

## Brexit and Its Repercussions - A Concept Paper

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### Abstract

Brexit has attracted discussions in all parts of the world and has become a source of strain about the recent future for the British involved in it. This paper briefly outlines the repercussions of Brexit, as analyzed by the International media and the BBC news. Since Bangalore and its citizens have always been involved actively in international politics, and hold third party stances in Brexit, some questions about their thoughts on the repercussions of Brexit were posed to the 'intellectual few' and the answers elicited are the documented contents of this paper. The paper has been able to elicit views of interest from the people & countries of origin & destination.

**Keywords:** *Brexit, 'Intellectual Few' and Repercussions.*

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### 1.1 Introduction

**Brexit:** Britain ready to exit from the treaty they had with EU is making headway. The ramifications are just being perceived from several corners of the universe. People perceive the news in a way that may appear strange. Intellectuals visualize in many other ways. How one can perceive in an urban environment? How would be felt in a city like Bengaluru? What can one derive from the decision of UK to leave the pattern that followed? - are some questions sought to be answered.

**The European Union:** 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 thing such as mobile phone charges.

**The Referendum that started it all:** The Referendum was held on Thursday 23 June, to decide whether the UK should leave or remain in the European Union. The referendum had a turnout of 71.8%, with more than 30

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million people voted in it. The results are out in favour of Britain leaving trade with EU.

## 1.2 Repercussions for Britain

**Single Market:** The European Union single market, which was completed in 1992, allows the free movement of goods, services, money and people within the European Union, as if it was a single country. Mass migration from poorer to richer countries has also raised questions about the free movement rule.

### Product Safety

The single market requires common law-making to ensure products are made to the same technical standards and imposes other rules to ensure a "level playing field".

### Repercussions for the British

**The legal status of UK nationals living in the EU:** The legal status of UK nationals living in the EU and of the EU citizens living in the UK is unlikely to change for some time.

**The Claim:** Some candidates for the Conservative Party leadership have suggested that UK Nationals living in the EU and indeed EU Nationals living in the UK will automatically be able to carry on as they are after Britain leaves the EU.

**Reality Check Verdict:** The consequences of returning so many people from the EU to the UK and vice versa would be extremely costly and complicated and so far no Conservative Party leadership contender or EU leader has suggested deportations.

**Legal Implications:** The European Court of Human Rights - not an EU but an international court - would also protect the rights of the individuals who live in another EU country. The European Convention on Human Rights protects an individual's right to private and family life, which would be eroded if people who have a job, property, children at school etc. were to be returned to their country of origin.

### Pensions, Savings, Investments and Mortgages:

There will be three macro-economic implications of Brexit. Pensioners may have to accept less yield in the wake of performance of the economy deteriorating, given the circumstances. The pound may get weakened

to benefit importers than exporters. Investments may be on the decline as international investors may find returns not to the expected level. Mortgages pressure the economy to distort the returns to the lower level.

**1.3 EU citizens in UK:** Ministers say it would be "unwise" to fully "guarantee" EU citizens' rights without a deal for Britons abroad. Foreign Secretary Philip Hammond informed the BBC a deal that "works both ways" had to be negotiated in Brexit talks.

### Objectives of the Paper:

The objectives of the paper are:

1. To assess the thoughts of the intellectuals and academicians of Bangalore about Brexit.
2. To understand the repercussions of Brexit from the view of a third party bystander.

### 1.4 Methodology

Twelve respondents were selected on a convenient basis. Eleven questions were posed to respondents and their answers were recorded through an in-depth telephonic interview. The answers elicited from them are analyzed herein in the form of paragraphs. This is a concept paper evidenced by an empirical study has been conducted. The questions posed were as follows:

1. Why did Britain opt for Brexit?
2. Will Britain continue as a single market?
3. Will the pound collapse?
4. Will Brexit drive up inflation in Britain?
5. Will it drive up inflation in EU?
6. Will the real income of Britons suffer?
7. Will the status of Britons in EU be jeopardized?
8. Will the status of EU citizens in Britain be affected?
9. Will Britain see a reduction in GDP?
10. Britain Being a large economy of EU, will the GDP status of EU be affected?
11. Repercussions on the rest of the world
12. Your opinion on Brexit, any feelings.

### 1.5 Analysis:

#### Profile of the Respondents

**Age:** Three respondents were in the age bracket of

25 to 35 years, three between 35 to 45 years and six respondents were above 45 years of age.

**Gender:** Five of the respondents were women and seven were men.

**Designation:** Two of the respondents were people retired from active service, two were businessmen, two were journalists, one was a home maker, and five were academicians.

It was considered that the above respondent profile gave a crude representation of the Bangalore City population.

