

The impact of the Brexit within the UK

Fils Eddy Brice SAMPINOU* and Basile Marius NGASSAKI**

Abstract

This article is about the potential consequences of the post Brexit period resulting from the United Kingdom (UK) choice to withdraw from the European Union (EU). Based on different scenarios for the UK's future relationships with its neighbours, an identification of potential influences upon the decisions taken in the future outside from the EU is made including international agreements and the changing context which already established UK policy positions. These situations are related to: political instability within the UK, immigration, economic consequences, and foreign investment.

Keywords

Brexit, European Union, United Kingdom, Referendum, Migration, Independence, Economic consequences.

Résumé

Cet article examine les potentielles conséquences de la période post Brexit qui résulte du choix des Britanniques à quitter l'Union Européenne. Baser sur différents scénarios de l'avenir des relations avec les pays membres de cette organisation, une identification de potentielles influences sur les décisions est faite sur la politique de sortie du Royaume Uni de l'Union Européenne. Parmi ces contextes figurent, l'instabilité politique en Grande Bretagne, l'immigration, les conséquences économiques et l'investissement étranger.

Mots-clés

Brexit, Union européenne, Royaume uni, Référendum, Migration, Indépendance, Conséquences économiques.

* Doctorant, Faculté des lettres, arts et sciences humaines, Université Marien Ngouabi, Brazzaville (Congo) E-mail : Eddybricespn87@gmail.com

**Professeur titulaire Cames, Faculté des lettres, arts et sciences humaines, Université Marien Ngouabi, Brazzaville (Congo)
E-mail : ngassakibasile@gmail.com

Introduction

After the Second World War, many countries are being grouped into regional organizations and world organizations. It is a path for global prosperity and peace. This vision is a great challenge because diverse interests are sometimes conflicting within the same grouping. Accordingly, moving forward is like making a hurdles or a steeplechase; a race which is full of obstacles. There are lots of examples where unity or consensus within these institutions is always jeopardized by some individual members' interests. And that is the case with European Union. The recent case is the hot debates between the United Kingdom and the other member states of the EU. So, the question we are asking ourselves is : Is it possible for the United Kingdom to exist on its own without relationships with the European Union? The hypothesis on which this problematic lies stands as follows: Is it possible for a country to survive without any relationship with its neighbours? This study will be conducted through the socio-historic approach.

On June 23rd 2016, citizens of the United Kingdom (England, Scotland, Wales, and Northern Ireland) voted on whether or not to remain in the European Union (EU). This in/out referendum was at the core of heated debates. Great Britain's withdrawal from the EU is colloquially known as "Brexit". With the nature of the Brexit debate, the 'Leave' campaign tends to portray the EU as a fossilized relic of the past, with Brussels as its bureaucratic Model. On the other hand, the 'Remain' campaign argues that without EU membership, the United Kingdom prosperity and safety are at risk. Despite these contrasting positions, there is a remarkable bipartisan consensus that the EU needs to be reformed. But the 'Remain' campaign suggests that the United Kingdom 'can influence the EU far better from inside than outside.

For the United Kingdom, the coming months will be decisive for its role and place in Europe, as well as around the world. Referring to the holding of a vote, on January 1st 2013, British Prime Minister David Cameron announced his plan to hold a referendum, meanwhile putting pressure on the EU to change the way in which it works, or at least to alter the rules governing the United Kingdom's EU

membership. In November 2015, he asserts that “this is perhaps the most important decision the British people have done to take at the ballot box in our lifetimes” (Prime Minister’s Speech on Europe, 2015). This vote to leave the European Union was won by the “leave camp” with a margin of 52% to 48%. Following the results of the referendum, the UK has been operating in a political uncertainty.

Much has been written on “the Brexit” amongst which we have books, essays, dissertations, articles and reports. For instance, Dan Milmo, in his report entitled “how will Brexit affect Britain's trade with Europe?”, states that this referendum will bring the British and European governments to reconsider the framework for exporting and importing goods (cars and food) and the basis for continued services trade such as legal advice on big British companies takeover from the EU countries.

