For the EU, Britain’s exit would be a heavy blow, but for the British it would be a real disaster.

-JOSCHKA FISCHER, FORMER GERMAN FOREIGN MINISTER

It is not an amicable divorce but it was also not an intimate Love affair.

BREXIT might be initial tremor that triggers a tsunami of referenda in Europe in the coming years. According to European council on foreign relations, 32 referenda are being demanded across 18 states across EU.

WHAT IS EUROPEAN UNION AND WHY WAS IT FORMED?

The European Union - often known as the EU - is an economic and political partnership involving 28 European countries.

It began after World War Two to foster economic co-operation, with the idea that countries which trade together are more likely to avoid going to war with each other. It has since grown to become a "single market" allowing goods and people to move around, basically as if the member states were one country.
It has **its own currency, the euro**, which is used by 19 of the member countries, **its own parliament** and it now sets rules in a wide range of areas - including on the environment, transport, consumer rights and even things such as mobile phone charges.

The EU has evolved over the last seven decades. From a loose arrangement, it has become a tight bureaucratic organisation with its jurisdiction extending to multifarious activities. When the euro was created as a common currency, Britain opted out of it. The European Central Bank sets a common monetary policy stance for all member countries. This itself has been a source of irritation to many member countries. This came out prominently at the time of the Greek crisis. With the loss of one instrument of control — namely, the exchange rate variation — the entire burden of adjustment had to be through employment and output changes. As one commentator put it, the EU has moved up its aspiration from the idea of 'common' market to 'single' market. It is this transition which half of Britain has resented. The complex set of regulations emanating from Brussels has made at least a section of the British people feel that they have lost ‘independence’. Some of the elite of Britain who voted to ‘leave’ feel this way. They think that control has moved to unelected bureaucrats in Brussels.

**What has induced the ‘non-elite’ to vote for Brexit?**

*It was the EU’s migration policy.*

**Perils of migration**

One of the main principles of EU membership is "free movement", which means you don't need to get a visa to go and live in another EU country. The Leave campaign also objected to the idea of "ever closer union" and what they see as moves towards the creation of a "United States of Europe".

Since the Lisbon treaty came into force in 2009 there has been only one legal mechanism: the country that wants to leave must invoke Article 50, which sets out how it happens.

Under Article 50 it is for the other 27 countries to decide, by majority vote and without British participation, the terms of Britain’s exit. The article sets a two-year deadline for this process, which can be extended only by unanimous agreement of all 27 countries. If no deal
is agreed in that time, Britain would cease to be an EU member and revert to trading with the EU on normal World Trade Organisation rules.

The free movement of people has been the last straw that broke the camel’s back. The low-paid jobs in the U.K. have been taken over by migrants predominantly from Eastern Europe. In an economy which has been growing slowly (even though the U.K. is a better performer than other European countries in recent years), this has come as a shock.

The spirit of ‘nationalism’ still runs high. The poor in Britain feel that they have been cheated by the migrants. Absorbing migrants is not new for Britain. The Asian and African migrants constitute a significant proportion of the population. All this happened when the economy was strong and growing. But this is not the situation now, and the resentment is in one sense natural. However, looked at globally, the poor in the countries from which people migrate have benefited. The British have also gained to the extent that the free movement of people has enabled highly skilled professionals to find positions all over Europe.

The ‘leave’ vote thus was motivated by two considerations: one, the degree of integration that the EU was trying to impose, and two, the migration policy which allowed a free movement of people across countries.

**Slow growth and technology**

The developed countries face a serious dilemma. They have reached a stage in their development when further growth will be slow. This will have implications for absorbing the labour that gets added to the market. Complicating the situation is technological development which is increasingly labour-saving. New technologies have a twofold impact.

First, they reduce the demand for labour in general. Second, in particular they make unskilled and semi-skilled work redundant. They demand new skills for which retraining may be needed. Distribution of income has thus become an issue which needs to be dealt with directly.
Brexiteers dislike this procedure as it tips the negotiating balance in favour of the EU, not Britain. Some have suggested instead another mechanism, such as a parliamentary vote to repeal the 1972 European Communities Act, which gives effect to EU law in Britain. But any such unilateral action would be illegal under both international and European law. So eventually Article 50 will have to be invoked. Yet that is unlikely to be done by the current Prime Minister, David Cameron, as he is resigning. It will be for his successor, who is likely to be chosen only in late September, to decide when to invoke Article 50.

