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***The United Kingdom Euroscepticism and The Brexit'***  
***Referendum 1973/2016***

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fulfilment of the requirements for the degree of Master in Anglo-  
Saxon Literature and Civilisation*

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## **Dedications**

Thanks to Allah who helps us and gives us the strength and the patience to finish this work.

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## **Abstract**

On 23 June 2016, Britain voted, by a way of a referendum, to leave the European Union after more than 40 years of membership, the British people voted for reform and the establishment of new type of relationship. The key historic variables which have contributed extensively to the UK's hostility and ambivalence towards the European Union, Notably, the various factors enhancing the mainstream of the United Kingdom euroscepticism, empowered by the role of the British press. The Brexit would not only change the internal political atmosphere, but it could have crucial political repercussions within the EU and on its relations with other countries.

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## List of Abbreviation

<b>Cap</b>	Common Agricultural Policy
<b>CEECs</b>	Central and Eastern European Countries
<b>CEP</b>	Common Fisheries Policy
<b>CET</b>	Common External Tariff
<b>EC</b>	European Community
<b>ECB</b>	European Central Bank
<b>EEA</b>	European Economic Area
<b>EEC</b>	European Economic Community
<b>EFTA</b>	European Free Trade Association
<b>EMU</b>	European Monetary Union
<b>EU</b>	European Union
<b>FED</b>	Federal Reserve
<b>FTA</b>	Free Trade Agreement
<b>FN</b>	National Front
<b>GDP</b>	Gross Domestic Product
<b>MP</b>	Member of Parliament
<b>OECD</b>	Economic Co-operation and Development
<b>PVV</b>	Dutch Party for Freedom
<b>SNP</b>	Scottish National Party
<b>TEU</b>	Treaty on European Union
<b>TFEU</b>	Treaty on the Functioning of the European Union
<b>UK</b>	United Kingdom (England, Wales, Scotland and Northern Ireland)
<b>UKIP</b>	UK Independence Party
<b>USA</b>	United States of America
<b>QMV</b>	Qualified Majority Voting
<b>WTO</b>	World Trade Organisation
<b>OBR</b>	The Office for Budgetary Responsibility

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# General Introduction

## General Introduction

The Brexit refers to the ‘British exit’ from the European Union. British citizens took a sovereign decision to leave The EU after a long process of Euroscepticism’s bleak image. The British referendum held on 23 June 2016 was the most significant vote in the United Kingdom history. Also one that will have major outcomes for the country and the rest of the world for decades, if not generations.

The first chapter will demonstrate, particularly, how the European Union was founded, as a basis for peace and reconciliation in the aftermath of the Second World War. It focuses on historical backgrounds to achieve cooperation and economic prosperity, through a set of ambitious treaties that suggested institutional and policy reforms policy, from a Coal and Steel Community to a Monetary Union with a single currency paving the way to the deepening of the European integration.

The second chapter tries to shedlight on the UK Euroscepticism and how Britain accessed European project. Also, it analyzes The literary conceptualisation which has constituted a distinction between *soft* and *hard* versions of Euroscepticism. Besides, an emphasis on the role of the press discourse had to be dealt with, since it has framed British comon sense regarding the EU policy. That question of wether to adhere to the very project of the European integration is fundamental to the suggested referendum strengthened by Cameron’s enthusiasm on seeking renegotiated terms of EU membership, resulted in an unexpected Brexit where people of the United Kingdom made a sovereign choice to leave the EU, or to the ‘Brexit’.

The third chapter highlights an anti-immigration feeling determined to see the end of the free movement of people principle. Because, immigration from Central and Eastern Europe led to a British dissatisfaction with EU membership. Besides, an impact’s decision to leave will be to generate uncertainty. Also, it focuses on the Brexit short-term political and economic impact. It will offer an analysis of other possible alternatives to EU membership. The expected result would rely both on the model which the UK will select, in addition to the terms negotiation with the EU and the rest of the world.

The research paper wishes to explore and explain dimensions of the UK Euroscepticism towards the EU resulted in Brexit's referendum. It follows historical approach concerned with the United Kingdom's referendums. Also, to focus on alternatives solution brought to the Brexit. The research paper wishes to answer the following research questions:

*1/Why British Euroscepticism goes deeper to the European Union ?*

*2/Is Brexit a product of the British Euroscepticism to the EU ?*

*3/What are the Brexit alternatives ?*

The research paper is divided into three chapters, the first chapter entitled “ The Roots of British UN membership” devoted to the historical background of the European Union integration process and the British accession. Chapter two is concerned with the UK euroscepticism and the Brexit's referendum. Whereas, the third chapter tackled the short-term economic and political impacts on Britain, also deals with the various potential Brexit's future alternatives.

**Chapter One**  
**The Roots of British UN membership**

**Introduction**

The end of the Second World War; this most violent and significant of conflicts, left Europe divided between the communist, Soviet-dominated, eastern bloc. Going beyond a narrow definition of peace as simply the absence of war. the EU has contributed greatly to European stability to consolidate democracy. Also, the existence of non-democratic regimes in neighboring countries helped shape the political identity, norms and values of the EU.

The fall of the Berlin Wall, imminent German unification, and the liberalization of the countries of Central and Eastern Europe were vital contributory factors to the deepening of European integration in the Maastricht Treaty. Nonetheless, Europe's post-war nations weren't just after peace, they were also after solutions to economic problems and membership of the European Community appeared to be crucial to the modernisation of the British state and economy.

The war time references are formulated as the end of an old era of rivalry and the start or continuation of a new one of conciliation, cooperation and economic prosperity. The Coal and Steel Community was an ideal opportunity to meet both national goals and European ideals. Jean Monnet, the architect of Franco-German rapprochement, strove to achieve peace and European economic modernization.

## I. The Emergence of the EU

Peace as a basis for a community of equals would be inspired by the values of reconciliation and forgiveness between enemies, which was a vision linked to the personal beliefs of Jean Monnet, Robert Schuman, Konard Adenauer, the founding fathers of integration. In this sense, the emergence of the European Communities in the 1950s was a crucial moment in European history in which governments agreed a clear set of rules and recognized a long-term commitment coloured by those aspirations, which also coincided by their fundamental interests in the second post-war context.

### I.1. The European Coal and Steel Community (1952)

The European Coal and Steel Community was the first concrete achievement of several centuries of reflection on European construction. Also, an ambitious plan to promote co-operation and economic integration among European countries. The origins of the ECSC can be seen from the aftermath of World War I. The fear of repeating the same mistakes, leading to conflicts and bloody wars in Europe, haunted many politicians. Also was the fear of the development of the communist regimes<sup>1</sup> in Eastern Europe and the threat which they seemed to pose to life and liberty in Western Europe. The memories of two World Wars fought across the European continent, and the carnage and devastation left in their aftermath, led the European leaders to the conclusion that only economic and political integration could realize peace between their countries. The concrete history of the EU started on the 9 May 1950, only six years after German troops had left Paris and at a time of mutual hatred and uncertainty between France and Germany, the French Foreign Minister Robert Schuman (1886-1963), upon advice of his advisor Jean Monnet (1888-1979) who was to become the

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<sup>1</sup> In the closing months of World War II and the latter half of the 1940s, the Soviet Union oversaw the establishment of Communist regimes throughout Central and Eastern Europe. Over the next four decades, those regimes constituted what was informally known as the Soviet bloc. By the war's end in 1945, the Soviet Union's Red Army occupied all of Eastern Europe (except Yugoslavia and Albania). At the end of the war, Eastern European countries had been devastated. Millions had been killed. Famine threatened the survivors. Unemployment and inflation demoralized the people. Brzezinski, Z. K. *The Soviet Bloc: Unity and Conflict*. Rev. ed. Cambridge, MA: Harvard University Press, 1967 (Last access on 12 January 2017)

first president of the High Authority of the European Coal and Steel Community, made a historical speech starting with a perception of the market as an instrument of freedom and included everything from the free movement of services and goods to the exchange of ideas. It introduced respect and mutual awareness among the different European societies as well as parts of collective responsibility and solidarity. In this respect, one of the founding fathers of the Communities, Robert Schuman, wrote at the time:

Borders instead of being barriers of separation, should become lines of contact where material and cultural exchanges are organized and deepened; they will delimit each country's own tasks, responsibilities and initiatives in those problems that go beyond borders or even continents, and make all countries supportive of each other<sup>2</sup>

As the Shuman Declaration made clear, shared prosperity was an ideal which was intimately pertained to peace. The aim was to provide peace among Europe's victorious and defeated nations and bring them together for unity, cooperating inside shared institutions. Schuman's plan has been fully and wholeheartedly accepted by the West German Chancellor Konrad Adenauer (1876-1972) who was very enthusiastic over the proposals, realizing that it was a way in which the rehabilitation of West Germany on the international scene could be hastened. Only ten days later a conference has been convened, with Belgium, Italy, Luxemburg and the Netherlands as participants. To create something new and unique in international and European law, the negotiating partners had *to avoid the principle of unanimity* for national financial contributions, or the subordination of the executive to the representatives or interests of national member states. This was the birth of European Union law. EU law was something *sui generis (Latin)*, something which was never there, not national, not international law –but “trans” national or supranational law<sup>3</sup>.

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<sup>2</sup> José M. de Areilza, *The History and Foundations of European Integration* [www.springer.com/cda/content/.../9783642005596-c1](http://www.springer.com/cda/content/.../9783642005596-c1) (Last access on 20 April 2017)

<sup>3</sup> A ‘Supranational’ mode of governance is one in which centralized governmental structures possess jurisdiction over specific domains within the the territory comprised by the member states. The term is used to emphasize that the EC is an international organization, and that EC politics is a form of international politics. Sweet, Alec Stone and

Therefore it can be said that any activity in context with EU law required a high European social competence. The ECSC was established by the Treaty of Paris which was signed in April 1951. Six countries signed up to the organization—Italy, France, West Germany and the Benelux (Belgium, Luxembourg and the Netherlands). Its headquarters was in Luxembourg and there were four European institutions:

- High Authority, as executive arm towards the member states and their companies
- Council, as a kind of legislative body
- Parliamentary Assembly, involved delegates from the member state parliaments, controlling and discussing the High Authority's activities
- Court of Justice

The ECSC began operating from August 1952 and expired 50 years after having come in power, in July 2002. This was a significant first for sovereign states—the idea of ceding aspects of national sovereignty to supranational body. However, the view from London was that Britain was one of the world's leading powers, with a global empire; also, its 'special relationship'<sup>4</sup> with the United States was far more significant and considered itself as a bridge between the United States and continental Europe. Besides, in the aftermath of WWII, Britain had only nationalized its coal and steel

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Sandholtz, Wayn, "*European Integration and Supranational Governance*" (1997).  
[http://digitalcommons.law.yale.edu/fss\\_papers/](http://digitalcommons.law.yale.edu/fss_papers/) 87 (Last access on 12 January)

<sup>4</sup> The term "special relationship" conjures up two images: first, the Second World War and the extraordinary relationship between President Franklin Roosevelt and Prime Minister Winston Churchill; second, the recent War on Iraq and the very close working relationship between President George Bush and Prime Minister Tony Blair.

Charles Skinner: *The US-UK Special Relationship and the War on Terror 2006*. Juniata Voices Volume 7, 2007 (Last access on 13 February 2017)



industries. Having done this, there was no way in which it was willing then to ‘surrender’ its sovereignty to a supranational organization.

The ECSC could, among other things, abolish subsidies, adjust tariff barriers, and fix prices. There was some national resistance but the integration of Belgium, Luxembourg and the Netherlands made the process much easier. The purpose of creating a single market for coal and steel was not achieved but important steps were taken in this area. It gave some impetus to improving the ECSC into more diverse body—an economic community rather than dealing with specific aspects of national economies.

## **I.2. European Economic Community (EEC)**

Encouraged by the success of the ECSC, and determined to take integration further, negotiations began among the six members to broaden the scope of the market. The Benelux countries then, saw the potential to develop the ECSC far more quickly, however; they conceived a full customs union, based on what already existed among themselves, but extended to include all six ECSC members, together with any other who wished to join. At the Messina Conference in 1955, a committee was established, headed by the Belgian Foreign Minister, Paul-Henri Spaak (1899-1972), to investigate such development. Spaak’s proposals included the foundation of a common market, greater integration of national economies, the development of common social policies and the need to work together in developing some sort of common approach to atomic energy. The Spaak report became the basis for the Treaty of Rome; this was effectively the founding document of the European Economic Community (EEC) and the European Atomic Agency (EURATOM). The treaty was signed in March 1957 and came into force in 1958.

At the Messina Conference 1955, the British government sent junior Foreign Office officials in an observer capacity Britain, however, did so with little enthusiasm, and no commitment. Britain was represented by Russell Bretherton (1906-1991), Under Secretary at the Board of Trade, and when negotiations got to the point where agreement seemed imminent he asked for the floor and intoned:

The future treaty which you are discussing has no chance of being agree; if it was agreed it would have no chance of being ratified; and if it were ratified it would have no chance of being applied. And if it was applied it would be totally unacceptable to Britain. You speak of agriculture which we don't like, of power over customs, which we take exception to, and institutions, which frighten us. *Monsieur le President, au revoir and bonne chance.*<sup>5</sup>

He walked out, never to return, with the result that Britain did not join the EEC as a founder member. In effect, it is said that if the EEC was looking like a success, Britain might eventually.

In effect, it is said that if the EEC was looking like a success, Britain might eventually have to join<sup>6</sup>.

Included in the Treaty of Rome was the development of the Common Agricultural Policy (CAP). The CAP did not get off the ground until January 1962 and its primary concern was to make the EEC self-sufficient in food production. There was to be no chance of the EEC member states ever being dependent upon food imports. Thus, vast sums of money were devoted to the agricultural sector to improve levels of food production. After seeing the initial success of the EEC, the British government decided to organize an alternative to it. This was the European Free Trade Association (EFTA) which was set up in 1960.

The idea behind EFTA was to promote free trade rather than to create some sort of supranational organization. For the EFTA countries, the trade was to be in industrial goods – again a difference with the EEC which seemed, at this stage, to be focusing upon agricultural production. There were seven founder members of EFTA – Austria, Denmark, Finland, Portugal, Norway, Sweden and Britain. EFTA was not overly successful, however, especially from a British perspective. The benefits for Britain were marginal when trading with the other EFTA states whose economies

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<sup>5</sup> Roy Denman: *Britain and Europe in the Twentieth Century*, London : Cassell, 1996, p.198. (Last access on 15 February 2017)

<sup>6</sup> L.Robins, 'Britain and the European Community : Twenty Years of Not Knowing' in B.Jones and L.Robins (eds), *Two Decades in British Politics* (Manchester University Press, 1992) p.243. (Last access on 10 April 2017)

were far smaller than that of Britain. Consequently, Britain and other EFTA members applied to join the European Economic Community.

### **I.3.UK's integration of the UN:**

Winston Churchill (1874-1956) expanded on his political perception of what is to create the European Union<sup>7</sup>. In his major speech, presented to the academic youth at the Zurich University in 1946. He states:

We must build a kind of United States of Europe. In this way only will hundreds of millions of toilers be able to regain the simple joys and hopes which make life worth living. The structure of the United States of Europe, if well and truly built, will be such as to make the material strength of a single state less important. Small nations will count as much as large ones and gain their honor by their contribution to the common cause.