In addition, negotiations will have to cover customs procedures, passport controls for business travelers and regulation on issues like environment, health and safety standards. Currently, UK companies are able to trade with the EU on a tariff free and quota free basis. During negotiations for a new trade deal, there is nothing to stop Brussels seeking to impose a 5% tariff on all UK car exports (more than eight of 10 UK-made cars are sold abroad). The UK can, of course, threaten tit-for-tat tariffs on BMW or Fiat cars, but it means consumers on both sides of the Channel suffer from these trade procedures. There is also the risk that the EU will impose quotas on the UK, which limit the amount of goods and services that can be sold into Europe.

On the other hand, noticing the probable consequences of the Brexit, in his report entitled “Brexit: Strategic Consequences for Europe” Peter van Ham examines Brexit’s strategic consequences for Europe and the EU in particular. The outcome of the referendum will have a major impact on the EU’s capabilities to foster a Common Security and Defence Policy (CSDP) and the EU’s ambition to develop a Global Strategy on Foreign and Security Policy, the EU’s negotiations with the United States to arrive at a Transatlantic Trade and Investment Partnership (TTIP). This is also the case with the EU’s role and voice on global security issues, such as fighting Jihadists, dealing with climate change and halting the proliferation of weapons of mass destruction. Arguably, the In/Out referendum will also decide

on how the EU will develop into a full-fledged federal entity, and will have a major impact on the nature of the EU's role as a regional and/or global security actor.

As most of the reports and analyses are focused on the economic, financial and trade issues, this article examines Brexit post period consequences of migration, the political situation, regulation within the UK, and the impact on trade between the UK and the rest of Europe. Beforehand, background information on UK's participation in the EU will be presented.

1. Background information on UK's uncertainty of being EU member

Any Institution has got its story and history; this is the case with the European Union and the United Kingdom. In order to highlight some of the main aspects of the British membership to the European Union, it is worthwhile examining the causes which motivated the British people to enter the European Union and the way they managed to do so.

Although it was the British Conservative Prime Minister Winston Churchill who provided the theoretical basis for the modern European community, ironically Britain has consistently represented a difficult issue in European integration. The reason for this can be attributed to Britain's historical, traditional, institutional roots. And an idea of its role in the world 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.

The British had colonies on every continent and in all the oceans. In the 20th century, the empire saw an unexpected decline with the independence of all former colonies. In the first half of the 20th century the British Commonwealth was created. It is a voluntary intergovernmental association mostly composed of the former colonies of the Empire. All of the subordinate territories are now independent states with sovereign governments, but they all more or less remain symbolically close to the British Crown (Britain and Europe, 2010, p. 17).

Another complication arises from the fact that Britain did not partake in the founding of the EU. Thus, members that join later will very often encounter difficulties to adapt to the rules already in place. In the process of establishing the EU, Britain 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 approximately 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. In 1957, the Treaty of the European Community (also known as the Treaty of Rome) was signed, which led to the creation of the European Economic Community and the European Atomic Energy Community. This was a very important 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 (George, 1998, p. 12).

During the aftermath of the treaty, the six EEC (European Economic Community) members flourished economically whereas Britain suffered continuous economic decline. It was only after this most successful period of the Community that Britain entered the ECC. In the meantime, the six states had actively shaped the community to their advantage, which offered them more benefits than for the latecomer like Britain.

In all European countries, all surveys of public opinion demonstrated widespread disillusionment with the European integration. What is particular about Britain 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. In the same vision, Margaret Thatcher thought that Britain was losing its independence and sovereignty by transferring the power of decision-making to Brussels. In her "Bruges Speech" in 1988 she states that:

To try to suppress nationhood and concentrate power at the center of a European conglomerate would be highly damaging and would jeopardize the objectives we seek to achieve. [...]. working more closely together does not require power to be centralized in Brussels or decisions to be taken by an appointed bureaucracy.

Clearly, this idea shows how British people were determined not only to defend the membership of the Union but also their position to aware people on the danger of losing their power and personality. In some way, there is no doubt that this issue between both opinions can be considered as the premises of the way to the Brexit. Obviously, this decision will have impact on the British political system.

