and the European Atomic Energy community into one unified entity.

The UK first made its application to join the EEC in 1961. The country had previously focused its economic ties with its remaining colonies and countries in the Commonwealth like Australia and Canada. As these countries started to shift their focus away from Britain towards countries like the United States, new markets were necessary. Britain had originally been opposed to any formal Pan-European organization of nations and was only looking for a Free Trade Agreement with the EC, whose negotiations fell apart.

One of the primary reasons for the formation of the European Communities was to contain the geopolitical rivalry between France and Germany. The North European Plain is a mostly flat geographical region that was easy for armies to march over and thus this part of Europe has always been prone to war. The formation of the EC also brought prosperity in the region by facilitating trade and containing the spread of communism. The UK, being an island nation was secured by the sea and only wanted to join the EC for economic benefits.

Britain, however, had two major obstacles in this grand plan. The first was that it wanted to make sure these changes didn't contravene with American foreign policy in the ongoing cold war. And

the second was France's president Charles de Gaulle who was opposing Britain's entry into the EC over his belief that the nation would not commit itself to the union like France or West Germany. Despite various failures initially, Britain kept pushing for a membership in the EC to reduce its financial dependence on the US. Britain was finally accepted as a member along with Denmark and The Republic of Ireland in 1973. The European Communities went on to become the EU in 1993 and since the Soviet Union had collapsed, former communist bloc countries that had suffered from decades of mismanagement and corruption were incorporated into the EU with the same goal of preventing wars and increasing prosperity with trade.

After all these years of integration with the EU, it will take time for Britain to adjust to the new social and economic climate in the post-Brexit world. The hardest part about Brexit is the borders. For starters, the EU allows for the free movement of people within its member nations and post-Brexit, the movement of people will become significantly harder. Nothing much will change, however, after Brexit day as the UK is still bound by EU laws during the transition period. After the transition period, however, around 3.5 million EU citizens will no longer be able to rent and work in the UK with just their EU passports and will need to apply for a visa. There are currently an estimated 1.3 million British citizens in the EU whose rights have been guaranteed by the EU and both sides have agreed to provide minimum hurdles for the parties affected by this transition.

Another sticking point is that of the case of the border between that of Northern Ireland and the Republic of Ireland. After the Irish partition, Northern Ireland was divided into Nationalists who wanted to unify the country with Ireland and the Unionists who wanted to remain part of the UK. Brexit threatened to reignite a violent 30-year conflict between these groups which ended in 1998 with the Good Friday Agreement, in which the people of Northern Ireland could choose between a British or an Irish citizenship. Northern Ireland also could, in the future, vote to unify with Ireland. A common customs union and a porous border played a significant role in ensuring peace in the region. After much debate, it was decided that the Irish border would continue to be open and that there would be a hard border between Northern Ireland and the rest of the UK. This doesn't seem to be an ideal situation as many say it would undermine the sovereignty of the UK, but this was the only way to both ensure peace in Ireland and satisfy the Brexiteers, who wanted independence from EU regulations. With the proportion of the Catholic population who tend to be Nationalists increasing in Northern Ireland, we could eventually see a unified Ireland in the near future.

Canary Wharf is a neighbourhood one can't miss when visiting London. It is packed with skyscrapers and is one of the world's important financial hubs. However, in the 1970s, this region was quite poor and its economy relied on the Isle of Dogs port located there. As the merchant ships got bigger by the day, they couldn't fit into this port and thus the region was stagnating. Things changed in 1982 when the then Prime Minister Margaret Thatcher turned this area into an Enterprise Zone which would both lower the taxes in the area and also provide flexible urban laws. Special Economic Zones (SEZs) are very common across the world with many popular success stories like Shenzhen. The Treaty on the Functioning of the European Union allows for the creation of these zones only in poorer regions, which is why most of these 80 zones are located in Eastern Europe. The coastal areas of Croatia, being relatively wealthier, have a GDP per capita of 11400 Euros while some of the poorer areas of the UK like the Newcastle region have a GDP per capita of 27900 Euros. While this restriction of the formation

of SEZs makes sense from an EU perspective, it doesn't from a UK one, which is why the highest support for Brexit came from these regions.

As the UK leaves the EU, it needs to find new markets and make new Free Trade Agreements. This, however, takes time, usually many years. As we saw how the primary reason for Britain to join the EU was economic, how the country will deal with the situation in the short term before the trade deals are agreed upon remains to be seen. One proposal by Boris Johnson involves Supercharged Free Ports, an upgrade of the Enterprise Zones that will have low tariffs, low taxes and freedom of movement. Many Brexiteers think the independence to form their own laws would make the UK significantly wealthier, with the term 'Singapore-on-Thames' referring to a deregulated and business-friendly UK.

Brexit is obviously a heated political issue and there were probably other things besides critical economic analysis going through people's minds when they set out to vote in 2016, but it has become an economic issue now, above all else. The future of the nation is not as dire as most people would like to believe. The UK still maintains the Pound, a stable and widely used currency around the world. They have strong domestic industries and their banking and finance sector might even stand to gain from the new economic conditions of a post-Brexit nation.