The EU is a supranational organization, in other words more than one country is involved in it and that it has greater authority than any single country within it. Some member states seem to be better incorporated than others. Although it was the British Conservative Prime Minister Winston Churchill who provided the theoretical basis for the modern European Community, ironically Britain has systematically represented an intricate issue in European integration. This state is one of the greatest Eurosceptic since it found it especially difficult to link both domestic and European policies. The reason for this can be attributed to Britain's institutional, historical, traditional and strategic backgrounds.

The British Empire historically had significantly influenced the way British political elite perceived the position of the country in Europe. At the end of the 16<sup>th</sup> and the beginning of the 17<sup>th</sup> centuries, the British empire's first colonies were established. Afterward, Britain had expanded considerably to become the greater world empire in history. It had colonies on every continent and in all the oceans. In the 20<sup>th</sup> century the empire saw a rapid decline and finally most of the empires in

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<sup>7</sup> Winston Churchill, speech at the University of Zurich, 19 Septembere 1946, <http://www.europa-web.de/europa/02wwswww/202histo/churchil.htm> ( Last access on 07 May 2017)

Africa, South-East Asia and the Caribbean were granted independence. In the first half of the 20<sup>th</sup> century the British Commonwealth was created and it was a voluntary intergovernmental association mostly composed of the former colonies of the Empire. All of the subordinate territories are now independent countries with sovereign governments. But they all more or less remain symbolically loyal to the British crown. Thus, Britain shaped the history of the world for over a hundred years, and it comes as no surprise that many British politicians and a large part of its population still feel somewhat superior to the other European countries.

Through its imperial legacy, its 'special relation' with the United States, and its avid participation in the North Atlantic Treaty Organization, the United Kingdom has achieved and maintained a prominent role in history.

Furthermore; when entering the EU people of most member states saw it as an effective step towards reaching out the world and as a way to improve communication with other countries. Smaller states considered it as an advantage such as Slovenia, while others sought to improve their unfavorable history from the past such as Germany. For the former British empire, on the other hand, belonging to and being constrained by European institutions meant a loss of their world-wide influence, and the focus only on Europe accordingly narrowed its opportunities.

Another complication arises from the fact that Britain did not participate in the founding of the EU. The founding club of states constituted basic rules that could not be changed, and thus, members who join later will very often encounter difficulties to adapt to the rules already in place. In the process of founding the EU, Britain had a few opportunities to partake, 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 1950s, when negotiations over the creation of the European Coal and Steel Community began. Later, when the ECSC was established, the six founding countries desired to extend the common market for coal and steel into a general common market. In 1957 the Treaty of the European Community (also known as the Treaty of Rome) was signed, which led to the creation of the EEC and the EURATOM Community. This was a very important event in the formation of the modern European Community. In the aftermath of the treaty, the six EEC 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 were actively shaping the community to their advantage, which offered them many more benefits than for the latecomer Britain.

In the 1961 the Conservative Government, led by Harold Macmillan (1894-1986), arrived to the conclusion that it was not such a bad idea to be a member of the EEC and applied to join. Unfortunately for Macmillan the historical antagonism led the French President Charles de Gaulle (1890-1970) to exercise his veto to prevent the UK from joining the EEC. De Gaulle envisioned Europe as a counterweight to the United States and Soviet Union and believed that France should lead a strong Europe without the involvement of Britain, whose prioritization of the UK-US unique relationship could undermine the European project.<sup>16</sup> In a press conference following his veto, De Gaulle stated:

England in effect is insular, she is maritime, she is linked through her exchanges, her markets to the most diverse and often the most distant countries...It must be agreed that first the entry of Great Britain, and then these states, will completely change the whole of the actions, the agreements, the compensation,... her supply lines she pursues essentially industrial and commercial activities, and only slight agricultural ones.<sup>8</sup>

For De Gaulle, UK's economy was incompatible with those of the Six and that Britain was rather subservient to American whims. He feared that, by letting Britain join the EEC, it would be the 'Trojan horse' that would let the United States to get involved in European matters. There was a feeling among some EEC officials that, with her commitments to the United States (via the 'special relationship') and to the Commonwealth, Britain was not quite ready to join the EEC.

In 1967 the Labour government, led by Harold Wilson (1916-1995) filled another application but the French rejected it once again. Britain had been forced to devalue the pound in mid-1967, and de Gaulle claimed that he could not let such a weak

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<sup>8</sup> Charles De Gaulle, press conference by President de Gaulle in Paris, 14 January 1963, [www.isn.ethz.ch](http://www.isn.ethz.ch) (Last access on 07 January 2017)

currency enter the EEC and drag down the collective European economy. Besides, de Gaulle felt that Britain was still too 'Atlanticist'<sup>9</sup> rather than being 'European'. Despite being under great strain, and made worse by Britain's refusal to send troops to Vietnam, the 'special relationship' with the United States was still seen as being paramount to Britain. Two years later the New French President Georges Pompidou (1911-1974) removed the veto and was far more enthusiastic about enlargement to include Britain and despite the reluctance the UK, led by the Europe-oriented Conservative Prime Minister Edward Heath (Edward Heath), joined the EEC on 1 January 1973.

As soon as the European Communities Act of 1972 was presented in Britain, after only a small majority voted in favour of it, it became clear that the country's integration would confront the so-called sovereignty barrier. According to the Communities Act, the European law has supremacy over all domestic sources of law of the individual member countries. However, one of the fundamental principles of the unwritten constitution of the UK is the Sovereignty of Parliament. The sovereignty of the British Parliament means that Parliament is the supreme power of the state and that it has the legal right to pass statute laws that are the principal form of the British law. However, this was greatly affected by its EEC membership since it leads to conflict with the fundamental supremacy principle of the Community. It was the economic motive that urged Britain to apply for membership. The United Kingdom does not strive for political integration, it is reluctant to shift its sovereignty and it opts for the intergovernmental cooperation structure instead. In order to become a part of the EEC, Britain had to adopt the Communities Act as a legal basis of its membership. However, the UK continues to determine its cooperation with Europe as intergovernmental and not as a constant procedure of political integration in which supranational institutions take priority over all domestic governments.

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<sup>9</sup> De Gaulle notes that British membership is difficult primarily because the Continent is different in economic structure than the "insular, maritime ... essentially industrial and commercial and hardly agriculture". In secret discussions at the Elysee in 1961, de Gaulle stated that British entry would overturn everything, [leading to] a completely different Common Market.

Andrew Moravcsik, *De Gaulle and Europe: Historical Revision and Social Science Theory* <https://searchworks.stanford.edu/view/4002794> (Last access on 5 April 2017)

In all European countries nearly all surveys of public opinion demonstrated immense disillusion with the European integration. What is special about Britain is that public uncertainty and discontent 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. This became fully obvious from the very beginning of British integration. Namely, when Britain joined the EEC under Edward Heath's Conservative Government, there was no economic upturn and with the Oil Crisis 1973, economic growth was obstructed everywhere. At the time the Labour party was opposed to the EEC and they promised to hold a referendum on withdrawal if they came into power. In 1975 the Labour Government maintained its word and held a referendum, led by Harold Wilson. However, the outcome was that the majority voted for staying in and as a result Labour changed its mind. Labour became even more interested in Europe when some social issues were raised by European law. For example, some parts of the British Employment Protection Act of 1978 were announced unfair due to European law because part-time workers received less social protection. Since most part-time workers were women, the Act even amounted to sexual discrimination. (cf. Pickard 2005: 320) On the other hand, the Conservative Party gradually started turning against the idea of integration.

Margaret Thatcher (1925-2013), who became Prime Minister in 1979, openly expressed her negative attitudes towards the EEC. The period of her service was noticed by an increasing political isolation of Britain from Europe. She was ardently against complete, political, economical and social integration. Sir Geoffrey Howe, Her Chancellor of the Exchequer, argued that Britain was contributing much more to the European budget than the other countries. In response, in 1984 Margaret Thatcher's government discussed a rebate on the British contribution, and thus obtained some of its money back. The principle reason for this was the fact that a great share of the European budget is consumed on the common Agricultural Policy and since farming does not introduce a major sector in the UK economy, Britain felt that it gained much less than other countries. Also for Margaret Thatcher, Britain was

losing its sovereignty and independence by transferring the power of decision-making to Brussels<sup>10</sup>. In her "Bruges Speech" in 1988 she stated that:

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

For Britain, the united Europe project is seen merely as something made out for economic reasons, a union supposed to create a common European market, not political community. Turning back to Thatcher, she was particularly reluctant to adapt to revolutionary changes, such as the collapse of communism in Europe and the fall of the Berlin Wall, that took place on the world political scene in 1989 and 1990, and this was the main reason for her downfall.

## **II. EU Expansion**

The EU treaties set out that only European states respecting EU values and committed to promoting them may apply to access the Union with the agreement of all existing members<sup>11</sup>. Looking at the history and development of the EU, the idea of integration has always been in the background, there have been stages of enlargement to date. The success of the six founder members led Denmark, Ireland and the United Kingdom to apply for membership to the European Community. They were finally admitted in 1972 following hard negotiations during which France, under President de Gaulle, used its veto twice. This first expansion, which increased the Member of States from six to nine in 1973, was connected to a deepening of the Community's tasks; it was given responsibility for social, regional and environmental matters. The Community then, expanded southwards with the admittance of Greece

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<sup>10</sup> Thatcher, Margaret. The Bruges Speech. Bruges, 1988  
<http://www.Margaretthatcher.org/speeches/displaydocument.asp?docid=1073> (Last access on 15 March 2017)

<sup>11</sup> Article 2 – Treaty of the European Union  
The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human right, including the right of persons belonging to minorities. These values are common to the Member States. [eur-lex.europa.eu](http://eur-lex.europa.eu) › EUROPA › EU law and publications › EUR-Lex ( Last access on 8 May 2017)



in 1981 and Spain and Portugal in 1986, after these states got rid of their dictatorships and altered into a democratic system.

On 1 January 1995, three further countries joined the European Union. Austria, Finland and Sweden expanded the Union by opening up further dimensions at the heart of central and northern Europe and this was the fourth enlargement.

When it met in Copenhagen in December 2002, the European Council took one of the crucial steps in the history of European integration. By convincing 12 more states to join it, the European Union was not just increasing its geographical size and population; it was putting an end to the conflicts which had split the continent in two since 1945. European countries which, for decades, had not enjoyed democratic freedom were consequently capable to rejoin the association of democratic European nations also are committed to fostering peace, stability and prosperity<sup>12</sup>. Thus the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia became EU members in 2004, together with the Mediterranean islands of Cyprus and Malta. This constitutes the largest enlargement in the history of the EU, often called ‘the big bang’ expansion. Bulgaria and Romania followed in 2007 bringing the EU’s membership up to 27 and became partners in the historical project conceived by the EU’s founding fathers. The process of EU expansion is still continuing. Accession negotiations started with Turkey and Croatia in 2005. Iceland applied in 2009 and several countries in the Balkans have set out along the road that could one day lead to EU membership. The map of the European integration with 28 Member States after the accession of Croatia (1 July 2013), “See map one”. The map of the European integration with 28 Member States after the accession of Croatia (1 July 2013).

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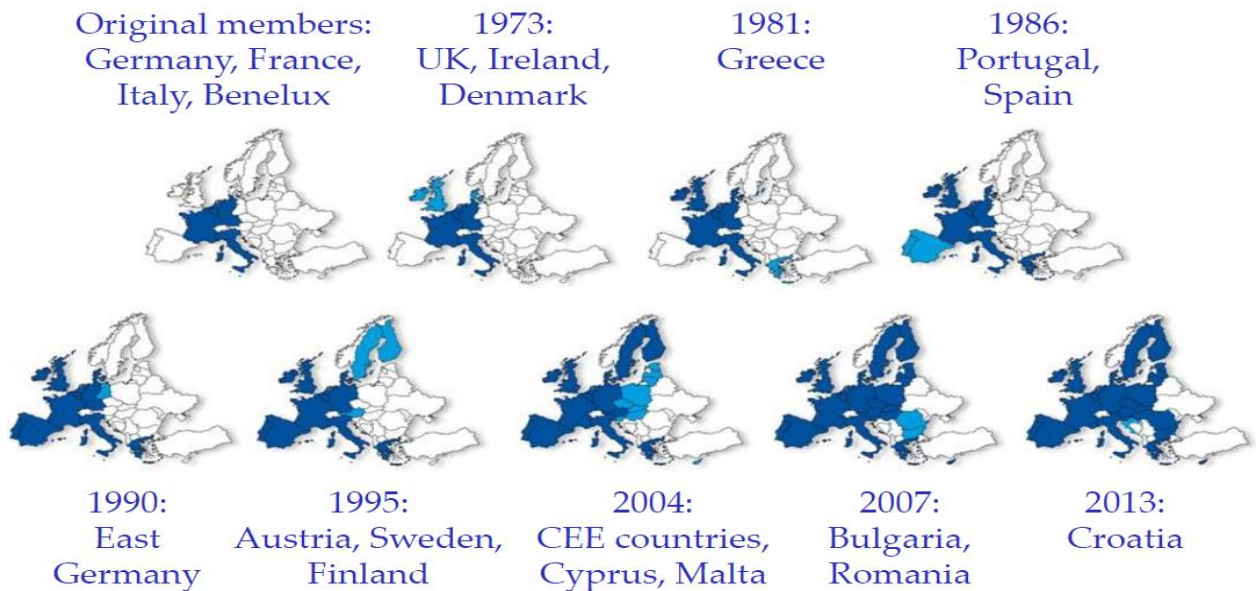
<sup>12</sup> Article 49 – Treaty of the European Union

Any European state which respects the values referred to in Article 2 and is committed to promoting them may apply to become a member of the Union. [eur-lex.europa.eu](http://eur-lex.europa.eu) › EUROPA › EU law and publications › EUR-Lex (Last access on 9 May 2017)

Nonetheless, the unquestionably positive overall assessment of enlargement gave way to skepticism and a vigorous debate has emerged in Europe over the impacts of enlargement and was represented by the headlines of two stories that ran during the same week in February 2006 in London's *Financial Times*. One was titled "Bigger not really better as the EU heads for a log jam"<sup>13</sup>; the other trumpeted the idea that "Enlargement is a great unsung success story"<sup>14</sup>.

### Map 1: The European integration (1973-2013)

## "Widening" integration



Source: <http://ec.europa.eu/enlargement/> Last access on 8 May 2017

### The European Union

The European Community was not just getting larger; it was also gradually becoming more integrated. However, there were stepping stones towards the foundation of the European Union and the binding agreements between EU Member

<sup>13</sup> George Parker, [Bigger not really better as the EU heads for log jam](https://www.ft.com/content/bigger-not-really-better-as-the-eu-heads-for-log-jam): Financial Times 2006 [https://www.ft.com › World › Europe](https://www.ft.com/content/bigger-not-really-better-as-the-eu-heads-for-log-jam) (Last access on 20 April 2017)

<sup>14</sup> Peel Quentin, [Enlargement is a great unsung success story](https://www.ft.com/content/enlargement-is-a-great-unsung-success-story): Financial Times 2006 [https://www.ft.com/.../48b9194a-9911-11da-aa99-0000779e2340](https://www.ft.com/content/enlargement-is-a-great-unsung-success-story) (Last access on 21 April)

States. Notably, the Single European Act (SEA); the creation of the Single Market and the Treaty of European Union (TEU) which was signed at Maastricht.