2. The impact of Brexit inside the British political system

Britain's departure from the EU is viewed with great anxiety. Although the referendum is followed by a couple of years of uncertainty and a long process of negotiation needs to take place between UK and EU, the imminent separation has already produced tangible and intangible impacts on different sectors. For instance, the political system is somehow affected.

The divorce between Britain and the EU has delivered another blow to parliamentary democracy, further draining power from elected representatives. Given a free vote, a majority of Members of Parliament (MPs) would choose to have the U.K remain within the EU. But the referendum has ensured that they do not have a voice, and are in effect disenfranchised from the most momentous set of British political decisions since the Second World War.

Since the cornerstone of the British political system is the parliament, it sounds interesting to find out the cracking of the British Parliament. Brexit brings a mitigated attitude on the position of the parliament. Since the UK is outside the EU, parliament has now more control over a wide range of issues and policies inside the country. In this respect, Tim Oliver, (2013) explains that the starting point of the Brexit shows that there is a vital need to replace agricultural and structural subsidies as well as billions of dollars in research funding.

On the other hand, issues about the independence of Scotland and North Ireland have seriously affected the unity and integration of the British Parliament. Scotland and Northern Ireland parliaments would like to remain within the European Union. And both of them are asking special provisions so as to be able to negotiate with the EU on their own without the British Parliament supervision. This is subject to hot debates in the Parliament and it appears as if an agreement is not

possible because Scotland and Northern Ireland parliaments are using the ‘all or nothing’ policy on this issue. Failure to meet these demands could further alienate British Parliament. During the in/out referendum campaigns, immigration was a topical issue. So, is it possible for the post-brexit government to fulfill this promise?

3. Impact of the New Order through the Brexit within the UK

Faster means of communication are gradually giving shape to the global world. The movement of people from one city to another, one country to another and one continent to another is now a matter of hours. Trade, commerce and business are bringing different parts of the world together. But some side-effects can be noticed within individual states. This explains the reason why immigration was one of the key issues during the brexit campaign. Accordingly, this analysis will be divided into four main sub-sections: immigration, new regulation system, post-Brexit policy, and economic challenges.

3.1. Immigration

This section looks at the British immigration system, covering both EU and non-EU migration, as well as the different routes or reasons that people give for migrating to the UK. A look on how the Government designs and implements its immigration policy without the EU sounds interesting.

The British people thought that all the people coming from the other parts of the world are the main source of their problems, concerns and trouble. And the ‘leave campaigners’ targeted these populations and promised to take them out of the United Kingdom and to stop newcomers to venture in this island. For instance, the present situation of massive immigration may affect the British security in the fact that the migrants bring with them jihadists who can attack at any time and kill innocent British citizens. Accordingly, the creation of a new effective system of controlling migration should be made because the migration of the last two decades is very different from the present one which is undermined by the threat of Jihad.

In this situation, for Brexiters the fact of facing these waves of migration brings about two major negative impacts on their land:

terrorism and unemployment. Here, we talk about terrorism brought by the more radical Muslims who pretend to escape the war in order to kill innocent people. As a matter of fact, they see on the EU policy of immigration a non-protection of their citizens because the fact of receiving those dangerous people without taking into account the reality of their dangerous actions that they can undertake on their lands is bringing a serious harm on their security system.

Under European treaties, European citizens had the right to live and work in any EU country. This principle, known as the 'freedom of movement of persons' or 'free movement', has been a key component of the UK's migration policy since it joined the European Economic Community in 1973. But the UK Government has always had full control of non-EU migration, and non-EU migration has, according to government statistics, always been greater than EU migration. It wasn't until around 15 years ago that large numbers of EU citizens began to make the most of their freedom to move to the UK.

This freedom came under intense scrutiny during the Brexit referendum. Many false claims were made about immigration in the run-up to the vote and the idea of free movement brought significant divisions. Some felt that giving other EU citizens such a level of freedom was no longer acceptable, while others saw it as a benefit to the UK economy and to British citizens.

Migration brings a very significant contribution to the British economy. To reduce migration toward the UK however has automatically an important consequence on the stability of the British economy. About the impact on the Gross Domestic Products (GDP) growth, most of the research in this area indicates that migrants have a modest positive impact on growth. This is mainly a consequence of the fact that migrants are more likely to be of working age than the rest of the population.

