BRITAIN AND EU RELATIONS FROM THE FORMATION OF THE EUROPEAN UNION TO ‘THE BREXIT’ – A BRIEF REVIEW

Dr. Anamika Kaushiva

Associate Professor, Economics, Sahu Ram Swaroop Mahila Mahavidyalaya, Bareilly, Uttar Pradesh, India

ABSTRACT

The people of the United Kingdom voted in favor of ‘leaving’ the European Union in referendum voting on June 2016. UK decided to opt for a ‘Brexit’ – a deal to take back control of the UK’s laws, borders, economy and finance by exiting from the EU – and to build a new relationship with Europe. Since then the Brexit discourse has focused on the critical question – whether UK will give up the access to the single market and custom of EU and opt for ‘Hard Brexit’ or will opt to follow the path of ‘Soft Brexit’ by negotiating a deal with least possible changes in the current relations with the member states of the EU. In order to fully understand the issue it is necessary to have an insight into the relations which existed before the referendum. Tracing the history of the formation of the European Union, time line of Brexit and the final negotiations currently being discussed upon between the EU and Britain, the paper discusses the primary reasons of why Brexit happened. The paper analyses the EU integration, its objectives and the UK-EU relations till the Brexit referendum. It outlines the reasons which led to the decision of the British masses to ‘leave vote’. The paper also attempts to throw light on the future of the EU and UK’s economic relations and the alternative options of negotiation deals before the UK for making the final Brexit Deal.

Keywords: Brexit, Euroscepticism, European Union, Referendum, United Kingdom.

INTRODUCTION

United Kingdom become the first member state to leave the European Union when on 24 June 2016, people of the United Kingdom (UK) voted to leave the European Union (EU). The turnout at the Brexit referendum voting was 72 percent and more than 33 million UK citizens voted. The ‘leave vote’ won by 52% to 48%. Facts reveal that the ‘leave vote’ was casted mostly by unemployed voters above the age of 45, while most of the highly educated employed voters under 35 chose remain with the Union. This was a landmark decision in the global economy of because for the first time a member state had voted to leave the EU under Article 50. The
immediate impact could be seen across the global economy as the stock markets plummeted and the world feared a recession. Two years hence, UK has passed through the first phase of the Brexit process, enacted the EU withdrawal bill and is negotiating to finalize the Brexit deal. The period is of turmoil and uncertainty in UK. The process of Brexit and the final Brexit model that will be adopted is critical for UK and EU’s future relations. This paper is a brief study of UK’s and EU’s relation since the formation of the European Union.

OBJECTIVES

1. To make a timeline analysis of the formation of EU.

2. To throw light on Britain and The European Union relations till the Brexit referendum.

3. The Brexit – To make timeline analysis and a study of the causes which led to the referendum.

4. To study the post referendum events till April 2019 and the socio-economic and political changes taking place across Britain and Europe.

5. To study the options of negotiations before Britain and the possible deal which will finally be adopted.

The first section of the research paper traces the time line of the formation of the European Union to understand its significance and then proceeds to analyze the status of UK in it as a member. The second section of the paper examines the historical UK-EU relationship to understand the causes of gradual disenchantment of the Britishers with the European Union – ‘euroscepticism’ - which eventually led to Brexit. The third section and the fourth section focus on the Brexit plan, the timeline of Brexit and post - referendum events. It studies the options of negotiations before UK and the possible deal. The paper concludes with a note on the present situation of uncertainty and debate which continues in Britain and the latest extension of the Brexit till 31 October 2019.

I – European Union: UK and European Integration – A Time Line Analysis

Twenty eight countries of Europe have formed an eco-political union or the European Union. EU has a long history of evolution and is unique because it is an association of independent nations and not a government. The member countries have renounced their sovereignty partially and have formed a treaty for setting up a common market governed by inter governmental decision making process but at the same time they continue to have fiscal and political independence.
Today, spread across an area of 4,475,757 km, with estimated population of approximately 513 million, the EU has evolved as a single internal market across the 28 European nations which functions by EU policies formed by the EU commission. The objective of these policies is to ensure freedom of movement of goods, services, capital as well as people within the countries which are the member of the Union. The EU formulates common policies on economic issues – agriculture, fisheries, trade and regional development as well as on issues of security and cooperation.