The Single European Act was the launch pad for the Single Market—the idea of no internal frontiers within the European Community. This was a small step in the integration of the Community members, and quickly became clear that further steps needed to be taken. The SEA became law in 1987 and the Single market came into effect in 1993. The idea of the Single Market was based upon what were described as the ‘four freedoms’: freedom of movement for goods, people, capital and services. Looked at in retrospect, the SEA was a springboard towards the foundation of the European Union and the presentation of the single currency.

When the Berlin Wall fell in 1989, the political structure of Europe was impressively changed, resulting in the unification of Germany in October 1990 and the approaching of democracy to the countries of Eastern Europe as they broke away from Soviet control as well as the disintegration of the Soviet Union in 1991. At the same time, the EEC member states were negotiating a new treaty, which was adopted by the European Council at Maastricht and by adding intergovernmental cooperation (in areas such as foreign policy, internal security and European citizenship) to the existing Community system. Also, to create an Economic and Monetary union (EMU) setting out the economic “convergence criteria” States needed to achieve and in order to adopt the single currency. The Maastricht Treaty created and changed officially the name of the EEC to the European Union (EU). Maastricht had a number of facets, making it not only one of the biggest steps forward, but also one of the most extensive and significant constitutional process, as it came into force on 1 november 1993.

In a related vein, The Treaty of European Union (TEU) extended the economic development of the SEA but also added powers to the European institutions. The European parliament, for example, had its powers extended from ‘cooperation’ to ‘co-decision maker’ and other policy developments, including the Social Charter (to which Britain negotiated an opt-out), public health policy and transport. This move towards a European Union saw the development of the idea of three pillars. The first ‘pillar’ was the organization that already existed—the European Community, with

single market, common policies, the structural funds, ect. The second ‘pillar’ of the EU was the Common Foreign and Security Policy (CFSP), it covers how the EU tries to influence foreign affairs. The third ‘pillar’ of the EU is Justice and Home Affairs. If the CFSP is to do with external security, the Justice and Home Affairs is about internal security.

Subsequent to the TEU, there have been other treaties; the year 1997 saw the signing of the Treaty of Amsterdam. If Maastricht had been a series of intentions, Amsterdam was a confirmation of those policies, converting them into commitments, dealing with issues such as free movement of persons and judicial cooperation in civil matters. There were some changes to areas such as asylum-seekers, immigration, social policy and the environment. It gave treaty recognition to the Schengen Agreement on opening of internal borders, but with opt-outs for the UK. The Treaty of Nice (2001) prepared the European Union for further enlargement to the East. However, according to the Irish constitution, the Treaty had to be subjected to a referendum.

One prominent success story in the development of the European Union was the successful introduction of the single currency—the euro—in 2002. The convergence criteria—to harmonize all currencies that were to be replaced by the euro—appeared quiet stringent. There were limits on national budget deficits, as well as on public debt. There were also constraints upon interest rates. Britain, Demark and Sweden opted out of the single currency. The twelve states which eventually joined the euro (Austria Finland, France, Belgium, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain), all had allegations made against them that they had fudged the convergence criterion.

Regardless, the single currency went ahead and the tale of the European Union does not end up here. (See map two) The EU however, is more than a single market, or an association of countries trading with each other without tariffs or restrictions. It introduces a perception of peace and prosperity on the Continental Europe. It is concerned with values and ideals of democracy, peace, and respect for human rights. These values ideals and principles are common across a continent that is defined by the diversity of its cultures, languages and traditions.

The map is showing the European continent with European Union member states, new member states of the European Union since 2004, 2007, and 2013 member states of European Free Trade Association (EFTA).

Map 2: The European Union



Source : [http://www.ezilo.com/eu\\_countries\\_europe.jpg](http://www.ezilo.com/eu_countries_europe.jpg) (last access on 9 May 2017)

## Conclusion

European integration has created a new level of governance with an elaborate and innovative institutional design. The European project has improved progressively from a Coal and Steel Community to a Common Market covering trade, then in a major leap to a Single Market covering all the factors of production, from which came a Monetary Union with a single currency, ending the era of competitive devaluation, also, Successive treaty amendments have reflected the need to address complex challenges. The United Kingdom has grown to be an organic part of the European community, the motherland of democracy and values. Nonetheless, The attitude has varied from the outright rejection of sharing sovereignty, as at the Messina conference inaugurating the EEC, to a qualified acceptance of its benefits, also, at the Maastricht conference establishing the European Union. British parties has moved between the extremes of enthusiastic proponents of Europe and or outright opponents of membership. Really the period has been a history of shifting stances and, considering the historically dimension nature of British politics. This persistent state of moving between indifference belligerence led to Britain being portrayed as an “awkward partner” in Europe.

Over the past decade, however, Britain’s awkwardness has become more pronounced; expressed in terms that are insular, opposing, populist, deeply critical of the establishment. Britons have never been at ease in what has become the EU. They are more hostile to the EU than any other European people. British governments, as well as, have frequently, used their influence to slow down European integration. Thus, Britain has opted out of the euro and the Schengen agreement.

## **Chapter Two**

### **Uk's Euroscepticism and the Notion of Brexit**



## Introduction

Across the European Union, there has always been a criticism towards integration. The debates witnessed extensively scepticism about the benefits of the European Union. The euroscepticism is manifested in critical practices opposing European integration and interacts to the contested character of the European Union as a political entity. It relates with the attempts to promote democratic legitimacy of the EU. British politics has long respected parliamentary sovereignty as the expression of the UK's unbroken and incremental path towards democratic selfgovernment. Such a political culture ought to be hostile to direct democracy, yet all the most significant constitutional decisions of the past two decades have been decided by referendums in one or all constituent parts of the UK.

The failure to be clear about what was at stake in European integration has also been a common feature of British politics ever since accession, reflected a seemingly 'common sense' about the EU which persists in public discourse. Margaret Thatcher the 'iron woman', was one of the most important Eurosceptic voices in the United Kingdom. She always rejected the progress of European integration, and became a vocal and prominent hard Eurosceptic Prime Minister. Besides, it through her notorious 'No, no, no' speech to the College introducing the notion of Euroscepticism whose focus is on hostility towards integration.

Forty years later, an in/out referendum on EU membership is increasingly seen particularly by the Conservative Party as the best way to settle the 'Europe question' of how far to approach closer political union. Belief in solution by referendum crosses party divisions over European integration. Although British politics is divided over the merits of European integration, both pro- and anti-EU figures assumed that an in/out referendum is a mechanism uniquely capable of settling the issue satisfactorily. A vote on EU membership itself is supposed to allow Britons to render their judgement on the project of 'ever closer union'. The UK/EU relationship now is characterised by vetoes and allegations of Britain gambling with its future, Britains seems to 'lighting a fire' under the EU, leading to the Shakespearean question 'To Brexit or not to Brexit'.

## Euroscepticism

The process of euroscepticism really crept into mainstream discourse; it was "The Times", on 11 November 1985 that first used the word in reference to the United Kingdom's opposition to an incorporated common market<sup>15</sup>. The concept appears to have surfaced in Britain where the word was used interchangeably with the older term 'anti-marketers' who were opposing British involvement in the European integration project. In line with that, the Oxford English Dictionary defines a 'eurosceptic' as 'a person having doubts or reservations concerned with the supposed benefits of increasing cooperation among the member states of European Union'. In more semantic perspective, there seems to be a consensus about the fact that euro in euroscepticism denotes to the EU and its precursors also, towards particular approach of co-operation suggested by the EU. However, it is also important to acknowledge that euroscepticism can be assigned positive aspects as it demonstrates increased awareness, interest and critical capability of the public as well as reminds the political elite that it cannot rule without popular consent.

Another primal ground in public opinion research is the topic of identity. According to such an approach, opposition to the European project is related to fears of a symbolic threat to the national community. Besides, the aspect of sovereignty where the EU is seen as a threat to the nation state and the developments of further integration are seen as having a negative impact on the national sovereignty. Britain and Denmark have both gained the reputation of being eurosceptic countries. Denmark for instance, has had six emotionally contested referendums<sup>16</sup> relating to EU.

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<sup>15</sup> *Tomatoes Throw Europe's Summit Progress*, in "The Times", 11 November 1985, p.19, quoted in M.Spiering, *British Euroscepticism*, in Harmsen, M.Spiering (eds.), *Euroscepticism : Party Politics, National Identity and European Integration*, Rodopi, NewYork 2004, p. 128.

<sup>16</sup> The Danish referendums about EU issues took place in 1972 about membership of the European Community, in 1986 about the Single European Act, in 1992 about the Maastricht Treaty, in 1993 about the Edinburgh Agreement, in 1998 about the Amsterdam Treaty and lastly, about the European Single Currency in 2000. *The danes, the european union and the forthcoming* [www.institutdelors.eu/media/etud18-en](http://www.institutdelors.eu/media/etud18-en) (Last access on 2 May 2017)

### **The theory on Euroscepticism**

Scepticism, doubt or lack of satisfaction towards the European project has acquired many labels of definitions such as euro-pessimists, euro-phobia, euro-criticism ect. Which like euroscepticism are not very specific concepts. One can even argue that euroscepticism has become kind of catch-words used by the media, the political elite and the academic world with consequently a lot of different meanings and connotations. For euroscepticism carries the meaning of doubt and distrust on the subject of European integration<sup>17</sup> Whereas Harmsen defines it exclusively as a fundamental opposition towards the European Union<sup>18</sup> and he traces the term to Britain where he argues that it constitutes a very different and much more intensive phenomenon than in the rest of the EU. In his view euroscepticism can only be viewed as a principle scepticism towards the entire project. He thereby rejects Flood's broad interpretation that scepticism or doubt can be directed at just part of the European project for instance the Common Agricultural Policy or other areas of the EU. George's definition of euroscepticism combines the above definitions as he puts forward three degrees of euroscepticism: 1) doubts about the form that integration is taking, 2) doubts about the benefits and advisability of further integration and 3) hostility to the European project as a whole. Part of euroscepticism is naturally a principle rejection of the entire EU cooperation. The other dimensions in this definition make references to firstly, a utilitarian approach since it focuses on the benefits whether they are individual or for one's country and secondly, to scepticism about the widening and deepening of the European Project. It is clear from the above that euroscepticism is a problematic term and therefore there does not exist a clear-cut definition.

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<sup>17</sup> Chris Flood, *The challenge of Euroscepticism* 2002: p.73  
[www.academia.edu/976416/The\\_challenge\\_of\\_Euroscepticism](http://www.academia.edu/976416/The_challenge_of_Euroscepticism) (Last access on 23 May 2017)

<sup>18</sup> Harmsen, R. A Dual Exceptionalism?: British and French Patterns of Euroscepticism in Wider Comparative Perspective, Paper presented at the workshop: National Identity and Euroscepticism: A comparison between France and the United Kingdom. Oxford, May 2005  
[projekter.aau.dk/projekter/files/14405753/thesis](http://projekter.aau.dk/projekter/files/14405753/thesis) (Last access on 8May 2017)

## Hard Vs. Soft Euroscepticism

One of the most widely used and most cited definitions of euroscepticism is Taggart and Szczerbiak's initial observations about the term where they argue that euroscepticism 'expresses the idea of contingent or qualified opposition, as well as incorporating outright and unqualified opposition to the process of European integration. This definition though broad and incorporating a wide range of varying positions, was subsequently redeveloped. The authors found it useful to break the definition into two in order to distinguish between contingent or qualified opposition (soft) and the more outright principled rejection (hard) of the European integration process. However, the central distinction between contingent and principle euroscepticism can also be transferred to the public level. On that note, Taggart and Szczerbiak define hard euroscepticism as:

... a principled opposition to the EU and European integration and therefore can be seen in parties [or in the public] who think that their countries should withdraw from membership, or whose policies towards the EU are tantamount to being opposed to the whole project of European integration as it is currently conceived<sup>19</sup>.

In Contrast, soft euroscepticism is defined as:

...Where there is NOT a principled objection to European integration or EU membership but where concerns on one (or a number) of policy areas leads to the expression of qualified opposition to the EU, or where there is a sense that 'national interest' is currently at odds with the EU trajectory.<sup>20</sup>

One can argue that both the strength and weaknesses of this two-fold division developed by Taggart & Szczerbiak come from its simplicity. Due to its simplicity it can easily be applied in different studies concerning both established EU member countries, countries outside the EU, candidate's countries also to the general public. Nevertheless,

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<sup>19</sup> Taggart, P. and Szczerbiak, A. (2002): *Crossing Europe: Patterns of Contemporary Party Based Euroscepticism in EU Member States and the Candidate States of Central and Eastern Europe*, Paper presented for the European Consortium for political Research Joint Workshops, Turin, March 21-27 2002.

<sup>20</sup> *ibid*

despite its wide usability the definition has also encountered critique for being too inclusive and all encompassing. Especially, the soft euroscepticism has been held as being too broad and failing to capture varying degrees of support and opposition towards the European project. In addition, it is argued that the criteria used to separate the two forms of euroscepticism remains largely unclear and consequently makes it difficult to explain why different forms of euroscepticism appear. The criticism is well-founded also accepted by the authors themselves who argue that their working definition needs to 'reflect [more] nuances... within a broader typology'.<sup>21</sup> Therefore propose that the two forms of euroscepticism should be seen as opposing poles on a spectrum with some levels in between.

### **The Press Discourse**

Benjamin Hawkins assesses the role of the media in influencing, public opinion, he argues that there has been a consistent eurosceptic discourse within a number of influential newspapers. This discourse has not only influenced public opinion towards the UE, but has also had an impact on the policies of the British government in dealing with their European partners. Hawkins states that "the clearest anti-EU sentiment are to be found in the British print media" (2012, 562). The Eurosceptic press discourse is constructed around three key principles, or 'logics'.

In common with Hawkins (2010; 2012), this study finds that 'Europe' and the European Union are constructed as separate from Britain. British national identity is constructed as a part of this logic as exclusive of Europe or 'European-ness'. In some cases this is articulated through the notion that is somehow 'un-British' to support European integration and that Britishness, and the distinctiveness of the British national community is threatened by Europe. The second is the logic that the European Union is damaging British sovereignty, and British prestige and influence in the world. This arises from the construction of a logic of incompatibility between British independence and membership of the European Union. Finally, the idea that the British state has become subordinate to a growing European bureaucratic 'superstate' is an important part of the discourse of Eurosceptic newspapers. The superstate discourse plays on fears of British powerlessness

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<sup>21</sup> *ibid*

to influence its own destiny in the face of European Union which does not take British national interests to heart, and which is determined to stamp a 'European' policy agenda on the British state, Invariably referred to as 'Brussels', the European Union is portrayed as undemocratic, bureaucratic and inefficient; a force holding back Britain.