Another argument is the fact that migration raises productivity through contribution to innovation if migrants are more skilled, so they can fill skills gaps and pass on skills to other workers. They also increase incentives for other workers to invest in training. This positive aspect of migration, for example, has been a particular factor in the economic success of the US. Migration helps develop new industries. A notable example in the UK is the curry house sector. In 1996, the 10,000 curry houses (cheap restaurants) in the UK had an

annual turnover of £1.5 billion pounds more than the steel, coal and shipbuilding industries put together.

According to the fiscal impacts (2013), this area also takes much profit from migration. This is partly because they arrive as adults, and ready to work. So they are more likely to be paying taxes than drawing benefits from the UK. More widely, we know that inequality and relative incomes have an impact on some of the metrics used to measure wellbeing, such as levels of health and social problems. The previously resident population might therefore be negatively affected if migration is highly reduced. To illustrate these ideas, the UK's Office for Budget Responsibility (OBR) in its annual Economic and Fiscal Outlook report (E M I, 2018, p. 7) found that :

Net migration has a positive impact on the British economy. According to its calculation, the high migration variant would increase the UK's budget surplus by about £4.5bn by 2019-20, while the low migration variant would reduce it by the same amount. In other words, the "high migration scenario" would add 0.8% to economic growth whereas the "low migration scenario" would cut economic output and the size of the economy by 0.8 %.

It is also important to recall that EU migrants that arrived in the UK since 2000 have contributed more than 20 billion pounds to UK public finances between 2001 and 2011; with EU migrants, the contribution reached 64%. However, non EU migrants, for comparison, have contributed around 5 billion pounds to the UK public finances in the same period. (European Movement International). Thus, the UK has to establish new system of regulation so as to meet the requirements of the Brexit leave campaigners.

3.2. The new regulation system

The post-Brexit management of EU citizens coming here to work will require a somewhat expanded work permit section of the Home Office and a greater role for the Migration Advisory Committee (MAC). The MAC will need to rise in the coming months and years, to deal with the short-term demand of granting permanent residence to existing EU citizens but also to manage the permanent extra visa workload created

by the end of free movement. For the first task, the Home Office has already recruited an extra 700 staff with another 500 due by next April. Meanwhile, the MAC should host sector forums to gather views of employers about future manpower requirements, what potential there is for automation, especially in agriculture and in making jobs more attractive to UK workers by investing more in training and higher pay. Free advice and even some financial support should be available for small and medium-sized companies.

Alongside the modified work permit scheme for EU workers, described above, there is a potential for adapting other non-permanent migration schemes for a post-Brexit world. There are three in particular: The Seasonal Agricultural Workers scheme (SAWS), the Youth Mobility Scheme, and Intra-Company Transfers (ICTs). The first two could be particularly useful for short-term time limited to low skill employment that does not lead to permanent residence. The Seasonal Agricultural Workers Scheme (SAWS) operated successfully for 60 years it was phased out in 2014 in part because of the large availability of such labour from Eastern Europe. The National Farmers Union (NFU) called as a “robust and effective” scheme controlled by the Home Office which provided a pool of temporary overseas workers to do outdoor and sometimes physically demanding work in remote locations that is not usually popular with UK workers.

David Camp (2017, p. 7) of the Association of Labour Providers suggests that:

Defra should convene a multi-stakeholder group now to design this scheme. Industry and trade association representatives are ready and waiting to support Defra in the task. The current Youth Mobility Scheme should be extended on a reciprocal basis to all EU countries for a trial period. The current scheme allows 18 to 30 year olds to work in the UK for two years with no right of residence. It currently attracts about 50,000 young people a year, with reciprocal quotas in most cases, from Australia, New Zealand, Canada, Japan, Monaco, Hong Kong, South Korea and Taiwan. Such an extension to young EU citizens should help to allay some of the fears of employers in the hospitality and coffee shop sector.

The advantage of the three schemes described above is that they all cater for different forms of temporary migration, which in the long run

is the best way to combine the desire for slower demographic change with the needs of business. The schemes can also be extended or contracted at quite short notice. But the main problem lies on the feasibility of controlling the EU citizens arriving as a visa-free tourist and then staying and working illegally. This is a more general problem for immigration systems in rich countries like Britain where the main abuse is not so much illegal entry as people over-staying visas of various kinds: visitor, student, and worker. The long-term answer is a more extensive use of ID cards and a greater willingness on the part of employers to the welfare state to routinely require their use in everyday life.