The devastation of the economy of European countries in the Second World War had raised in the mind of the leaders across the countries the idea of economic and political integration. In 1949, the Council of Europe was created (ten member countries) as an organization to deal with issues of human rights and democracy. In May 1950, the French Prime Minister Robert Schuman, presented the Schuman Declaration and proposed the creation of a European Coal and Steel Community (ECSC). Its members, France, West Germany, Italy, the Netherlands, Belgium and Luxembourg decided to pool in their coal and steel production. He said, “Our century, that has witnessed the catastrophes resulting in the unending clash of nationalities and nationalisms, must attempt and succeed in reconciling nations in a supranational association. This would safeguard the diversities and aspirations of each nation while coordinating them in the same manner as the regions is coordinated within the unity of the nation.”

He along with the European leaders, Jean Monnet from France, Alcide De Gasperi from Italy, and Paul –Henri Spaak from Belgium had a common opinion that if the national industries of the European countries were integrated, future war between the nations could be avoided. They are often called the founding fathers of the EU. ECSC was the first step towards the formation of the European Union. Table 1. briefly outlines the timeline various treaties signed by member countries for the formation of the EU and the objectives of the treaties.

Table 1: The timeline of treaties of the EU

<table>
<thead>
<tr>
<th>Year (signed on)</th>
<th>Treaty</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 May 1950</td>
<td>Schuman Declaration</td>
<td>European Coal and Steel Company (ECSC) proposed Europe’s first supranational Institution as a foundation of Organized Europe</td>
</tr>
<tr>
<td>18 April 1951</td>
<td>Paris Treaty</td>
<td>ECSC - signed by France, Italy, West Germany, Netherlands, Luxembourg.</td>
</tr>
<tr>
<td>17 March 1948</td>
<td>Treaty of Brussels</td>
<td>Founded the Western Union in 1948</td>
</tr>
<tr>
<td>23 Oct. 1954</td>
<td>The Modified Brussels Treaty</td>
<td>Economic, social, cultural, and Political cooperation among member states</td>
</tr>
<tr>
<td>25 March 1957</td>
<td>Rome Treaty Or Treaty on Functioning of the European Union And Euratom</td>
<td>Founded the European Economic Community (EEC) For a single market of Goods, services, capital and labour Common Policy in agriculture, transport Nuclear Cooperation</td>
</tr>
<tr>
<td>8 April 1965</td>
<td>Merger Treaty</td>
<td>Merger of the ECSC, EEC and Euratom into a single institution – European Communities –EC Denmark, Ireland, Greece, Portugal, Spain and United Kingdom joined it over the next decade</td>
</tr>
<tr>
<td>14 June 1985</td>
<td>Schengen Agreement</td>
<td>It created the Schengen Area in Europe by abolishing internal border checks at common borders of signatory member countries. In 1990 the agreement was supplemented by the Schengen Convention which proposed common visa policy. Currently only two member states of EU have opted to stay out of the Schengen area- UK and Ireland.</td>
</tr>
<tr>
<td>17 Feb. 1992</td>
<td>Single European Act (SEA)</td>
<td>Signed by nine countries – Federal Republic of Germany, France, Italy, Netherlands, Luxembourg, Spain, Ireland Belgium and UK</td>
</tr>
<tr>
<td>7 Feb. 1992</td>
<td>Maasstricht Treaty or Treaty of European Union</td>
<td>President Hemant Kohl and Chancellor Francois Mitterand played a major role Formally established the EU and renamed the EEC as European Communities – EC (the first Pillar) It created the pillar structure of the EU The second pillar – Common Foreign and Security Policy The third pillar – Cooperation in the Fields of Justice and Home Affair</td>
</tr>
</tbody>
</table>
2. United Kingdom and The European Union