Among Britain's national newspapers, those which take a broadly eurosceptic line are the *The Daily Mail*, *The Daily Express*, *The Daily Telegraph* and *The Sun*. These newspapers tend to oppose further European integration and have called for ratification of the Lisbon Treaty *The Times* has taken what may be termed a 'soft-eurosceptic' editorial stance, opposing membership of the Euro and advocating the reduction of certain EU powers, while being supportive of UK membership (Taggart 1998; Szczerbiak and Taggart 2008). *The Guardian* and *the Independent* were instead much more likely to construct Britain as being a part of Europe. For instance, comparison were often made between 'Britain and *other* prosperous *European* countries' (*The Independent*, 3 June 2001); or the British working 'the longest hours *in Europe*' (*The Guardian*, 4 June 2001). These newspapers often emphasised the similarity between Britain and other European countries. Reference are made to other European countries as 'Britain's European partners' (*The Guardian*, 4 June 2001). Also a common strategy for constructing Europe as the 'other' is the use of metonyms to homogenise European institutions or states. The metonyms of 'Brussels' is frequently employed to refer to either the European Commission in particular, or the European Union in general.

### **United Kingdom Euroscepticism**

Andrew Geddes<sup>22</sup> argues that UK has historically been ambivalent about EU unification, few British politicians have been enthusiastic about the EU, and that since the 1950's "opposition to European integration has remained powerful political undertow in British politics." This led Stephen George<sup>23</sup> to famously describe the UK as an "awkward partner" with the rest of Europe. In addition, turnout levels for elections to the European Parliament have in general been the lowest in Europe since the first election in 1979 and anti-EU parties like the United Kingdom Independence Party campaigning for

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<sup>22</sup> Andrew Geddes, *Britain and the European Union*, Basingstoke, Palgrave Macmillan, 2013

<sup>23</sup> Stephen George, *An Awkward Partner, Britain in the European Community*, Oxford : Oxford University Press. 1998

withdrawal of British membership of the EU have been successful. Both major parties in Britain, the Conservative and the Labour Party, have internal divisions on the issue of the EU and they have changed their position of the issue from opposition to membership to support of membership and via versa. Since the introduction of the Lisbon Treaty, the pace of the European integration process has slowed, partly as the Union has been forced to face up to significant opposition to the integration process. This opposition – most commonly labeled euroscepticism- has been exemplified by the EU's failure to realize the Laeken objectives, the stabilization of an anti-integration block in the European parliament. Opposition to the EU has become increasingly embedded both at European and national levels and highlights the urgent need for the EU to engage constructively with opposition and dissenting voices and to consider alternative views about paths towards further European integration. This situation has become more critical as a result of the current global economic and financial crisis and because of the prospective enlargement of the EU towards the Western Balkans (and potentially Turkey). These developments have not only helped to further undermine citizen support for the EU but also led to significant policy implications within the Union. Calls for a temporary suspension of the Schengen Agreement; restrictions on work permits to Bulgarian and Romanian citizens; opposition to the second Greek bail-out and demands for an Italian austerity plan have propelled the EU into an unprecedented phase of uncertainty, one of the consequences of which is deeper and more embedded euroscepticism with the potential to cause irreparable damage to the EU's quest for legitimacy. By 1979 the transitional period was coming to end so Britain has to pay its full contributions. When the issue arose at the Dublin Conference in December 1979, Thatcher famously announced her intention 'to get our money back'.

### **Margaret Thatcher budget 'rebate'**

Under Prime Minister Margaret Thatcher, who came into office in 1979, a solution was agreed to long-standing British demands for a reduction of the UK's net contribution to the EC budget. At that time, the UK had the third-lowest gross domestic product (GDP) per capita of the nine Member States but was the second-biggest net contributor to the Communities' budget. This was largely due to the fact that UK had relatively few farms,

so it got a relatively small share of agricultural subsidies, which at the time made up 70% of Community expenditure. Moreover, its Value Added Tax (VAT) base represented a higher share of Gross National Product (GNP) than that of other Member States, while the VAT-based resource was then the largest of the Communities' own resources. The issue was finally settled at the Fontainebleau European Council in June 1984, where a rebate<sup>24</sup> was agreed amounting to 66% of the difference between the UK's VAT-based contributions to the budget and the expenditure allocated to it.<sup>25</sup>

It also put in place a new budgetary mechanism. Significantly the budgetary issue both inaugurated and signaled the Thatcherite way of dealing with the Community demonstrating an underlying scepticism about the European Project.

Furthermore, Researchers were triggered by Britain's former Prime Minister Margaret Thatcher's Bruges speech in September 1988. In the speech, she attacked the process of European integration and her main argument was that European cooperation could and leave the sovereignty of the nation states unchanged:

My first guiding principle is this: willing and active cooperation between independent sovereign states is the best way to build a successful European Community. To try to suppress nationhood and concentrate power at the centre of a European conglomerate would be highly damaging and would jeopardize the objectives we seek to achieve. Europe will be stronger precisely because it has France as France, Spain as Spain, Britain as Britain, each with its own customs, traditions and identity. It would be folly to try to fit them into some sort of identikit European personality.<sup>26</sup>

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<sup>24</sup> Referred to as a 'correction' in the Fontainebleau conclusions, and successive EC and then EU Own Resources decisions, the mechanism is widely known as the 'UK's rebate' although the bulk of the money concerned is not paid over the Commission and thus cannot be *paid back*. In view of this, in UK administrative documents, the mechanism is often also referred to as the 'abatement'. For more details, see Alessandro D'Alfonso, *The UK 'rebate' on the EU budget*, EPRS, February 2016.

<sup>25</sup> Andrew Geddes, *Britain and the European Union*, Palgrave Macmillan, 2013, p.68.

<sup>26</sup> Margaret Thatcher, *The Bruges Speech*, Bruges, 1988  
<http://www.Margaretthatcher.org/speeches/displaydocument.asp?docid=1073>



In its claims to represent and defend the will of the people this discourse was fundamentally populist employing simple messages and emotive language in this respect, it exposed the problems of legitimacy and democratic accountability.

Besides Thatcher, Winston Churchill and Harold Wilson were also eurosceptic prime ministers .So, British Euroscepticism is not a new phenomenon, it is a phenomenon which has characterized Britain's relations and communication with Europe for long. Unlike other European countries, main political parties in Britain are eurosceptic. Through time, similarities and continuities are found in the sceptic arguments British politicians have put forward as they share concerns about sovereignty and national identity In particular, it was the Bruges speech that marked the clear break with Europeanists within the party and the beginning of the public mobilization of the Eurosceptics within the Conservative party. It was a powerful and populist reassertion of the strong state/free economy position and of Atlanticism. This speech contained a number of themes that were to be replayed by Eurosceptics in their opposition to further British involvement in the integrationist project in the 1990s and beyond. It was constructed around a number of oppositions between Britain and the EC/EU. They include European bureaucracy and political formalism versus British pragmatism and democracy; British globalism versus narrow Europeanism; British political stability versus European instability. Since the Bruges speech, much research has been done within the Euroscepticism field mainly the later years as this concept has spread across Europe representing a fundamental concern. Britain is home of Euroscepticism and it has a long traditions of being sceptical towards Europe.

British Euroscepticism concept has evolved and expanded over time, it begun with latent questioning of the value of involvement with the European project, then evolved to doubts about the benefits of the EU membership, to active scepticism supporting opt-outs from parts of the competence, and now to a position which favours disengagement and withdrawal from the EU.

### **The UK 'opt-outs' 1992**

The 1992 Maastricht Treaty set out the conditions for moving towards Economic and Monetary Union (EMU). Rather than prevent the 11 other Member States from moving ahead in this area, the UK secured a protocol ensuring it had no obligation to join stage three of EMU (with its single currency and monetary policy), a step subsequently taken in 1999. At Maastricht, the UK government under Prime Minister John Major (in office from 1990 to 1997) also declined to participate in the Social protocol, but his successor, Tony Blair, ended that opt-out, and the content of the protocol was written into the 1997 Amsterdam Treaty. At the same time, when the intergovernmental Schengen agreement was incorporated into EU law by the Amsterdam Treaty, Ireland and the UK obtained an opt-out, due to the UK's desire not to give up border controls. The UK (and Ireland) may, however, request to participate in some or all aspects of the Schengen *acquis*, provided they gain the approval of the other Schengen states. The UK and Ireland also gained an opt-in facility in respect of other proposals in the field of justice and home affairs. The Lisbon Treaty created an Area of Freedom, Security and Justice (AFSJ), extending the 'Community method' to justice and police cooperation in criminal matters, previously areas of intergovernmental cooperation. At that time, the UK obtained the right to opt out *en bloc* from around 130 pre-Lisbon instruments in this field, a right which it exercised before the 2014 deadline for doing so.

### **Mainstreaming of British Euroscepticism**

The 1992 Maastricht signaled a new politicisation of European integration (with the name change from 'Community' to 'Union') and contributed to a change in public awareness across the member states. The Treaty challenged the previous assumptions that the EU was solely a trading block of like-minded nations built around the notion of Single European Market as it is at this stage that the economic case for British membership of the EU begins to be superseded by debate over the politicisation of 'Europe', thrusting the issue of parliamentary sovereignty to the forefront of discussion. Crucially, Maastricht also enshrines the principle of the Freedom of Movement in the EU, something which opponents of the EU in the UK have progressively exploited in their Eurosceptic rhetoric and discourse. It also signals the moment when referenda become a regular occurrence in certain countries to ratify changes to future EU treaties. The *'petit-*

*oui*' vote in France in September 1992 and the '*Nej*' vote in Denmark<sup>27</sup> prior to this ensured that 1992 underlined the power of EU citizens to put the brakes on and potentially derail the European integration process. Importantly, it allowed right-wing Eurosceptics to fuse the notion of parliamentary sovereignty with that of popular sovereignty through the device of a referendum.

The Eurosceptic campaign in parliament during the process of ratification of the Maastricht Treaty (formally called the Treaty on European Union or TEU) represented one of the most significant rebellions in parliamentary history and alongside the ERM crisis, and helped destroy the credibility of the Major government. It undermined the legitimacy of the government's strategy on Europe, revealing the contradictions and contributed to a potentially fatal split in the Conservative party. Indeed it was a powerful reassertion of the extensive nature of Euroscepticism at the heart of the British political establishment and intensified the uncertainties about Britain's European future. In the wake of the ERM crisis, the Major government came to the conclusion that it was a way for the government to regain the initiative on the European issue and to reassure its European partners of its commitment to the Treaty.<sup>28</sup> Though popular euroscepticism predates the advent of the Maastricht Treaty, it was during ratification of this Treaty, and more precisely following its rejection by the Danes in June 1992, that political realization of its extent and salience became apparent through Europe. As a result, the thirst for an EU-related referendum in the UK has grown.

A second driver of Euroscepticism across the EU, which has also had clear consequences in terms of the mainstreaming of the debate in the UK, has been the process of EU enlargement. The 2004 'big-bang' enlargement where ten new states joined, including eight from Central and Eastern Europe, followed by the 2007 enlargement when Bulgaria and Romania became member states, have had a particular impact. As John Glenn noted, the fall of the Berlin wall and the end of communism in Central and

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<sup>27</sup> The Danish referendum is often cited as the event marking the end of the permissive consensus (e.g. Hix 1998, 2005; Weiler 1999).

<sup>28</sup> Seldon, A, *Major: A Political Life*, London, Phoenix 1998 p326  
<https://www.abebooks.co.uk/.../major-a-political-life/.../anthony-se> (Last access on 17 May 2017)

Eastern Europe (CEE) provided for many 'a historical and moral opportunity to foster stability and security across the European Continent by means of political and economic integration'<sup>29</sup>. However, one of the consequences of the enlargement was to give new vigour Eurosceptics: they were able, first, to link their anti-EU rhetoric to concerns about unemployment and job security arising from migration flows from the CEE states; second to link their concerns to immigration and asylum and the perceived insecurity of the enlarged EU's Eastern borders; and, finally to exacerbate concerns about major companies relocating to the CEE states. Accordingly, the 2004 'big bang' and 2007 enlargement served to push the debate about the freedom of movement to the heart of Eurosceptic narrative in the UK and other states. This was particularly evident in the UK, where UKIP increasingly flirted with anti-immigrant discourse in the build-up to the lifting of restrictions on EU movement in Bulgaria and Romania, which came into force at the beginning of 2014.

Furthermore, British observers frequently express frustration that EU tends to focus far too much on internal treaties and process rather than taking a pragmatic approach to priorities such as boosting economic competitiveness, promoting a common energy policy, or improving European defense capabilities. Many British euro-sceptics assert that EU bureaucracy and regulations stifles the UK's economic dynamism. They also argue that the EU lacks democratic legitimacy and accountability because many of its decisions are made behind closed doors. The subsequent economic crisis, the third of key drivers of Euroscepticism, gave Euroseptics further ammunition.

### **The Eurozone Crisis**

It was inevitable that the first economic recession to hit the Eurozone would result in a situation from which Eurosceptics would be able to profit politically. With nothing in its fifty-year history of integration comparable to Economic and Monetary Union in terms of political and economic significance<sup>30</sup>, the Euro was designed as a powerful symbol of a united Europe with the ability to break down cultural and national barriers.

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<sup>29</sup> Glenn, John K. 'EU Enlargement', in Cini, Michelle (ed.) *European Union Politics*. Oxford: Oxford University Press. 2003 pp. 211-228.

<sup>30</sup> Loukas Tsoukalis, *Managing Interdependence: The EU in the World Economy*. In Hill Christopher, Smith Michael (eds) *International Relations and the EU*. Oxford: Oxford University Press, 223-246, 2005 p. 233.

When the Euro was launched, emotional issues surrounding national sovereignty were put to one side by many EU citizens. With the development of the sovereign-debt crisis, however the economic argument was placed under increased strain. Although the origins of the economic crisis emanated from outside the Eurozone, the Euro quickly became the scapegoat for all the socio-economic inequalities endured post-2008: the spiraling cost of living, rising unemployment, the austerity cuts and the bail-outs in Greece, Ireland, Portugal, Spain and Cyprus. The UK has opted out of several major elements of European integration. Most significantly, the UK retains the pound sterling as its national currency and is therefore outside the group of 19 EU member countries that used the euro as their common currency. The UK also, does not participate in the Schengen Agreement that establishes a passport-free zone. (See Map 3)

The Eurozone crisis that began in Greece in 2009 both highlighted preexisting tensions in the UK-EU relationship. British leaders have emphasized that a stable and successful Eurozone is greatly in the UK's interest; however, the Cameron government pointedly declined to participate in numerous elements of the EU's crisis response effort, such as contributing to the EU sovereign "rescue funds", and has zealously safeguarded the UK's financial sector from attempts to extend EU regulation. The UK declined to participate in a new "fiscal compact" treaty, which calls for greater central surveillance over national budgets and the adoption of a balanced budget requirement in national constitutions. The UK was also a leading voice of opposition against proposals to increase the EU budget. British leaders then, have supported tighter integration within the Eurozone on Fiscal and banking issues as an essential solution to the crisis but have been concerned about the prospect of being sidelined by new intragovernmental institutions, in which decisions taken among the 19 Eurozone countries affect the interest of all 28 EU members.