## **1.6 Findings**

### **1.6.1: The question as to why Britain opted for Brexit:**

European Union has emerged as a political bureaucracy which is infringing on Britain's markets and economy. When Britain joined EU in 1975 the public did not have a say in it. Hence today having a referendum will help Britain know the public opinion. Brexit's reasons were to maintain national sovereignty especially to have faith in the local economy over the global economy. Political leaders created the political expediency that led to Brexit. British politicians wanted to trouble the Prime Minister, wanted to make a space for themselves in the party. Britain's exit deviates from the world's objective of unification. British leaders are myopic, once they captured the world, now they wish to be left alone. The referendum should never have been called. Scotland had supported England already. The anger of the common people has been misrepresented. Brexit happened because of racial profiling, it is about who enters and exits Britain and using EU as a platform to enter other countries. The British Pound is strong, Brexit has happened by placing faith in the British Pound. A certain Diplomat in EU has said that she felt that the EU had problems with Britain. America was behind Britain to trouble the EU. Britain seems to have played US bidding quietly, with US interests at heart. The loss is more to Britain than the EU. Brexit reasons are mainly local and indigenous, people coming from different countries are seen as interfering in internal affairs. The British people are concerned with the state of affairs of their country.

### **1.6.2: Would Britain continue as a single market (European Common Market)?**

There has been so much heartburn in the Brexit, therefore it is unlikely that Britain will continue as a single market with the EU. Continuing as a single market would pose too many challenges. The British standards for quality of goods is high. The "Made in Britain" tag will still be accepted so the necessity for a single market will not arise.

There are chances of continuing currently, till the exit policies and decisions have been finalized. Britain is not self-sufficient in food production. Therefore, the single market concept will continue. Britain cannot continue as a "single people". At least for a short term they will remain united as a single market. Britain must not continue as a single market which was originally called common market. The Nation wants to be free from the political union but wants free movement as a member which is not possible and not right. Once Brexit is proposed, Britain should not continue as a single market. Small traders, farmers, artisans and the like are expected to have a better chance at surviving and doing well.

### **1.6.3 The status of the British currency, the Pound:**

As is evident here, the answers were mixed: The pound will collapse and take longer than ever to rebound. The Pound will be stronger after some time, say, six months. The Pound is too strong to collapse. Britain's trade has far reaching effects which will keep the Pound stable. The Dollar, Euro, Pound and Yen are the stronger currencies in the world. The value of the Pound will surely decrease after Brexit. The Pound may be affected but not to such a great extent. The Pound is running parallel with the Euro so is pretty strong. But economic trade licenses with EU may have effects, that can make the Pound crash. The Pound may keep going down & then may stabilize. The Bank of England will intervene. Just as the Tatas have big business interests in Britain, so will other countries, the Central Banks of such countries will also intervene. The Pound has come down to Rs.90.

### **1.6.4 Would Brexit drive up inflation in Britain?**

Some felt that it might not drive up inflation. Others said that it is sure to develop. There will be inflation as imports

will cost higher. However, Britain can increase exports and stabilize the Balance of Payments. Deflationary tendencies are likely to be more. Many people who are not British would switch over countries. Asians would switch over to Ireland or Germany. The Central bank of England will have to manage both tendencies, inflationary and deflationary. Some others opined that the local market has its own dynamics, ups and downs, will be determined by internal dynamics rather than external.

### **1.6.5 Would Brexit drive up inflation in the EU?**

Brexit shall bring in low growth rate in EU which can lead to inflation. Some said minimally, as Britain would be only a part of the system. Some EU countries would face inflation. Germany and Ireland could be named as such. Greece, will face inflation, mainly, due to the aging people and also for not entertaining people from outside. Asians can create entrepreneurs. France's borders are more open. It can counter inflation, but is beset with threats from Syria. Britain need not pay any amount to EU, so the EU has something to lose. But since each Nation will sustain in a collective way, EU can sustain as well! The quality of British goods is high, example are the railway tracks in India. Nowhere in the world is the steel quality better. Upheaval in the combined economy has its ill effects. The business class may be affected, however, not small businesses.

### **1.6.6 Would the real income of the British suffer?**

Norms may be more stringent. May not be, because minimum wages are set. People undertaking menial jobs, and willing to do such jobs are not generally British. The domestic help in Britain, in early 2000, onward came from the East European countries. One respondent stated that her domestic help in England had discussed literature with them when doing house work. Yet, for lack of jobs, was willing to work for lower wages. If such labour is restricted then the home keeping expenses of the average British will increase. If visa norms become stringent then such possibilities will arise. Sterling will hit through the floor. The current account deficit of 7% will make the pound hit further down. This makes way for inflation to curb that interest rates shall be increased leading to recession. As history of recession says it will cost jobs and incomes. Hence real income is bound to suffer.