When ECSC was formed in 1950, UK chose to remain outside it. In 1957, too UK remained outside the EEC. In the early 1960s, as the six EEC member countries began to grow economically and UK saw that it was necessary to join hands with the European nations. However, the President of France, Charles de Gaulle vetoed UK's applications to join in 1963 and 1967. In 1969, the UK made a third application for membership which was followed by the Treaty of Accession in 1972 and UK became the member of EC on 1 January 1973. The first national referendum on the question of UK's membership in the European Community was held in 1975 in which 67.2% voted in favor of staying in, and the United Kingdom continued to be a member of the EC. The first attempt of creating a euro currency was made by the formation of the European Monetary system in 1979. Here too UK opted out. The Single European Act, a revision of the Treaty of Rome, was signed on 28 Feb 1986 and was fully supported by the UK. On 7 February 1997, The Maastricht Treaty was signed to form the European Union and its pillar structure. The EEC was renamed the European Community and is the first pillar of EU. The Common Foreign and Security policy and Cooperation in the Field of Justice and Home Affairs are second and the third pillars of the EU. The first pillar includes EU's supra-national institutions— European Commission, The European Parliament and the European Court of Justice. The Maastricht Treaty has been further amended by the treaties of Amsterdam, Nice and Lisbon.

The EURO in 2002 marked a landmark in the EU. 19 of the 28 member nations of the EU adopted EURO the official currency of euro-zone in 2002. By March 2002 Euro completely
replaced the former currencies. United Kingdom had already decided to opt –out and retain its pound Sterling in the Maastricht Treaty. The Majesty’s treasury in 1997 stated that “the UK economy was neither sufficiently converged with that of the rest of the EU, nor sufficiently flexible, to justify a recommendation of membership”\(^2\) and then again restated this decision after the revised assessment 2003.

3. The Brexit – The Cause of ‘euroscepticism’ in Britain and the Referendum

UK had joined the EU in 1973 due to an increasing economic anxiety caused by steadily strengthening integration of the Europe. However, the Britisher’s were always ‘eurosceptic’ in varying degrees over the next forty years and UK remained the least integrated EU member state. The voices of opposition to policies of supranational EU institutions were raised frequently and euroscepticism has been a significant element in the politics of the UK. Prime Minister Margaret Thatcher was one of the strongest eurosceptic voices in the UK and she often questioned the progress of European integration. UK also had limited influence in EU negotiations other than the single market and defense.

The increasing ‘euroscepticism’ and the intention of UK to leave the EU was strengthened by the Article 50 of the Lisbon treaty 2007, granting any member nation the legal right to voluntarily exit EU. With the Prime Minister David Cameron’s declaration in favor of an in-out referendum of UK’s membership in his Bloomberg speech in 2013, the Brexit movement gained momentum. The call for referendum was presented before the common masses as ‘The Brexit policy’. It was a protest of the common masses against the rich as well as against the political system which had according to them failed to address the socio-economic problems of the nation. The ‘leave campaign’ strongly presented its opinion on the following grounds-

- National Sovereignty – The supporters of Brexit claimed that EU’s policies had resulted increasing interference in British policies – undermining welfare and weakening their control over the trade, human rights and migration issues. The EU is in favor of the creation of an ‘Ever Closer Union’ and give greater decision making powers to European Parliament. This would further limit the authority and sovereignty of British Parliament.
- The increasing economic inequality in UK.
- Decreasing public expenditure in UK on education and training, increasing student loans and debt.
- Increasing cost of living in UK.

\(^2\) [https://en.wikipedia.org/wiki/United_Kingdom_and_the_euro](https://en.wikipedia.org/wiki/United_Kingdom_and_the_euro)
The supporters of Brexit said that the EU policies prevented UK from establishing trade links with the emerging markets for economic gains. UK wants to set up free trade negotiations with countries like India and China outside the boundaries of the EU policies.