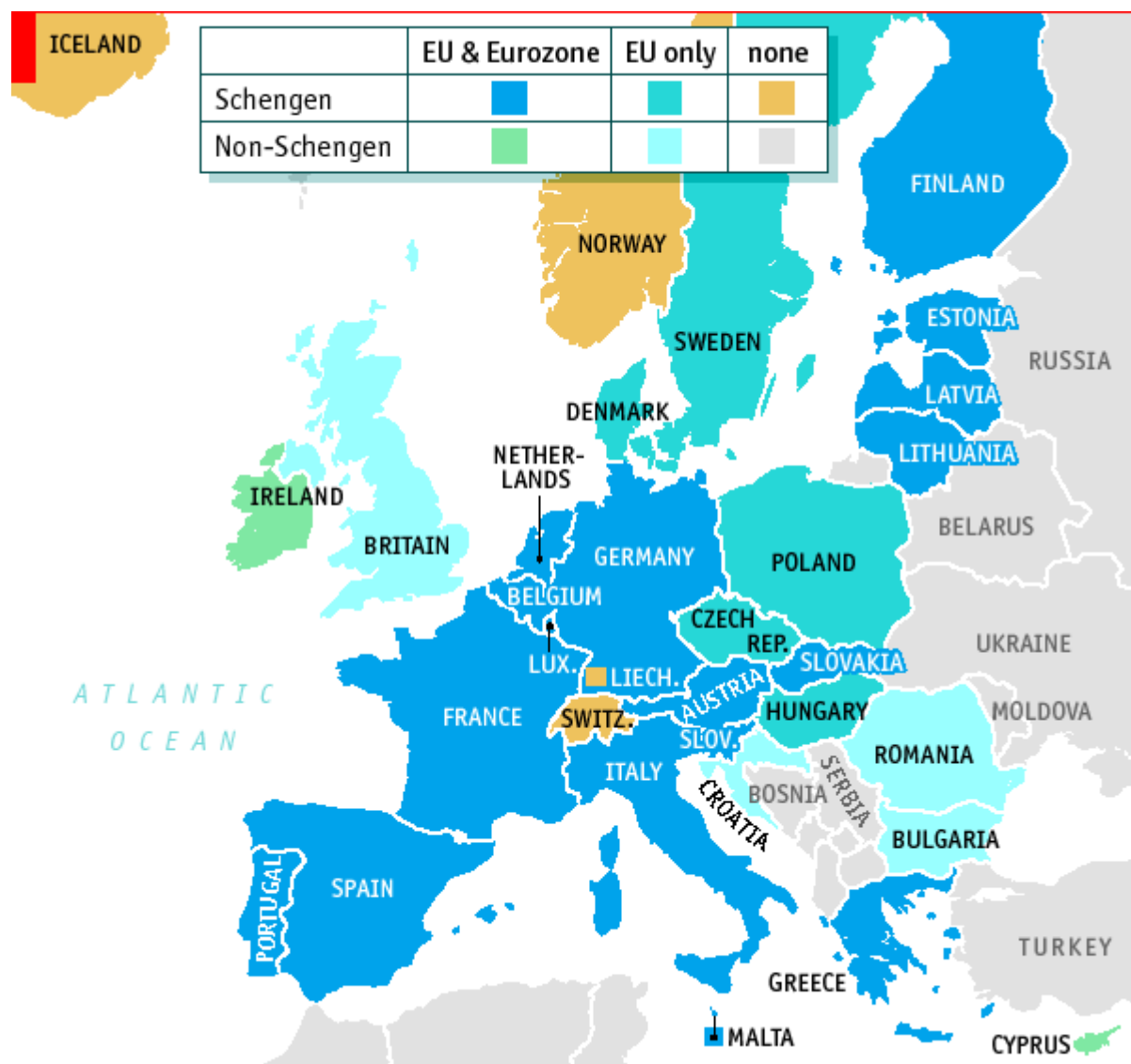
The Cameron government has been conducting a comprehensive review of the UK's relationship with the EU. The reports published thus far have concluded that membership in the EU is, on balance, beneficial to the UK<sup>31</sup>. To the British euro-skeptics' perspective,

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<sup>31</sup> Fox, Benjamin, *New UK Reports Back EU Powers, Enrage Eurosceptics*. 2014, *EU Observer*, 13 <http://euobserver.com/news/123132> (Last access on 15 May 2017)

the Eurozone crisis illustrates that the continent can only drag the UK down. Such observers argue that the UK would be better off freed from the EU's rules and regulations and consequently better able to focus on forging expanded ties to growing and dynamic emerging economies elsewhere. In contrast, advocates of remaining in the EU maintain that membership is crucial for the UK's economic fortunes and influence.

In addition to the fact that half of the UK's exports go to the EU "single market," business leaders have asserted, for instance, that membership in the EU serves as a "launch pad" for the UK global trade. This situation certainly contributed to a deepening of Euroscepticism across the EU and the widely held suspicion of the EU has been further stimulated by the eurosceptic discourse adopted by the popular press.

**Map 3: EU Eurozone and Schengen area**

**Source:** The Reluctant European– The Economist [www.economist.com/sites/default/files/20151017\\_uke](http://www.economist.com/sites/default/files/20151017_uke) (Last access on 7 March)

## Referendum

A referendum is a vote taken by the whole of people on a policy issue. Etymologically the word comes from the Latin *referre* – ‘to refer back’. Under the Referendum, the voters do not have the right to initiate legislation (as under citizens’ initiatives, which exist in some American states<sup>32</sup>); they can merely approve or reject proposals put forward by the legislature. For some, the referendum is thus a small first

<sup>32</sup> Matusaka, J, *For the Many or the Few: The Initiative, Public Policy and American Democracy*, University of Chicago Press, Chicago.2014

step towards more democracy<sup>33</sup>. The *Oxford English dictionary* defined a referendum as a process or principle of referring an important political question (e.g. a proposed constitution change) to be decided by a general vote of the entire electorate; a vote taken by referendum.

The Referendums, or 'Referenda' (follows other latin forms as 'memorenda', it goes on the note that the plural gerundive referenda, meaning 'things to be referred', connotes a plurality of issues, which could be misleading.<sup>34</sup>) consequently, is fundamentally a conservative institution which enhances democracy by giving people greater opportunities for involvement in the political process; to veto a proposal or a law already adopted by the legislature. Political referendums with major questions of policy change about which view may be strongly divided. There is clear need; however, that their conduct should be accepted by both Parliament and the electorate as efficient and fair. Referenda have been an increasingly popular political instrument in both worldwide and in the UK. In 1975 Margaret Thatcher; however, famously quoted Clement Attlee during a debate on the proposed referendum on the UK's continuing membership of the EEC when she said that the referendum "was *a device of dictators and demagogues*". Nonetheless, a steady growth in their use in the twentieth century peaked in the last decades of the century when nearly 600 referendums were conducted worldwide. Between 2001 and 2010 that figure fell to 440.<sup>35</sup>

## Referendums in the UK

The Process of questioning terms of UK membership of the EU, is not new, but rather one that started more or less immediately after UK accession. After two unsuccessful bids to join the European Communities in 1963 and 1967 due to vetoes by Charles de Gaulle, the UK finally entered the EC in 1973. The aspiration of UK governments to secure special arrangements for their country within the Communities

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<sup>33</sup> For more radical view of democracy, including the use of modern technology see: Becker, Ted (2001) "Rating the impact of new technologies on democracy". *Communication of the ACM* 44.1 (2001): 39-43

<sup>34</sup> [www.oxforddictionaries.com/definition/english/referendum?q=referendums](http://www.oxforddictionaries.com/definition/english/referendum?q=referendums) (Last access on 12 May 2017)

<sup>35</sup> Math Qvrtrup, *Referendum Around the World*, 2014, pp 246-7 [www.palgrave.com/us/book/9780230361751](http://www.palgrave.com/us/book/9780230361751) (Last access on 25 May 2017)



dates back to shortly after that accession.<sup>36</sup> The UK constitution is 'unwritten', with the doctrine of Parliamentary sovereignty at its heart. Before 1975 it was widely held that a referendum could be inconsistent with the sovereignty of Parliament; sine Parliament could not delegate its decisions to another body. The referendums so far held in the UK have been advisory, with Parliament formally retaining its right to reject the verdict. In practice, however, it has been accepted that Parliament could not ignore a decisive expression of popular opinion.

### **Northern Ireland Border Poll 1973**

Northern Ireland Border Poll was held in 1973, following the Stormont Parliament in 1972. The Ireland Act 1949 provided a guarantee that the constitution status of Northern Ireland would not change without the consent of its Parliament and with the Stormont Parliament prorogued this was transmuted into consent of the people. Electors in Northern Ireland were asked whether they wished the province to remain in the United Kingdom or to join the Irish Republic. Of those voting, 98.9% voted to join the Irish Republic. The parties representing the Nationalist minority had advised electors to boycott the poll and the turnout was only 58.7%. This limited the referendum's value as an exercise in popular consultation. Provision was made in the Northern Ireland Constitution Act 1973 to hold subsequent borders polls at ten-year intervals. None was held, although the government restated the guarantee of Northern Ireland's constitutional status in Article 1 of the Anglo-Irish Agreement of 1985.

### **The British Referendum of 1975**

The UK did not hold a referendum prior to its accession to the EEC in January 1973 under Conservative Prime Minister Edward Heath. It was not until April 1974, after the UK entered the EU, that the newly elected minority Labour government led by Harold Wilson announced to the Council of Ministers that it wanted to seek a 'fundamental renegotiation of the Accession Treaty'. This negotiation included the extension of preferential terms with regard to the import of Caribbean sugar and New Zealand butter

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<sup>36</sup> David Gowland, Arthur Turner, Alex Wright, *Britain and European Integration since 1945 – On the sidelines*, Routledge, 2010, pp.77 <https://www.docme.ru/doc/.../david-gowland-arthur-turner-alex-wright---britain-and-eur..> (Last access on 26 April 2017)

into the UK, a reduction in the UK's contribution to the community budget, and the renewal of direct subsidies to small farmers in the poorest regions.<sup>37</sup>

The call for renegotiation received a mixed reception from other Member states event. Eventually, they agreed to negotiate with the UK government to avoid the UK blocking every future initiative for deeper EU integration, at a time when almost all decisions were still taken by unanimity in the Council, giving a veto to individual Members States.

A final deal was struck at the European Council in Dublin on 10-11 March 1975. After the House of Commons first voted to accept the newly renegotiated terms of UK membership of the EC, a referendum was held on 5 June 1975, on the question 'Do you think the UK should stay in the European Community?'. The Wilson government (though not all its ministers) campaigned for the public to accept the results of the renegotiation, and in the end, 67.2% of those voting supported staying in the European Communities under the same terms.<sup>38</sup>

### **The British Devolution Referendums 1979**

In 1979 referendums were held in Scotland and Wales on the Labour Government's devolution legislation. In Wales devolution was rejected, even though it was supported by three of the four political parties in Wales - Labour, the Liberals and Plaid Cymru – parties which had gained around 72% of the vote general election in October 1974.

In Scotland the outcome was controversial. There was a majority for devolution: 51, 6% for, and 48.4% against. However, during the Parliamentary proceedings on the Scotland Act, a clause was inserted on the initiative of a Labour backbencher, George Cunningham MP; this provided that, unless 40% of those entitled to vote voted in favor, the government had to lay an Order before Parliament which, if passed, would repeal the Act. With a turnout of 63.6%, the 'Yes' vote was 32.8% of the electorate. This was far short of the 40% required. The Labour Government accordingly tabled an Order repealing the Scotland and Wales Acts (Parliament did not vote on an Order repealing the Act until after the change of Government in May 1979). The outcome of the referendum produced

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<sup>37</sup> Centre Virtuel de la Connaissance sur l'Europe (CVCE), 'The British call for renegotiation', 2011. [www.cvce.eu/le-cvce/presentation](http://www.cvce.eu/le-cvce/presentation) (Last access on 27 May 2017 )

<sup>38</sup> *ibid.*

lasting resentment; it was a feeling that the rules had been biased against advocates of a Scottish Assembly.

### **EU Treaty referendums 2011**

In 2011 the Coalition Government passed the *European Union Act*. The possibility of the UK putting in place a 'referendum lock', namely an obligatory referendum in case of proposals to extend EU powers, was included in the 2010 Coalition agreement between the Conservatives and Liberal Democrats. As a result, the European Union Act 2011 was adopted by the UK Parliament. Besides requiring a referendum for any future transfer of powers to the EU, it also states that EU law has effect in the UK only through an act of the EU Parliament, the so-called 'referendum lock'. Another series of local referendums have been held on the establishment of an elected mayor, council rates and congestion charge proposals (See Table One). Table 1 represents different British referendums through history, held on the constituting of the British policy from 1973 to 2016.

Interestingly, the Queen's Speech on 27 May 2015, which set out the new UK Government's legislative agenda following the May 2015 UK Parliamentary General Election, included a commitment to legislate for a referendum on the UK's membership of the European Union:

My government will renegotiate the United Kingdom's relationship with the European Union and pursue reform of the European Union for the benefit of all member states. Alongside this, early legislation will be introduced to provide for an in-out referendum on membership of the European Union before the end of 2017.<sup>39</sup>

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<sup>39</sup> Her Majesty's most gracious speech to both Houses of Parliament at the State Opening of Parliament 2015 (May 2015) <https://www.gov.uk/government/speeches/queens-speech-2015> (Last access on 28May 2017)

**Table 1: Referendums held in the UK**

	Poll Location	Referendum Question	"Yes" vote	"No" vote	Turnout	Result	
8 March 1973	"Border poll" Northern Ireland	Do you want Northern Ireland to remain part of the United Kingdom?  Or Do you want Northern Ireland to be joined with the Republic of Ireland outside the United Kingdom?	Remain part of the United Kingdom  98.9%	Be joined with the Republic of Ireland:  1.1%	58.7%	Northern Ireland remained part of the United Kingdom (the poll was subject to a widespread boycott by the Nationalist community).	
5 June 1975	UK membership of the European Community	UK	Do you think that the United Kingdom should stay in the European Community (the Common	67.2%	32.8%	64.0%	The UK remained in the European Community.
1 March 1979	Devolution	Scotland	Do you want the provisions of the Scotland Act 1978 to be put into effect?	51.6%	48.4%	63.6%	Devolution did not proceed as the threshold requirement that not less than 40 per cent of the total electorate had to vote "yes" for devolution was not met—only 32.8 per cent voted "yes".
1 March 1979	Devolution	Wales	Do you want the provisions of the Wales Act 1978 to be put into effect?	20.3%	79.7%	58.8%	Devolution did not proceed.
11 September 1997	Devolution	Scotland	I agree that there should be a Scottish Parliament or I do not agree that there should be a Scottish Parliament.  I agree that a Scottish Parliament should have tax-varying powers or I do not agree that a Scottish Parliament should have tax-varying powers.	Agree: 74.3%	Do not agree: 25.7%	60.2%	The Scottish Parliament was established.
				Agree: 63.5%	Do not agree: 36.6%	60.2%	The Scottish Parliament was given tax-raising powers.