Once that is done, there will also be negotiations over Britain’s new trade relationship with the EU. Because these are likely to take more than two years, they will be handled as a separate but parallel set of talks. And the new rules for trade will also have to be approved by all 27 remaining EU members and ratified by their national parliaments (and the European Parliament). That process could take many months: the EU-Canada trade deal agreed two years ago still has not been ratified. The next two years are going to be very busy.

The United Kingdom is set to leave the European Union but it may lose Scotland that overwhelmingly voted to stay in the European Union on Thursday. Sixty-two percent of Scots and all of its 32 voting areas voted to remain in the EU.

Today Scotland’s First Minister Nicola Sturgeon announced that it is “highly likely” the country will hold a second independence referendum.
Here are some of the candidates for referendums:

1. **France** is seen as the first in line for a so-called *Frexit*.
2. **Italy** might have the biggest support amongst voters when it comes to a potential exit from the EU.
3. **Greece**’s departure, or *Grexit*, was long coined before Brexit. While Greece might be seen as a likely contender, it’s close financial ties to the EU make a departure much more difficult.
4. **Scotland**, which voted for Independence from the U.K. in 2014 and lost, voted overwhelmingly in favour of the U.K. staying in the EU on Thursday in May, global research firm IPSOS released a report that showed Italy and France at the top of the list of countries who believe their country should hold a referendum.

**IMPACT ON UK**

The uncertainty, and threat of increased costs, could make the U.K. a less attractive place to do business and may become a factor in considering future investment here. Over 50% of the UK exports in respect to goods go to EU members and over 57% to the Europe as whole. Looking at goods and services combined the UK exports over 30% of its GDP of which 45% is exported to EU members or roughly 14% of the GDP.

Before the vote, the British treasury has estimated that an exit from EU would cost the country an estimate of 4300 pounds per household. There would be a downfall in respect of about 30 billion pounds that would have to be filled with tax increase on income and inheritance. But on the other hand Germany’s financial capital could get a big boost if European banks relocate staff to within the EU’s borders. Germany is the UK’s largest export market in Europe.

The Brexit vote on whether Britain will leave the E.U. is underway, but no matter the result, the Euroskepticism that forced the referendum in the first place isn’t going anywhere. In fact, we should stop calling it ‘Euroskepticism.’ It’s really ‘Euro hostility’—and it won’t go away even if Britain votes to stay in the E.U.
For Britain exiting EU might be a bad decision only if other countries from euro emulated its example. Then competitive currency devaluation from all the leavers will neutralize Britain’s cheap pound.

Over 1.5 million people have signed a petition in the UK calling for a second referendum over country’s EU membership. The petition will now have to be discussed in the British parliament.

A parallel petition calling the British capital an independent state after the UK voted to quite the UE has also been signed off by people and overwhelming 60% of the London had voted to remain in the EU. England also voted strongly for Brexit, as did Wales. Euro sceptic say Brexit will allow Britain to take back control of its borders in order to curb immigration and increase security. But the issue is it might reduce its border by losing Ireland and Scotland. Scotland and Northern Ireland both backed staying in the EU. Scotland backed Remain by 62% to 38%, while 55.8% in Northern Ireland voted Remain and 44.2% Leave.
IMPACT ON INDIA:

- UK has always acted as a gate pass for Indian companies to access the European companies, its more because of the access to financial markets in London and ease of doing business with Europe, from UK.

- India has positive trade surplus of $3.64 billion in terms of bilateral trade with Britain. The total trade stood at $14.02 billion in FY16, out of which $8.83 billion was in exports and $5.19 was in imports.

- For the month of April 2016 the exports to Britain stood at 17.66% (USA 17.80%) of the total exports. In terms of imports, India imports only 1.45% of its net imports from UK.

- If we look at exports from India to UK, the major exports are textiles and clothing, followed by machinery and auto ancillaries. India’s major exports in terms of pharma are US, UK followed by Europe.

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