Britain’s annual contribution to the EU budget is approx. $19 billion per annum – which is claimed to be very big burden by the Brexit supporters.

Britisher’s feel that the ‘excessively protectionist’ policies of EU has decreased the competitiveness which is not beneficial for the their economy.

The Post the Sovereign Debt Crisis policy measures of EU resulted in fiscal compactness and control on national budgets, the British do not support this.

Liberal immigration policy resulting in overpopulation - On one hand approximately seven lakh UK migrants to EU are the major tax payers i.e. a loss to the governments’ revenue, number of immigrants from poorer European member nations to UK seeking employment is very high. European Union has an open door policy therefore immigrants do not need visas to live and work in the UK. Pro-Brexit supporters claim that the immigrants are reducing the job opportunities of the British nationals and are also a stress on public spending in the form of health care and old age pension. The public opinion is in favor of a national control on immigration policy.

The social-economic and political crisis in Middle East and Africa has increased influx of refugees in Europe and EU’s obligation on its members to accommodate more refugees the number of immigrants is steadily rising.

Security risk with increasing terrorism and political unrest across Europe.

The campaign was successful in overriding the opinions of economists and international organizations which stated that the Brexit will lead to a recession in the already slowed down global economy and will have a negative long run impact on both EU and UK. Consequently, in the Brexit referendum voting the ‘leave’ won by 52% to 48%.

4. The Brexit – Process and Progress

In June 2016, after becoming the Prime Minister, Theresa May stated, “The campaign was fought, the vote was held and the public gave their verdict. There must be no attempts to remain inside the EU, no attempts to rejoin it through the back door and no second referendum.” This initiated the first phase of the Brexit process. The article 50 of the Treaty on European Union was triggered in March 2017. After almost two years of discussions and negotiations, The European Union (Withdrawal) Bill became an Act of Parliament - European Union (Withdrawal) Act was finalized on 26 June 2018. Table 2 outlines the important dates in the process of Brexit. Table 2 outlines the time line of Brexit.
Table 2: Timeline of Brexit

<table>
<thead>
<tr>
<th>Events which Led to the Referendum</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 Jan. 2013</td>
</tr>
<tr>
<td>14 April 2015</td>
</tr>
<tr>
<td>25 -26 June 2015</td>
</tr>
<tr>
<td>17 Dec. 2015</td>
</tr>
<tr>
<td>22 Feb. 2016</td>
</tr>
</tbody>
</table>

The Referendum voting on the question “Should the United Kingdom remain a member of the European Union or leave the European Union?” – Beginning of Phase I

<table>
<thead>
<tr>
<th>Events which Led to the Referendum</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 June 2016</td>
</tr>
<tr>
<td>24 June 2016</td>
</tr>
<tr>
<td>13 July 2016</td>
</tr>
<tr>
<td>2 Oct. 2016</td>
</tr>
<tr>
<td>26 Jan. 2017</td>
</tr>
<tr>
<td>16 March 2017</td>
</tr>
<tr>
<td>29 March 2017</td>
</tr>
<tr>
<td>31 March 2017</td>
</tr>
<tr>
<td>19 June 2017</td>
</tr>
<tr>
<td>13 July 2017</td>
</tr>
<tr>
<td>13 Nov. 2017</td>
</tr>
<tr>
<td>8 Dec. 2017</td>
</tr>
</tbody>
</table>

Close of Phase 1 – EU (Withdrawal) Act enacted

<table>
<thead>
<tr>
<th>Events which Led to the Referendum</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 Jan. 2018</td>
</tr>
<tr>
<td>16 May 2018</td>
</tr>
</tbody>
</table>

EU (Withdrawal) Act becomes law
25 November 2018 | At a special meeting of the European Council, EU27 leaders endorsed the Withdrawal Agreement and approved the political declaration on future EU-UK relations.

4 December 2018 | MPs began the first of five days of Brexit debates, leading up to the ‘Meaningful Vote’ on 11 December.