22 May 1998	Belfast Agreement Northern Ireland	Northern Ireland	Do you support the Agreement reached at the Multi-Party Talks in Northern Ireland and set out in Command Paper 3883 ?	71.1%	28.9%	81.0%	Community consent for continuation of the Northern Ireland peace process on the basis of the Belfast Agreement was given
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4 November 2004	Elected Regional Assembly North East of England	NE	Should there be an elected England assembly for the North East region?	22.1%	77.9%	47.1%	The Elected Regional Assembly for the North East was not established.
3 March 2011	Law-making powers for the National Assembly for Wales	Wales	Do you want the Assembly now to be able to make laws on <i>all</i> matters in the 20 subject areas it has powers for?	63.5%	36.5%	35.6%	The vote gave the NAW direct law-making power in 20 devolved areas, such as health and education.
5 May 2011	Parliamentary voting system	UK	At present, the UK uses the 'first past the post' system to elect MPs to the House of Commons. Should the 'alternative vote' system be used instead?	32.1%	67.9%	42.2%	The voting system for UK Parliamentary elections was not changed
18 September 2014	Scottish Independence	Scotland	Should Scotland be an independent country?	44.7%	55.3%	84.6%	Scotland remained part of the UK
23 June 2016	UK membership of the EU membership	UK	Should the United Kingdom remain a member of the European Union or leave the European Union?	Remain: 48.1%	Leave: 51.9%	72.2%	

## The UK Brexit

The UK currently engages deeply with the European institutions on innumerable initiative. Also, the vote to leave triggered an extremely complex programme of renegotiations, potentially lasting for a decade or more in what be termed 'Brexit', short for 'British exit'. The term 'Brexit' was first coined in 2012 and has been used extensively in print and social media in the UK and Europe. Brexit is a blend of *Britain* or *British* with exit<sup>40</sup>. Its formation was influenced by analogy to the term *Grexit*, which is also a relatively recently blend (Greek exit), although older, and which was coined in response to the Greek debt crisis in 2010. Both *Grexit* and *Brexit* captured the meaning of 'an exit from the European Union'. As the concept increased in use over time, more interpersonal meanings emerge in association with BREXIT, encoding a kind of hypotheticality in its meaning.

At the time of writing 'Brexit' is on the tip of everyone's tongue. Furthermore, what will happen in the coming months with regards to the negotiations on Brexit is unclear. It may very well be that Theresa May has boxed herself into a corner with the line: "Brexit means Brexit." she has created a very powerful rhetorical tool that can be used to justify about any course of action the government chose to take.<sup>41</sup>

## The British Referendum 2016

On 23 January 2013, the Prime Minister delivered a speech at Bloomberg announcing his intention to call a referendum after the 2015 general election. David Cameron delivered the outright victory that had not been predicted and basked briefly in the glow of praise that looked like gladiatorial contest. The victory in 2015 elections increased his power within the Conservative party. However, it was to be short lived and the Prime Minister would have to honour the promise because, there

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<sup>40</sup> Lise Fontaine, *The early semantics of the neologism Brexit: a lexicogrammatical approach*

<https://orca.cf.ac.uk>(Last accessed on 2 June 2017)

<sup>41</sup> K. Morrell, "Brexit: How a Single Word became the Most Powerful Rhetorical Device in Generation" *The Conservative online journal*, 12 October, 2016. <http://theconversation.com> (Last accessed on 4 June 2017)

was increased and relentless pressure from his Eurosceptic backbenchers. Besides, When the Conservative/Liberal Democrat coalition government took power in 2010, the Conservative Eurosceptics were eager for the opportunity to contest the UK's membership of the EU. Notably, the UK Independence Party (UKIP) has formed a conservative, anti-European and nationalist party, rejecting European integration and immigration to the UK. UKIP fully support an in/out referendum and an EU exit was one of their main concerns. These were the twins rational for the promise of referendum made in the Bloomberg speech, promising that, if the Tories (also known as Conservative) were re-elected in May 2015, he would renegotiate Britain's membership and hold an in-out referendum. The Prime Minister called for fundamental, far-reaching change and outlined five points in his vision for a new European Union, fit for the 21st century<sup>42</sup>.

Mr Cameron first set out a renegotiation agenda in his 'Bloomberg' speech in January 2013. It was high on rhetoric. Where he identified, three major challenges confronting the EU: problems in the Eurozone were driving fundamental change in Europe; there was crisis of European competitiveness; and there was a gap between the EU and its citizens, which had grown in recent years, this betokening a lack of democratic accountability and consent that was felt hugely in Britain. Using language similar to his predecessor Margaret Thatcher, Cameron asserted that, for the British people, the European Union is a means to an end .....not an end in itself<sup>43</sup>. Mr Cameron further elaborated on his EU reform plans in a 2014 article in the *Daily Telegraph*<sup>44</sup> this envisaged powers flowing away from the EU and not always to it; national parliament able to block unwanted European legislation; businesses liberated from the red tape and benefiting from the strength of the EU's own market to open

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<sup>42</sup> David Cameron, EU speech at Bloomberg, 23 January 2013, <http://www.gov.uk/government/speechs/eu-speech-at-bloomberg> (last access on 5 April 2017)

<sup>43</sup> *ibid*

<sup>44</sup> David Cameron, 'The EU is not working and we will change', *The telegraph*, 15 March 2014. [www.telegraph.co.uk](http://www.telegraph.co.uk) › News › News Topics › EU Referendum (Last accessed on 6 June 2017)

up greater free trade with North America and Asia; British police forces and justice systems to be able to protect British citizens, unencumbered by unnecessary interference from the European institutions, providing the European Court of Human Right; free movement to take up work, not free benefits; support for the continued enlargement of the EU to new members but, only with new mechanisms in place to prevent vast migrations across the Continent; and dealing properly with the concept of 'ever closer union'.

The PM articulated a vision for the EU grounded on various principles: Competitiveness; flexibility; the two way flow of power, back to the Member States, as well as upward to the EU; democratic accountability, with an enhanced role for national parliaments; and fairness in relation to the arrangements for those inside and outside the Eurozone. Cameron then pressed on to assert that sovereign powers should not only flow one way from national governments to Brussels but rather that member states should have the ability to repatriate powers and resist policy harmonization. Prime Minister then addressed democratic accountability and maintained that national governments represent the true source of real democratic legitimacy and accountability in the European Union<sup>45</sup> a statement that emphasizes the British concept of parliamentary sovereignty. Britons would therefore be offered the opportunity to decide whether they wish to stay in the EU through a referendum. There were four elements to the negotiating package and subsequent deal.

First, there should be protection for states outside the Eurozone. This was required in order to protect the single market and ensure that all twenty eight Member States decided its rules; to prevent discrimination against non-Eurozone countries; and to ensure that non-Eurozone states did not have to hold additional costs from integration of the Eurozone. Secondly, there should be increased emphasis on competitiveness and the cutting of the red tape, thereby removing unwarranted regulatory burdens on industry, the idea being that competitiveness should be written into the 'vein' of the

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<sup>45</sup> David Cameron, EU speech at Bloomberg, 23 January 2013. <https://www.theguardian.com › Politics › EU referendum and Brexit> (Last accessed in 15 June 2017)



EU. Thirdly, there should be reform that impacted on sovereignty and subsidiarity. For the Prime Minister this meant a clear, legally binding and irreversible agreement to end Britain's responsibility to work towards an ever closer union, and there should be also greater emphasis on subsidiarity.

The final part of the renegotiation package concerned free movement and immigration. Cameron did not press for change to the basic right of free movement, acknowledging that it was a key part of the single market. He nonetheless sought change that would prevent what he termed abuse of the right to free movement, and facilitate greater control over immigration in line with the Conservative manifesto. This meant ensuring that when new states acceded to the EU free movement would not apply until their economies converged much more closely with the existing member states, and dealing with abuse of free movement. EU migrants should also live in the UK and contribute for four years before they qualified for in-work benefits or social housing, and the practice of sending child benefit overseas should cease. The Prime Minister was cognizant that such reforms could pose difficulties for other Member States, and argued that he was open to several ways of dealing with them, while insisting that the basic demands should nonetheless be met.

On 23 June 2016, the UK voted to leave the EU after 43 years of membership, under the question: Should the United Kingdom remain a member of the European Union or leave the European Union? 51.9 % voted for the country to 'Leave' the EU while 48.1 % of voters choose 'Remain'. The Referendum turnout was 71.8 %, with more than 30 million people voting. England voted strongly in favour of leaving, by 53.4 to 46.6%, as did Wales. Northern Ireland backed remaining in the Union by 62 % and 55.8 % respectively.<sup>46</sup> No body, not even Cameron himself, thought that the 'Leave' camp could win and the Brexit is a reality to say: the UK decided to leave the EU, Cameron left his political career and the entire world have been left with the same puzzling, question: "How did it happen? ". (See Figure 1)

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<sup>46</sup> For a detailed breakdown across the UK: <http://www.electoralcommission.org.uk/find-information-by-subject/elections-and-referendums/past-elections-and-referendums/eu-referendum/electorate-and-count-information>

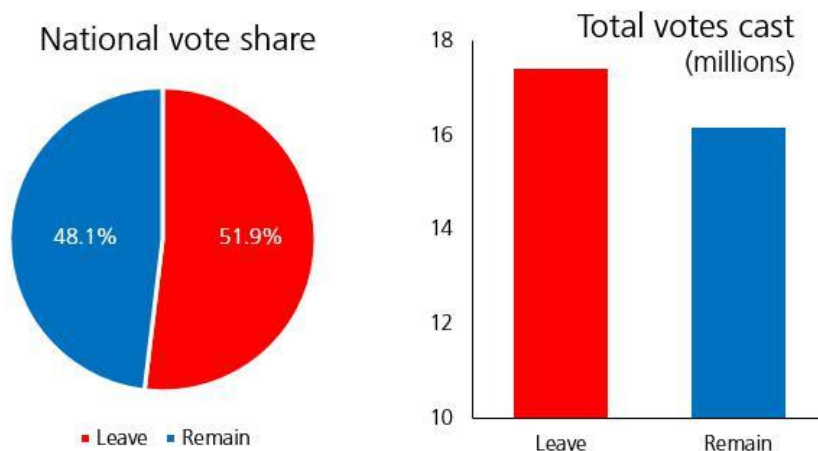
### Figure 1: Referendum Results

A total of 33,577,342 people voted in the referendum, a turnout of 72.2%. The Leave vote won by a 3.8 percentage point margin.

#### National result

	Votes cast	% of valid Votes
Leave	17,410,742	51.9%
Remain	16,141,241	48.1%
Winning margin for 'Leave'	1,269,501	3.8%
<b>Total valid votes</b>	<b>33,551,983</b>	
Rejected papers	25,359	
<b>Total votes cast</b>	<b>33,577,342</b>	

The figures below show the total number of votes cast, and the national share of the vote, for Leave and Remain.



**Source:** <http://www.electoralcommission.org.uk/find-information-by-subject/elections-and-referendums/upcoming-elections-and-referendums/eu-referendum/electorate-and-count-information> (Last accessed on 5 June 2017)

Votes for Leave and Remain were not evenly distributed across the UK. Leave won the highest share of the vote in England and Wales, while Remain won the highest share of the vote in Scotland and Northern Ireland. Within England, London was the only region where Remain won a majority.

**Proportion of the vote across the UK**

	Leave (%)	Remain (%)
England	53.4%	46.6%
Wales	52.5%	47.5%
Scotland	38.0%	62.0%
Northern Ireland	44.2%	55.8%

**Source:**<http://www.electoralcommission.org.uk/find-information-by-subject/elections-and-referendums/upcoming-elections-and-referendums/eu-referendum/electorate-and-count-information>

The highest vote share for Leave (76%) was recorded in Boston (Lincolnshire).

The highest vote share for Remain (96%) was recorded in Gibraltar.

Thus, a vote to leave would only be the beginning of a very long, complicated and painful process, the result of which is impossible to predict with any certainty. The UK would still be required to adopt most aspects of EU policies and standards. However the idea that any country can act totally independently in a globalized world, seems unsafe fantasy.

## The Article 50 Withdrawal procedure

### Table 2: Article 50

Article 50 on the Treaty on European Union provides as follows:

- 1- Any Member State may decide to withdraw from the union in accordance with its own constitutional requirements.
- 2- A member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, The Union shall negotiate and conclude an agreement with that States, setting out the arrangement for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.
- 3- The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.
- 4- For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Members State shall not participate in the discussions of the European Council or Council or in decisions concerning it.  
 A qualified majority shall be defined in accordance with Article 238(3) (b) of the Treaty on the functioning of the European Union.  
 If a state which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.

Several points of importance emerge from reading of this provision:

First, although a decision to leave the EU may be made in accordance with the constitutional requirements of the Member State involved (Article 50.1) there is a requirement on the the Member State wishing to leave to notify the European Council of its intention to withdraw (Article 50.2). Secondly, receipt of the mandatory notice

of intention to withdraw triggers an obligation on the Union to negotiate and conclude a deal with the leaving Member State setting out the arrangements for its leaving taking account of the framework for that Member State's future relationship with the EU (Article 50.2). Thirdly, the negotiation that ensue must be undertaken by reference to the procedure set out in Article 218(3) of the Treaty on the functioning of the European Union (TFEU)<sup>47</sup> and be concluded on behalf of the Union by the Council acting by a qualified majority after obtaining the consent of the European Parliament (Article 50.2). Fourthly, there is a time limit for the withdrawing Member State for EU law to apply in its territory. This is expressed to be: (i) the day of entry into force of the withdrawal agreement, or (ii) two years from the notification of intention of withdraw if no withdrawal agreement has entered into force by that time or (iii) any later period provided that such extended period has been unanimously approved by the European Council in agreement with the departing Member States (Article 50.3). Fifthly, the leaving Member State may not participate in the discussions of the European Council or in decisions concerning it (Article 50.4). Finally, if a state which has withdrawn asks to rejoin the EU its request is subject to the procedure under Article 49 TEU for applications for membership of the EU (Article 50.5).

The structure of Article 50 suggests that a Member State may not seek to negotiate terms of withdrawal from the EU outside the ambit of Article 50. This is because it contains a comprehensive and self-contained scheme of withdrawing which places specific obligations on both withdrawing Member State and the remaining (currently 27) Member States. The Article 50 is that one some British Eurosceptics seem determined to avoid, seeing it as a process that empowers the hand of the EU by putting UK under pressure in terms of timing and where an

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<sup>47</sup> Article 218 TFEU provides, materially, that the Commission must submit recommendations to the Council which shall adopt a decision authorising the opening of negotiations and, depending on the subject of the agreement envisaged, nominating the Union negotiator or the head of the Union's negotiating team.

agreement would rely on the EU approval. Article 50 states that the UK remains a member state until a withdrawal has been agreed and this could happen only through several phases. Moreover, the nature of agreement sought could also make reaching agreement more difficult and the current dilemma for the government is how specific Article 50 notification should be regarding subsequent negotiations. However, without a well-drafted withdrawal agreement there would be an endless legal arguments, doubts and legal entities in both the UK and the EU. Agreement with the UK would need to be achieved over a number of shared projects and commitments. The Swiss-EU relationship as a working model, where the UK and EU would need to achieve agreement over: the free movement of persons, overland transport, technical barriers to trade, agriculture, scientific research, Schengen, media, education, environment, taxation of savings, pensions. For the UK such a list is seemingly to be far longer, reflected the UK's forty years of membership.

Following the referendum results and the resignation of David Cameron, the first official indication as to when the UK would start the withdrawal process was given by Theresa May, the British Prime Minister in a speech<sup>48</sup> delivered on October 2016. By the end of March 2017, she confirmed that Britain had triggered Article 50 of the Lisbon Treaty, beginning a legal process that must end in two years' time with Britain leaving the EU. The formal notice was delivered in the form of letter to Donald Tusk President of the EU Council. "This is an historic moment for which there can be no turning back. Britain is leaving the European Union" May told the House of Commons in London. The government of May however, has been totally preoccupied, since June 2016 with attempting to set negotiating position for the coming divorce.