All EU citizens in the future who are here for more than six months, whether as a student or a worker, should be required to register with the authorities (as is already the case in most European countries) and hold a biometric ID card or something similar, as is currently the case for everyone from outside the EU. This should not be applied to the three million pre-Brexit EU residents, though they will need permanent residence or some other form of documentation to prove their specific status.

The biometric ID card contains name, date and place of birth including biometric information (facial image and fingerprints) and shows an individual's immigration status and entitlements while they remain in the UK. This allows employers to use the Government's free online Biometric Residence Permit checker to establish the right to work.

However, the Remain Party shares the same policy with the European Union about immigration. According to them, immigration helps address skills shortages and the consequences of an aging population in the UK. Free movement allows UK firms' access to specialist workers who are increasingly important to boost industrial productivity; 63% of CBI (Confederation of British Industry) members. But, it is a difficult task because a great number of immigrants coming to the UK are from South Asia, Africa, and the Caribbean who are not affected by EU laws.

To provide a plausible analysis on the impact of Brexit on business and trade, it is important to underline that the British companies depend on the common market with members of the EU. A number of laws had been established to regulate trade and business depending on

the EU norms. But the big question is to know in what way the Brexiters will manage to get round their economic system on this field. In this part, two main ideas will be at the core of debate: The drawbacks of the EU system of trade and business in one hand and the way the UK now carries out its independent system on the other hand.

Regulatory divergence grows over time increasing the cost of trade, impacting on volumes and the UK place in supply chains; the UK loses influence over EU regulation without gaining much freedom to regulate independently. The British gain flexibility over industrial policy, but lose the benefits from scale and influence in some areas. Immigration is tightened, damaging competitiveness, particularly of London, but how much depends on the Brexit model? Financially, The UK retains a strong competitive edge, but most likely loses business as it becomes harder to provide certain services to EU markets. On International field, the UK loses the benefit from being able to influence both in and through the EU, impacting on economic and foreign policy interests. Finally, what is uncertain is the fact that for the time being, no one knows the different policies that the post Brexit will follow. Moreover, since the beginning of the procedure, this sector has started to be seriously impacted because of not only the uncertainty of the present but also the unknown direction of the future of the UK.

To sum up, the arrangements described in this section would leave the UK with broadly five categories of residents: full British citizens, those with permanent residence, indefinite leave to remain who are not citizens (including many of the 3 million pre-Brexit EU residents), the post-Brexit EU citizens who come to live or work in the UK in most cases temporarily, plus two categories of people who come from the rest of the world, those coming permanently (mainly through family reunion and refugee channels) and those who are here temporarily as students or skilled workers. One difficulty with a privileged position for EU citizens beyond the transition period is that it might conflict with equalities legislation and the principle of non-discrimination. When we are no longer members of the EU, when EU law is no longer supreme, there may be no legal grounds for providing more favourable arrangements for a French citizen compared with a French Canadian. In any case, Britain will want to re-examine the nations and skills it prioritizes after Brexit. The above provides the

basis for a system of fair, rather than free, movement which takes into account the interests of low-skilled British citizens who have faced the brunt of EU labour competition, as well as British business. A more serious challenge is the reduction of the number of Europeans living in the U.K. How can the UK proceed to expel them without facing any retaliation from the EU? This raises hot debates among politicians of all the parties.

3.3. Post-Brexit Socio-Political Side-Effects

Actually, the Brexit has taken its sources from social concerns of the British population. And they have a great expectation to find solutions to their problems after the Brexit. So, the question which comes in mind is: Does the Brexit stand as a solution to the British people's social problems?

Many British voters also believed that by favouring Brexit they were voting for greater spending on the National Health Service and the rest of the British welfare state. These voters may become even more dissatisfied when they discover that Brexit will not, in fact, provide anything close to the additional £350 million per week for the British budget that some Leave campaigners had claimed it would.