9 January 2019 | Brexit debates led to a ‘Meaningful Vote’ on 15 January – an amendment to the business motion was passed, giving the Prime Minister only three days to present a ‘Plan B’ Brexit plan if she lost meaningful vote.

15 January 2019 | The Prime Minister lost the ‘Meaningful Vote’

The ‘Meaningful Vote’ – present (13 March 2019)

21 January 2019 | Theresa May presented the government’s ‘Plan B’ Brexit deal after winning the vote of confidence in the Government. It was approved after two amendments.

26 February 2019 | The Prime Minister promised MPs a vote on ruling out a no-deal Brexit or delaying Brexit if she lost the second ‘meaningful vote’ in March 2019 after the Brexit plan is defeated in the House of Commons.

13 March 2019 | The Prime Minister lost the ‘Meaningful Vote 2’ on 12 March 2019 and next day the MPs voted to rule out a ‘no-deal Brexit’.

20 March 2019 | The Prime Minister sought the extension Article 50 until 30 June 2019 from European Council President Donald Tusk

21 March 2019 | EU27 leaders granted an extension comprising two possible dates: 22 May 2019, should the Withdrawal Agreement gain approval from MPs; or 12 April 2019, should the Withdrawal Agreement not be approved.

29 March 2019 | The Prime Minister lost the ‘Meaningful Vote 3’ and failed in an attempt to find a Brexit plan supported by the majority of MPs.

2 April 2019 | The Prime Minister announced that a further extension to the Article 50 process will be sought.

11 April 2019 | European Union granted the UK a six-month extension to Brexit till 31 October 2019.

31 December 2020 | The transition period ends (unless it is extended past 2020).

Based on – Walker Nigel, Brexit timeline: events leading to the UK’s exit from the European Union, Briefing Paper Number 7960, 3 April 2019, www.parliament.uk/commons-library | intranet.parliament.uk/commons-library | papers@parliament.uk | commonslibrary

In June 2018, The European Union (Withdrawal) Bill became an Act of Parliament - European Union (Withdrawal) Act. The EU 27 leaders endorsed the Withdrawal Agreement. The withdrawal agreement outlined the terms of UK and EU’s relationships in areas like trade, finance, investment, law enforcement, national security and immigration from the date of UK’s exit from the EU. In the two year transition period UK would be officially outside the EU and would not be represented on the EU bodies but would continue to have the obligations of an EU member, would follow the EU laws, be a part of the EU custom Union and contribute to the EU budget i.e. till the end of 2020. This two year transition period is needed for negotiations on the relationships between the UK and the EU after the exit and for the final plan of the Britain-EU
relations after the end of the transition period. UK had two options before it – ‘Hard Brexit’ exit without a deal and trade with Europe under the backstop agreement or ‘Soft Brexit’ exit with a deal and enter the transition period. The possible options of the Brexit negotiation deal have been summed up in the models in Table 3.