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<sup>48</sup> Britain after Brexit: a vision of Global Britain, Theresa May, Speech at the Conservative Party Conference, 2 October 2016. [www.independent.co.uk](http://www.independent.co.uk) › News › UK › UK Politics (Last accessed on 16 May)

**Conclusion**

The start of 2017 has been the most eventful and meaningful time since the EU referendum result last year. Outcome of the referendum on EU membership in the UK on 23 June 2016 has been the most eventful and crucially, will not only determine the future of the UK in the EU but also have a considerable impact on the rest of Europe. A vote to withdraw, however, cannot clarify what the future holds in store for Britain. If anything, a negative result would bring more uncertainty than ever by virtue of the need to craft a hugely politicized and highly intricate post-Brexit settlement with the EU. Nonetheless, Leaving the EU would not mean that the UK could wash its hands of dealing with the rest of Europe. The world's eyes are on London and Brussels. The British Prime Minister has now triggered Article 50 of the Lisbon Treaty to formally withdraw from the EU. Then , What happens next will shape the future EU-UK relationship. As a result, the nature of European integration prevents a neat ending to the British question which would require unfinished renegotiation.

# **Chapter Three**

## **The Brexit's impact and alternatives**



## **Introduction**

The aftermath of the referendum on EU membership in the UK on 23 June 2016 will not only determine the future of the UK in the EU but, also have a considerable impact on the rest of Europe. The vote to leave the EU has unleashed volatility in financial markets and news on the situation continues to evolve generating risks cloud. Implications of the UK vote have already started to be felt across the Europe and beyond and the Brexit would resemble a potentially dangerous leap in the dark in terms of economic consequences. The political impact also, would be as important as the economic. Following the decision made by Britons, the world economy entered a moment of uncertainty, with financial markets experiencing some falls, while the real impact stems from the depreciation in the value of British pound and the Euro immediately after the vote.

The new arrangements will require to be able to cope with the vague boundaries of several public policy spheres. It is vital, therefore, that the EU and the UK enter withdrawal negotiations not only with a clear view of their near-term goals but also of their long-run interests and likely interdependencies. The results however, depends on the details of a withdrawal agreement and the trade relation realized after withdrawal agreement. Crucially, concerns have been raised with regard to Brexit serving as a blueprint for further disintegration in other countries where there is already skepticism towards further integration.

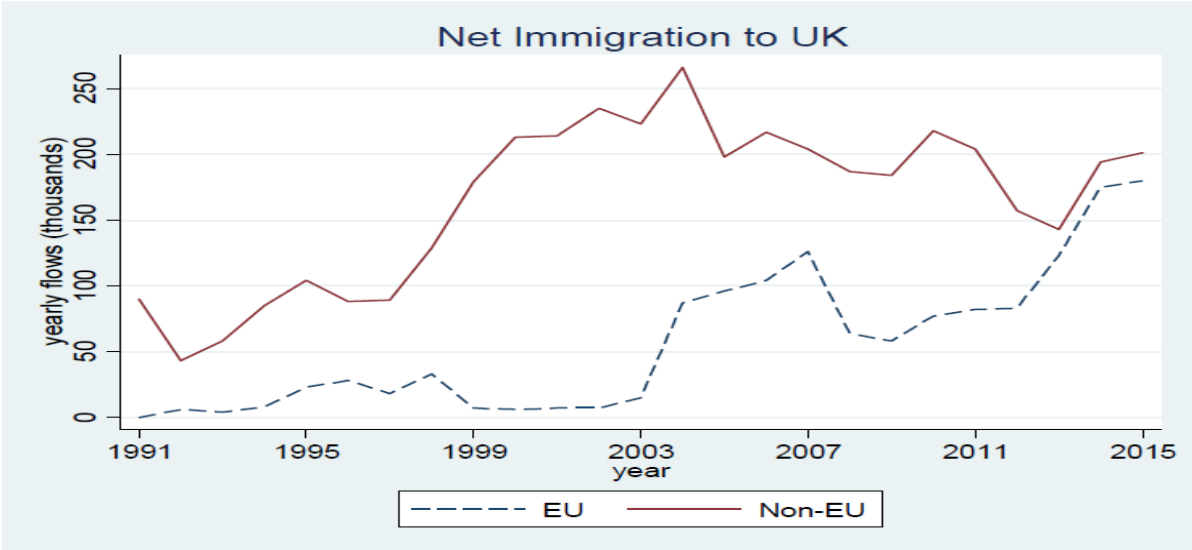
## Immigration

European Union law preserves the idea of 'free movement of EU nationals, which means that nationals of the EU member states have the right to seek a job and working in any other member state. Also, they are entitled to equality in access to employment, wages and social security. This right is limited to those who move for work purposes; it does not extend to those who relocate to draw advantages from unemployment benefits. In the case of countries newly joining the EU, member states may impose a temporary restriction on their accession to the labour market, lasting up to seven year. Immigration has increased speeddily in the last 20 years and important part of this increase has been from other EU states, notably, during 2004 and the integration of eight East European states (the 'A8' are countries are: Hungary, Estonia, Lithuania, Latvia Poland, Slovakia and Slovenia the Czech Republic). The UK then, choose to provide immediate labour market accession for the newly acceding states. This decision was made on the ground that labour migrants would be beneficial to the UK economy.

In 2010, David Cameron made a commitment to decrease net migration to the UK from the hundreds of thousands to tens of thousands. However, the Government has systematically failed to meet this target. Immigration has increased national income (more workers will produce more GDP) and has benefited the immigrants who have come to the UK and they are better off than in their country of origin.

Net immigration refers to the difference between the number of people entering the UK and th number of people leaving. Figure 1 shows how these have increased for EU and non EU immigrants. When the East European states joined the EU, immigration increased importantly, however, it fell back during the recession after 2007. In the last few years, while the economy has recovered, net inflows have increased significantly. In September 2015, net EU immigration was 172,000, comprising 257,000 EU nationals arriving and 85,000 leaving.

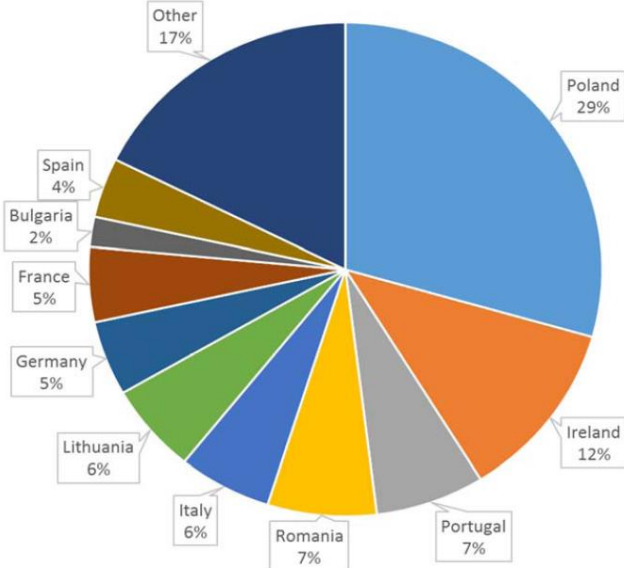
**Graph 1: Net immigration to the UK, 1991-2015**



Source: CEP analysis of ONS (2016) <http://bit.ly/1Tz5WbW> (Last access on 12 March 2017)

In 2015, there were around 3.3 million EU immigrants living in the UK up from 0.9 million in 1995 - a rise to 5.3% of the population from 1.5%. Around 2.5 million of these migrants are aged 16-64 and two million are in work.<sup>2</sup> EU countries now account for 35% of all immigrants living in the UK. While 29% of EU nationals are Polish and 12% are Irish, the nationalities of other EU immigrants are quite evenly spread across the other 25 countries in the EU (See Figure)

**Figure 2: EU immigrants by nationality, 2015**



Source: CEP analysis of Labour Force Survey.

Immigration is a fraught political subject and perceptions have become disjointed with reality, partly because of the hostile media coverage. The scope to restrict immigration relies on the Brexit model. This risks damaging competitiveness, particularly of London, and being economically costly. Immigration helps address skills shortages and the outcomes of an aging population. Free movement however, permits UK firms accession to specialist skill that are progressively significant to high-value added industries. 63% of CBI members assert that free movement has been beneficial to their business.<sup>49</sup> By 2022, there is estimation that 1.5m new jobs will be created in higher-skilled jobs popular with EU15 migrants. As for new lower-skilled jobs will be created, but there will be a high requirement for labour to substitute retirees in these areas.<sup>50</sup>

According to the OECD migrants are more potentially to be net contributors to public finances if they are younger and skilleful. The evidence suggests that on average EU migrants constitute a net contribution to public finances and the OBR evaluates the net contribution will be large in future.<sup>51</sup> However, A8 migrants will increasingly have families and put pressure on education spending. Businesses operating elsewhere in Europe can largely work around any restrictions on the free movement of labour imposed by the UK. However, changes to the labour supply and the flow of remittances will impact on some countries. However, the hardest issue to predict, is of 'political contagion' in Europe if the UK tightens the border controls.

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<sup>49</sup> CBI/YouGov, June-July 2013 [www.cbi.org.uk/news/8-out.../yougov-cbi-eu-business-poll/](http://www.cbi.org.uk/news/8-out.../yougov-cbi-eu-business-poll/) (Last accessed on 12 May 2017)

<sup>50</sup> UK Commission for Employment and Skills, Labour market projections for the UK, February 2015 <https://www.gov.uk/.../labour-market-projections-for-the-uk> (Last access on 13 May 2017)

<sup>51</sup> OBR, Fiscal Sustainability Report, July 2013 [budgetresponsibility.org.uk/.../fiscal-sustainability-report-july-2013](http://budgetresponsibility.org.uk/.../fiscal-sustainability-report-july-2013) (Last access on 14 May 2017)

## Financial markets

Fundamentally, unprepared due to the studies that were presenting the Bremain (Britain remain) option a slight majority during the days preceding the referendum, the British public's choice surprised the financial markets. In just a few minutes, once the results started to show a Brexit majority, the British pound depreciated nearly 12%, hitting a 30-year low (See graph2). On Monday morning, the pound was down 12.3% from last Thursday's high. The London Stock Exchange was by 5.2% from where it closed Thursday. At one point on Friday, the loss stood at 8.7%. Almost all of the world's stock markets took a hit. At the end of trading on Friday, the contractions were even bigger in Paris (-8.0%), Frankfurt (-6.8%), Tokyo (-7.9%) than they were in London (-3.2%). In North America, the S&P 500 fell 3.6% on Friday, while the S&P/TSX dropped 1.7%. Predictions suggest that financial markets likely will be volatile over the near term. These movements indicate the anxiety generated by the Brits' historical decision.

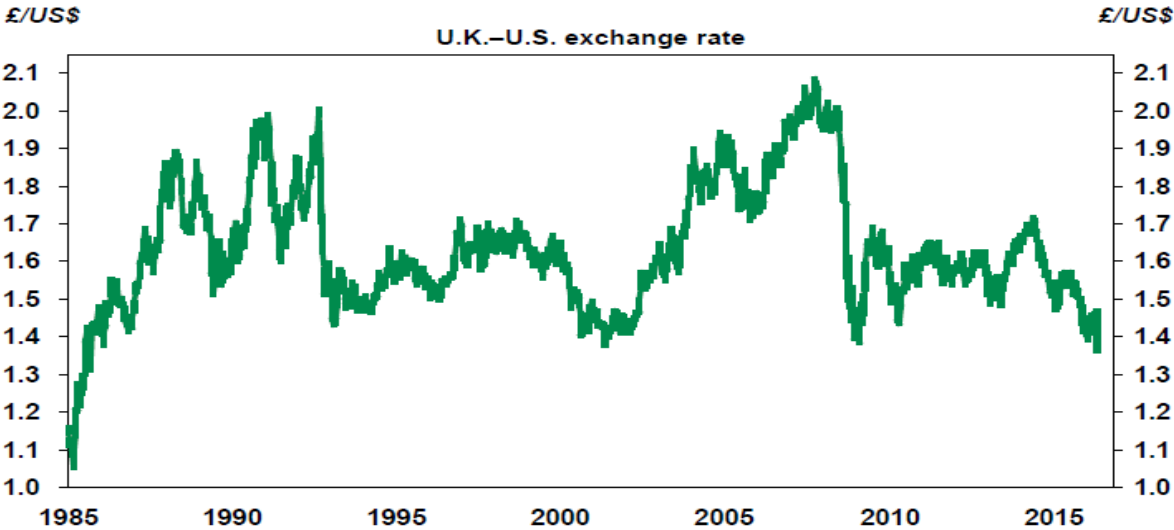
The uncertainty over the consequences is also reflecting in the enthusiasm for safe-haven securities. The U.S. dollar (DXY index) has gone up 3.8% since Thursday night. In contrast, the euro fell 3.9% against the greenback, while the Canadian dollar devalued 2.3%. However, the Japanese yen rose 5.1% against the greenback, temporarily hitting ¥100/US\$. The U.S. bond market once again played its safe-haven role. Ten-year bond yields have shed 25 basis points since Thursday. The drop was less drastic in Canada (-16 basis points going to 1.12% on Monday morning). The world's major central banks tried to calm matters; each central bank released a statement on Friday morning to affirm they were keeping a very close eye on the situation and were prepared to support the markets in the event of a liquidity shortage.

The markets could remain unstable, mainly in Britain. Elsewhere, too, as Brexit could affect upcoming key rate movements in the United Kingdom, besides, key rate decisions made by the European Central Bank (ECB) and the Federal Reserve (Fed). The financial markets will have to adjust to the new environment. In line with predictions, financial

markets have been volatile. The UK economy has seen a falling in confidence with depreciation value of the pound down also, an increased demand for foreign investments’ stability.

The Graph below shows the Brexit’s impact on the financial market, in which the British pound devaluated nearly 12%, leading to a market volatility.

**Graph 2: The pound falls to its lowest point in more than 30 years**



Sources: Datastream and Desjardins, Economic Studies

**Economy**

For now, nothing fundamental has changed for either the UK or Europe. The referendum’s result is not equivalent to an immediate Brexit, because no tariff barriers have been set up, both capital and people continue to move, and United Kingdom is still a full EU member. A legal process exists to govern an EU member’s leaving, but nothing has begun yet.

Accordingly, beyond the real influences of financial constraints and potential trade, in the near future, it is the uncertainty that could impact the economic position. It has been clear that, in Britain, economic agents were becoming anxious. The UK's real GDP growth was 2.3% in 2015; in the first quarter of 2016, the annualized gain stood at only 1.4%, its lowest point since the end of 2012. The outlook for the U.K.'s economy had been expected to be worse in the very short term, as uncertainty should take a bigger bite out of investment. Businesses don't recognize where the negotiations between the UK and the EU will lead or, in turn, the ultimate scope of their market. A number of signs are already indicating to some difficulties in the construction market, a situation that will not gain any help from the referendum's results. Another fear: London's dramatic role as Europe's leading financial centre; some international financial institutions have shown that they plan to cut back on their operations in the City. British financial businesses were among the most unpredictable hit market. All of this will influence confidence and, in the coming years, it will be interesting to keep a close watch on consumers and business confidence indexes. Such indicators will offer an idea of the immediate effect on economy (in the UK and elsewhere). For example, major declines that are not immediately followed by substantial rebounds could be an indicator of a tough 2017.