Finally, exiting the EU has left the British politicians with less influence and less impact on the rest of the world. Unless they be able to negotiate a closer relationship with the EU They will no longer help to shape UK's foreign and trade policy, its regulations, or its decisions on justice, security, and borders. Yet, they will no longer be represented by MPs in the European parliament, at the meetings of the European Council, where Europe's heads of government make joint decisions on a huge range of issues. Though it may take several years for the impact of this change to be deeply felt.

According to Bruzelius et al. (2014), the policy debate on a migration control crisis began parallel to the financial crisis and the change in government from Labour to Tory in 2010. Since then, free movement of EU citizens to the UK has become one of the most politicized issues. The actors of criticism towards EU freedom of movement include populist and conservative parties such as the Tories and the UK Independence Party and the media. EU migrants contributed positively to public finances and their employment rate

was higher than that of British nationals despite a lack of evidence. Claire Dupont (2016) adds that the connection between EU migrants and 'welfare tourism' embodied widely shared worries about immigration in the UK. The actual problems could be observed with regard to rising prices in the housing market and immigration to semi-urban and rural areas that were not used to or equipped for accommodating larger numbers of migrants. Most important to the debate in the UK was the fact that EU migration, although for decades smaller in size than immigration from third countries, could not be restricted. The inability to restrict EU admission resulted in a debate discussing a migration control crisis in relation to the country's EU membership. The OECD (Organization of European Co-operation and Development) justifies this approach (Dr Gregor Irwin, 2015, p.5) as follows:

Migrants are more likely to be net contributors to public finances if they are younger workers. Some studies suggest that on average EU migrants make a net contribution to public finances. And the OBR (Office for Budget Responsibility) estimates that the net contribution will be large in future. However, migrants will increasingly have families and put pressure on education spending.

In fact, businesses operating elsewhere in Europe can largely work around any restriction on the free movement of labour imposed by the UK. In fact, changes to the labour supply and the flow of remittances will impact on some countries. Perhaps the biggest risk, but the hardest to predict, is of 'political contagion' elsewhere in Europe if the UK tightens border controls. The biggest costs from UK controls will be borne by EU firms invested in the UK as operations based outside the UK can always substitute for UK labour.

The biggest risk for the rest of the EU is that UK restrictions increase hostility towards immigration in other states, both because of deflected immigration and how UK policies impact on the policy debate elsewhere. Immigration will be a factor in several states such as the French presidential election in 2017, where there might be pressure to follow the UK immigration controls. However, there is one important difference between the UK and other member states. In the

UK, the contentious issue is intra-EU immigration, whereas elsewhere it is mostly extra-EU immigration.

In short, we can say that in one hand, it is obvious that EU immigrants are making net contributions; they are bringing extra resources that could be used to increase spending on local health and education for the UK-born. In other words, reducing EU immigration would generate the need for greater austerity. This would magnify the need for cutbacks caused by the slower growth of the economy due to reduced trade and investment. Although the fact that the government has been cutting back on public services cannot therefore be blamed on immigrants, it is still interesting to see whether immigration has led to worse local services. Unfortunately if the final conclusions of the policy of leaving the EU abolished the free movement treaty with the UK, this would affect the UK negatively because of the limited number of migrants coming from the EU zone.

3.4. Economic consequences of the Brexit

On the eve of Brexit, the referendum result had pushed up UK inflation by 1.7 percentage points in 2017, leading to an annual cost of £404 for the average British household. Studies published in 2018 estimated that the economic costs of the Brexit vote were 2% of GDP. According to a December 2017 Financial Times analysis, (Giles, and all, 2017, p.5) the Brexit referendum results had reduced national British income by 0.6% and 1.3%.

A 2018 analysis by Stanford University and Nottingham University economists estimated that:

Uncertainty around Brexit has already reduced investment of businesses by approximately 6 percent and caused an employment reduction by 1.5 percent. A number of studies also found that Brexit-induced uncertainty about the UK's future trade policy reduced British international trade from June 2016 onwards.