Table 3: The Brexit Models

<table>
<thead>
<tr>
<th>The Model</th>
<th>Main Points</th>
</tr>
</thead>
</table>
| **The Norway Model - EEA (European Economic Area)** | - Britain will not be a member of EU but a part of the EEA by joining EFTA - the European Free Trade Association, which currently is a group of four countries: Norway, Iceland, Liechtenstein and Switzerland.  
  - A single market model – UK will be able to implement single market policies and negotiate trade deals independent of EU.  
  - Will have access full access to the single market with limited trade barriers.  
  - However UK will have to contribute to the EU budget and will be subject to EU’s anti-dumping measures. |
| **The Swiss Model – Bilateral Agreements**   | - Switzerland is a member of EFTA but not of EEA.  
  - UK can adopt this model i.e adopt various provisions of European Union law in order to participate in the Union's single market, without joining as a member state.  
  - Free trade of goods and free movement of persons with EU but no agreement in trade in services.  
  - Will have no representation in EU policy decision making. |
| **EFTA - European Free Trade Association**  | - Free trade of goods with EU.  
  - Will not follow the EU regulations and economic policies.  
  - No contribution to EU budget.  
  - No Access to EU markets for service providers.  
  - No freedom of movement of persons. |
| **WTO Model – ‘No deal Brexit’**            | - ‘No Deal’ - the UK does not reach an agreement with the EU on a future trading relationship after Brexit, then WTO rules will apply on trade between the UK and the EU, and between the UK and third countries (including countries with which the EU has trade deals).  
  - Exports to the EU would be subject to the same customs checks, tariffs and regulatory barriers that the UK and EU currently charge on trade with countries.  
  - The UK’s exports to the EU and other WTO members would also be subject to the importing countries’ most favored nation tariffs.  
  - Independent trade negotiations  
  - No contribution to EU budget.  
  - Will not follow the EU regulations and economic policies. |
On 12 March 2019, the ‘No Deal Brexit’ option was ruled out by ‘Meaningful vote 2’ and again on 29 March 2019 in ‘Meaningful vote 3’. The UK has asked for an extension to the Article 50. The last date of the end of the transition period is currently 31 Dec 2020. On 11 April 2019, the EU granted the UK a six-month extension to Brexit till 31 October 2019. This has averted the prospect of the UK leaving the EU without a deal but UK must participate in the European elections on 23 May 2019. If UK does not do so, it will have to leave the EU on 1 June 2019 without a deal. If UK participates in the EU voting then it has the following options

- Accept Theresa May’s Deal
- Complete renegotiation - a rewrite of the withdrawal agreement. (However EU may refuse to do so.)
- Referndum - The public would be given the choice between accepting the deal or remain the EU once more.
- Cancel Brexit – The European Court of Justice has ruled that UK can unilaterally revoke Article 50 to cancel Brexit (without the need for agreement from the other 27 EU countries).
- Early General Election
- No Deal Brexit

Government ministers are continuing talks to find deal supported by all. The government is still committed Brexit and in trying that UK leaves the EU without leaving Europe. Thus a further referendum or change of government is unlikely. But uncertainty continues to persist. In July 2018, The Prime minister Theresa May had said, “The Government is determined to build a new relationship that works for both the UK and the EU. One which sees the UK leave the Single Market and the Customs Union to seize new opportunities and forge a new role in the world, while protecting jobs, supporting growth and maintaining security cooperation.”

CONCLUSION

The exit of Brittan from the EU will have a lasting impact of the British economy as well as the EU. It requires reformation of policies and decision-making bodies at both the EU level as well as the national level of all member countries especially in economic spheres. Over the last few

decades UK has played a crucial role in policy making of the Common Foreign and Security Policy of EU and therefore its exit will also bring about changes in the foreign policy. With the recent developments across Europe, in particular migration issues, terrorism, economic bailouts of debtor countries, already the member states of the EU are skeptical. As UK withdraws the security of the euro zone will be affected. The Brexit will affect all four freedoms - trade, free movement of services, free movement of capital primarily FDI, and free movement of persons between UK and EU member states. To quote Martill and Uta Staiger, “From immigration policy to agriculture subsidies, criminal justice measures to environmental standards, financial services regulations to nuclear power technology, university student fees to employment laws and aviation, Brexit requires rethinking and relegislating a vast number of policy areas…………. Negotiating the terms of Brexit, along with new trade deals previously covered by EU agreements, requires immense capacity”.

Brexit deal is a challenge for Prime Minister Theresa May. On one hand the deal has to be in accordance to the principles of the nation and on the other the country needs the support of Northern Ireland and Scotland. The Irish border question continues to be a major issue. The negotiations on the future relations between the UK and the EU in these policy areas have barely started. The final deal agreed by the Britain and the EU will influence the course of the Brexit negotiations, their final outcome and UK-EU relations after Brexit.

REFERENCES


---


Tetlow, Gemma and Alex Stojanovic, Understanding the Economic Impact of Brexit, Institute for Government, United Kingdom, Oct. 2018, [accessed on 14/4/2019]