### **1.6.7 Would the status of the British people in EU be jeopardized?**

It would depend on the reactions of the EU. If the British are singled out, then such may not be the case. Britain was reluctant to join in the first place maintained their currency. Culturally, Europeans have the same skin colour which could be a saving factor. Definitely, yes, the status will be jeopardized. When countries unify, countering is based on the cultural strength, in stand-alone UK, internal culture is not strength. The Euro was maintained as a common currency without losing sovereignty. It was not an easy task, but was managed successfully. The strength of Britain is because of the migrants. Theoretically, the Britons have become illegal immigrants. If Britain retains certain rights of free movement, then Britons can be relieved. However, now it all rest on the bilateral negotiations with EU. Mass expulsion of Britons is not a realistic possibility.

### **1.6.8 Would the status of EU citizens in Britain be affected?**

The approach cannot be a street approach. It has to be handled with diplomacy. The people who hold a Schengen visa, wherein they have access to a few countries of EU will be affected. Those who aim at going to UK will be affected, especially the labour class. The Polish people are likely to be targeted.

### **1.6.9 Would Britain see a reduction in GDP?**

Britain would see a reduction in their GDP, possibly, in the medium and long term. People of other nationalities may not be welcome and therefore, there may be an exodus from Britain. The average grocer would be stocking foodstuff for the foreigners, when they move out of Britain, the small grocer will suffer. Britain will try to boost tourism. Northern Ireland may join Southern Ireland. When people suffer Geography suffers. GDP will decrease, in the first year, it will be marginal & later on it will decrease in greater magnitude.

### **1.6.10 Britain being a large economy of EU, will the GDP status of EU be affected?**

Marginally, but EU will try to sustain such changes. Yes, when considering the composite GDP, it will be affected. When Brexit happens, they get segregated & it will be to the advantage of the EU.

### **1.6.11 Repercussions on the Rest of the world?**

The world affairs will naturally be affected since the world balance will be affected. Britain may ally with the US. Britain cannot be called an exclusive force, yet chain reactions cannot be denied. Other countries may show an attitude towards Britain. India's economy is dependent on its imports and exports. Therefore, India may experience mild tremors due to FDI. The impact will be seen in the metal markets. Gold prices are rising due to equity effects of investors for safer investment options. This trend continues in the Indian market. The FDI policies of the Government of India must change to derive equity benefits.

The Chinese currency will suffer for at least two years. The stock markets of China will be volatile & will recover faster than India. China must strengthen its stock markets with United States. Chinese exports are 25 per cent of US imports. Therefore, the Chinese need to draw more dollars to stabilize. US needs to think of the Dollar requirement from other countries. Therefore, the export import balance will have impacts.

West Asia needs clarity; OPEC countries must change their stand because of Brexit. Oil prices are bound to fall further. Since Britain is not an oil dependent Nation, OPEC cannot dictate terms. The unification of OPEC countries is a mirage, therefore OPEC must revive their economies together. There will be a fall in the world output. Therefore, new projects will be needed to counter the overall decline in the next 2 or 3 years. China and India will benefit greatly. SAARC markets and such other trade blocs have to join to help to revive their economies.

Very positive changes will be seen. The Gap has increased between the rich and the poor due to globalization. Local produce has less demand and local control of resources has decreased due to globalization. Therefore, local economies will be revived. The World Bank cannot determine a country's economy. Changes like Brexit will make countries economically democratic. Countries now can have new trade deals with Britain. Capital investment shall move away from Britain due to its instability.

### **1.6.12 Your opinion on Brexit, any feelings?**

Britain should have prepared a more sensible plan

before the referendum. Decisions to leave cannot be easy. Considering the cultural and emotional similarity this decision may not be good. Consider the Swedish-British, Danish-British, German-British, this does not bode well for us. Britain has reached a state wherein they have let in so many people & that internal security is compromised. The British people are not feeling secure in their own country. Britain is built as a self-sufficient nation in many ways, it is an asset for the EU not vice versa. Given Britain's history and its gold reserves, it can manage well on its own. The right wing tendency is seen all over the world, just us-not others. Rise of supra nationalism is disturbing. The scariest thought is that there will be no voice for the minority & no rights of domicile. Britain, who colonized the world, suddenly wants to be insular. Peace to the EU will be threatened, porous borders will disappear, travel and tourism will be full of hassles. When there is no united Europe, US will rule, and European power will be lost. The common man is looking for a global solidarity, workers of the world unite & not corporates loot poor countries. There need not be global economies, local economies that take care of the environment and manage the climate changes at the local level.

### **1.7 Concluding Remarks**

Brexit has elicited mixed reactions among Bangaloreans as seen by the myriad of opinions in the above findings. Reactions have ranged from the alienation towards global solidarity rather than a global economy; from glimpses of hope for India's economy to a fall out in the economy of Britain. The common feeling is an inclination towards peace in the world, equity and justice for the common man and a great consideration for the lives of ordinary citizens of the world.

### **References**

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### **Note**

The introduction has been extracted from the BBC News. The rest of the paper is based on the opinions sent in through email and the telephonic conversations with the respondents.