In the same framework, in 2019, the British firms substantially increased offshoring to the European Union after the Brexit referendum, whereas European firms reduced new investments in the UK. The referendum results have created a great uncertainty in

markets and reduce consumer confidence. There is overwhelming or near-unanimous agreement among economists that leaving the European Union will affect the British economy in the medium and long-term. Surveys of existing academic research found that the credible estimates ranged between GDP losses of 1.2 to 4.5% for the UK, and a cost of between 01 to 10% of the UK's income per capita. These estimates differ depending on whether the UK does a Hard or Soft Brexit.

The present financial environment requires foreign investment for suitable development. And globalization causes challenges that drive countries to work hand-in-hand to find ways out. Accordingly, it will be a suicide for a country to ignore foreign contributions in any kind of sectors. However, the issues of this point focus on one hand, the positive effects of being in the EU on inward FDI. The magnitude ranges from a 14% to 38% increase in FDI depending on the exact statistical method used with an average of 28% across the main three methods. On that perspective, Swati Dhingra (2016, p. 7) states that :

Our new empirical analysis looks at bilateral FDI flows between 34 OECD countries (including the UK) over the last three decades. Controlling for many other factors, the baseline estimate is that EU membership has raised FDI by about 28%.

Moreover, the main argument in favour of Brexit lies on the fact that, top priority should be given to local investment in order to raise more money to boost up the British economy. But there is much evidence that FDI brings benefits in terms of enhanced productivity. On the same framework, (Bloom and all, 2012, p. 23) find that: *Multinationals boost productivity in UK establishments through enhanced technologies and management practices*. This quotation means, now, the British tries to find out a solution to replace the foreign investment policy which deeply depends on the other countries of the Union. As a matter of fact, no longer member of the EU, many deals between both sides will change depending on the policy that the British people are going to adopt for their leaving process. But what should be the way out?

To find out a solution to this kind of dilemma, the British people might be able to negotiate some of these privileges in order to have a possibility to enjoy foreign investors coming from the EU. But to do

so, they might accept to contribute substantially to the EU budget, to accept all EU regulations without any tough conditions and to allow free labour mobility with the EU because despite being the way in which FDI affects people and firms in multiple parts of the economy as suggested by some economists it is also a very fundamental point of the British economy, as underlined by Alfaro and all (2004, p. 17):

The effect of changes in FDI on growth rates across 73 countries [...] increases in FDI have a large positive impact on GDP growth, especially for countries like the UK that have a highly developed financial sector.

As an illustration, Switzerland, a member of EFTA (not the EEA) enjoys tariff-free access to the EU in goods. But it has no passporting rights, so Swiss financial institutions mostly get access to the EU via special bilateral treaties with the EU, which still require permissions to set up branches in EU members.

Conclusion

A referendum on Brexit has taken place. A vote for Britain to leave the EU has been crowned by the Brexit victory. While the Brexit negotiations with the EU are far from a foregone conclusion, the goal of this paper has been to show the impact of Brexit on British businesses, the UK economy, immigration, investment and regulation. The direct impact on the rest of the EU would also be significant. The export, supply chain, investment and policy interests of many large corporations would be adversely affected, but perhaps the single biggest impact will be on the cost of raising finance in Europe which is likely to increase. It's also possible that, all member states feel this impact, both economically and politically.

In the short run, uncertainty about Britain's future relationship with the EU, its greatest trading partner, could push the UK into a recession. Friday, just after the Brexit, the UK saw huge market volatility. The British pound has lost about 9 percent of its value since Thursday's vote, and Britain's FTSE 100 stock index (designed to represent the performance of the British Companies providing investors with a comprehensive and complementary set of indices that measure the performance of all capital and industries) lost 3 percent of

its value in Friday trading. However, during the months ahead with Cameron resignation, Britain's prospects of negotiating a favourable deal with the EU could be weakened. The EU may decide to strike a hard bargain to discourage other countries from leaving the EU. And that could create serious problems for businesses based in the UK. For example, if you are Nissan or some other car producers with major production in the UK, today, the same safety standards and environmental standards allow you to sell everywhere in the European market.

Moreover, the British situation about trade relation with the EU countries will become more and more difficult because of all barriers that the EU would impose to the UK. For these reasons, the moral lesson which be drawn from the Brexit is : a person, a country, a continent cannot survive without any relationships with his or its neighbours.

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