Over a longer horizon, Brexit's influence on the British, European and global economies will certainly rely on the result of the upcoming negotiations between the UK and the EU. Under Article 50 of the Lisbon Treaty, which deals with the eventuality of a voluntary exit by an EU member. The article calls for a maximum of two years to withdraw after the formal notification is received, but that deadline can be extended under an agreement negotiated between the EU members. Negotiations can also be protracted (following a unanimous decision by the remaining EU members). A 2-year horizon seems the most likely, and a request made by the British government in the fall of 2016 means that Brexit would be effective by the end of 2018. However, the other zone members, and the European Commission in Brussels, could pressure for a quick resolution in order to minimize the uncertainty.

As to the future of the commercial, financial and political relationships between the United Kingdom and the EU, there are numerous possibilities. Most analysts agree that the negotiations are hard to be accomplished. Brexit constitutes new territory, as, so far, no country has asked to leave the EU. Moreover, European negotiators will not want to make the negotiations a positive example that would seduce Eurosceptic powers in member nations. However, Britain has always been unique within the EU. It has never been part of the euro zone (common currency) or Schengen area (shared borders). Since the United Kingdom has often had more political leeway within the European group, this should streamline its withdrawal from the EU. A different member with more common ties (euro and Schengen) would certainly confront even more constraints. Negotiations over an agreement on leaving the EU will not needfully be the same as negotiations to reach a new economical partnership. The two sets of negotiations could happen simultaneously, but there is no legal requirement there. It would, of course, be best for the situation in Europe and Britain to know what will happen quite soon. Table 1 (compiled by the Organisation for Economic Co-operation and Development OECD) summarizes the various potential avenues. The level of ties maintained by the United Kingdom and the EU will determine much of Brexit's medium-range economic fallout. As the scope of the tariff and financial barriers raised increases, and the more the movement of goods, services, capital and people is constrained, the negative impacts on growth and on the economic potential of the EU and the United Kingdom will intensify. This would also affect the global economy.



**Table3 : Possible post-Brexit arrangements with the European Union (EU)**

Arrangements	Examples	Characteristics
European Economic Area	Iceland, Norway, Liechtenstein	-Contribution to the EU budget. -Free movement of goods, services, capital and people. -Very limited influence on EU regulations.
European Free Trade Association	Switzerland	-Contribution to the EU budget. -Requires trade agreements with individual EU countries. -No passporting rights for banks. -Very limited influence on EU regulations.
Customs union	Turkey	-Tariff-free access to the Single Market, except for financial services. -Adoption of EU external tariffs for non-EU trade. -Very limited influence on EU regulations
Free Trade Agreement	Canada (not in force)	-Mostly tariff-free Single Market access. -Required compliance with European regulations. -No full access to the Single Market for services and no automatic passporting rights for banks.
World Trade Organization (Most Favoured Nation)		-Trade subject to the EU's external tariffs.

**Source:** Organisation for Economic Co-operation and Development OECD

According to the OECD, Brexit's negative impacts will be relatively substantial; all of the hypotheses expect trade between the EU and the United Kingdom to decline. In a study completed in April 11, the OECD anticipates a 3.3% decline by Britain's real GDP compared to what it would have been without a Brexit. Between now and 2030, the OECD scenario calls for the U.K.'s real GDP to be 5.1% lower. The most optimistic scenario calls for a shortfall of 2.7%; the most pessimistic one puts that shortfall at 7.7%. The negative factors that Brexit introduces for the economy include: higher risk premiums; Erosion of confidence; Contraction of trade; Drop in direct international investment and Lower contribution to growth from immigration.

Reuters created the following compilation of the various forecasts for Brexit's impact on the economy (See graph 3).

**Graph 3: Different forecasts for Brexit’s impact on the U.K.’s economy**

	Short- and medium-term impact	Long-term impact
British Treasury	from -3.6% to -6.0% in 2 years	from -3.4% to -9.5% in 15 years
Bank of England	Slowdown and possibility of a technical recession; higher inflation	
Organisation for Economic Co-operation and Development (OECD)	-3.3% by 2020	from -2.7% to -7.7% by 2030
International Monetary Fund	from -1.5% to -5.5% by 2019	
Economist for <i>Brexit</i>	+1.4% by 2020	
NIESR	approximately -2.3% by 2018	from -1.8% to -7.8% by 2030

Sources: Reuters and Desjardins, Economic Studies

Most of the analyses paint a rather negative picture. However, the potential positive effects considered as following:

- It will be easier for Britain’s economy to liberalize trade with non-EU countries.
- The United Kingdom’s economy will be less weighed down by the bureaucratic and regulatory burden imposed by the EU. Deregulation will support investment.
- The United Kingdom will be able to do more to select its immigrants and attract more skilled workers.
- The United Kingdom will save on its contributions to the EU budget and reinvest those sums in its economy or social services. It would be astounding if these positives managed to offset the much more obvious factors that should negatively impact the United Kingdom’s economic growth.

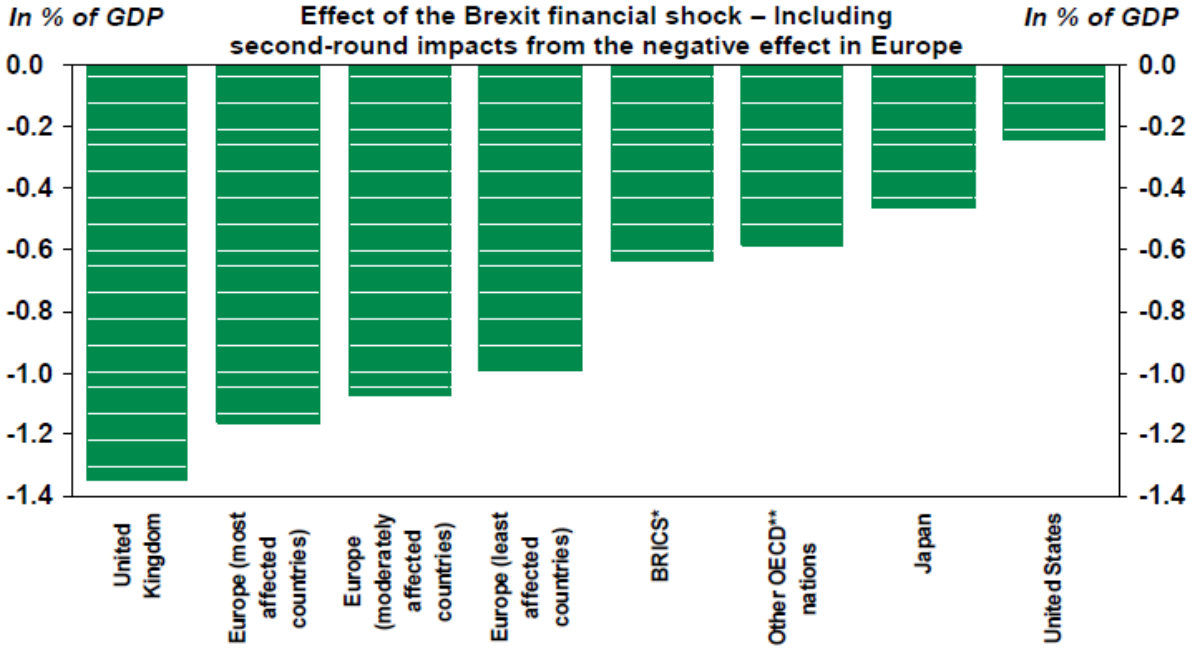
## Global economy

According to the data compiled using purchasing power parity, Britain has the world's tenth largest economy. Within Europe, it is outranked by Germany and France. Using the U.S. dollar as the basis for comparison, the United Kingdom moves up to fifth place. It is a large economy with very close trade and financial ties with the world's other major economies. Noticeable deterioration in Britain's economy would necessarily mean downgrading the growth outlook for global real GDP. The rest of Europe will, of course, take the brunt of the Brits' astounding decision. The OECD maintains that the EU's GDP will see a 1% shortfall in its real GDP by 2020. Factoring in only the impact of the financial shock, the OECD in its latest forecasting document, estimated the scope of the impact on several parts of the world. Just as some see positive effects from Brexit, it is also possible to find factors that would help the situation in Europe. It would be a response aimed at taming the criticism from Eurosceptics in other member nations.

- Greater convergence among countries that use the euro (fewer compromises with the United Kingdom).
- An incentive to improve structures, particularly democratic and bureaucratic structures, to finetune the functioning of common institutions (European Commission, Parliament, ECB, etc.).

In Graph 4, Some European nations would of course be more affected than others, particularly Ireland, the only country that shares a land border with the United Kingdom. According to the OECD, the Netherlands, Switzerland and Norway would also be particularly influenced. France and Germany are in the 'moderate' category. The influence on the United States is relatively moderate, at just above -0.2%. The major emerging economies and other OECD members would be more affected than the United States, although clearly much less so than the European economies.

**Graph 4: The financial shock triggered by the Brits’ decision could have real repercussions**



\* Brazil, Russia, India, Indonesia, China and South Africa; \*\* Organisation for Economic Co-operation and Development. Sources: Organisation for Economic Co-operation and Development and Desjardins, Economic Studies

**Political consequences**

The possible withdrawal of Great Britain from the EU could have significant consequences regarding the integrity and political unity of the UK. The outcome of the referendum has already claimed its first political victim in the UK: Conservative Prime Minister David Cameron announced his resignation. In England, Euroscepticism is more pronounced than in Scotland. Great Britain's withdrawal from EU is not supported by the Scottish National Party (SNP). In the event of the UK exit from EU, SNP could demand a second referendum regarding the independence, that would offer the Scots the chance to decide whether to detach from the UK while maintaining relations with the EU.

England's exit from the EU would not only change the domestic political climate, but it would have significant political consequences both within the EU and on the future relations between EU member states and other non-EU countries. For example,

UK's exit from the EU could encourage other member states to re-evaluate the terms and conditions of their membership. The same applies if Great Britain succeeds to renegotiate these terms and conditions while keeping the status of EU member. At the same time Also, if Great Britain manages to negotiate (after a possible exit) a preferential agreement with the EU, this could lead to the renegotiation of EU's relations with other European countries that are not part of the EU (Switzerland, Norway, and Turkey).

Under the scenario of Contagion to EU, we would witness a difficult and prolonged period of negotiations between the U.K. and the EU. Negotiations would stall, for example, on the U.K.'s reluctance to accept freedom of labour movement. The outcome could be either an unfavourable deal for the U.K. or a "Hard Brexit" where the U.K. cuts all ties with the EU. The "Hard Brexit" would mean the UK leaving not just the political union, however, also the single market and customs union. The UK would then have to negotiate new deals not only with the EU, but also the countries that the EU has trade deals with. The latter presently stands at 50, with many others under negotiation. Resolving this matter will be a momentous task which would last years, particularly, the limited trade negotiation's ability of the UK. Previously, the UK had depended on the EU to negotiate trade agreements on its behalf. The "Hard Brexit" scenario would have weighty effects on the UK in the short to the medium term. A recession would also be likely in the UK. The enormously significant financial sector of the UK will be hurt, as they lose the "passporting rights" which authorizes them to operate within Europe with no barriers or complications. Europe would also be adversely affected, as the UK is a significant member of the Union both economically and politically and with regards to regional security. Economic stagnation in EU would result in higher unemployment and political strife could increase, putting pressure on the region and beyond.

Another "worst case" scenario under which we could witness the breakup of the EU. This scenario would lead to major economic and political upheaval in the EU. The

dissolution of the EU would be leading to a global economic crisis with a magnitude similar to that of the Great Recession, following the global financial crisis of 2008-2009. Referendums could be held and other states could also adopt the path of the UK and pull out of the EU. Anti- EU groups from the Netherlands, France, Italy, Germany, Austria, Denmark and Sweden have all been motivated by the Brexit referendum and will be pushing for their own referendums on the issue. The far right National Front (FN) Party in France and the Dutch Party for Freedom (PVV) represent the main threat to a major EU member exiting the EU. Last but not least, from a geopolitical point of view, Great Britain's withdrawal from the EU could be seen externally as a sign of decline, EU would lose the financial, political, economic and military powerhouse. Accordingly, the EU itself would have a major political and economic interest to conclude a mutually beneficial agreements with Great Britain considering that it would want to terminate its EU membership.

### **Uncertainty**

Brexit would be a protracted process, lasting around ten years. The endpoint for the UK-EU partnership would be submitted to negotiations. Business would confront high and increased levels of uncertainty through this process, influencing investment decisions and with macroeconomic consequences. Business surveys show that political stability is one of the most essential factors in making the UK an attractive investment location. Businesses are already concerned that referendum uncertainty is impacting their decisions. Also, a referendum could decrease UK GDP development by 0.4pp in 2016 and by 0.5-0.7pp in 2017 by one estimate. However, a vote to exit would by no means end the uncertainty given the need for a further negotiation.

Under the 'exit clause' in Article 50 of the EU Treaty the leaving state and the EU have two years to negotiate a 'withdrawal agreement' that sets out the timeline and details of the divorce. EU decisions on the withdrawal terms would be taken by

Qualified Majority Voting QMV<sup>52</sup>. The European Parliament would have the final say, reducing the UK's leverage in a negotiation. If both parties are unable to agree the terms of a withdrawal then after a two-year notice period the leaving state is no longer bound by the treaties and the rest of the EU no longer has obligations to the leaving state under the treaties.

Brexit could make a prolonged period of uncertainty that destroy confidence and the appetite for both inward and domestic investment within the rest of the EU. Nonetheless, the immense danger is the political contagion from the 'proof of concept' of leaving the EU, with Brexit encouraging disintegration of political powers elsewhere in Europe. A protracted renegotiation, followed by negotiations of a withdrawal agreement through Article 50, leading to a radically redefined relationship between the UK and the EU, also would prevail the attention of the European institutions and, for significant periods of time, political leaders in Europe, distract them from various priorities.

The uncertainty that would impact on the UK would also have impacts on the rest of the EU, though not to the same extent. However, with low confidence, and weak growth prospects, the effect may nonetheless be significant. Uncertainty over Brexit could have a specific impact on EU trade policy; it may greatly complicate other crucial policy areas, such as financial services. Brexit however, may have broader political implications and the EU might be strengthened with the departure of a sometimes awkward member. But European leaders may also worry about the political contagion – Brexit could emancipate centrifugal forces in the EU, particularly if the UK leaves on favourable terms or succeeds outside the EU. This may mean the EU has an incentive

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<sup>52</sup> The Council of Ministers has two ways of taking decisions - unanimity, when everyone has to be in agreement - and qualified majority voting - a system of weighted votes. QMV is the most common method of decision-making, where the council and parliament act together in co-decision. Under QMV, each member state is given a certain number of votes in the council, weighted according to its size and population. For example, Germany, the EU's largest state, has 10 votes, while Portugal has five and Finland three. BBC NEWS , Qualified majority voting.Euro-glossary [http://news.bbc.co.uk/2/hi/in\\_depth/europe/euro-glossary/1054052.stm](http://news.bbc.co.uk/2/hi/in_depth/europe/euro-glossary/1054052.stm) (Last access on 4 April 2017)

to raise the cost of exit by refusing to negotiate a special deal for the UK, or by excluding the UK from parts of the single market. The latter, particularly if it is politically motivated, would raise the direct economic costs of Brexit for the EU and the associated uncertainty.

### **Brexit's Alternative arrangements**

If Britain withdrew from a full membership of the EU, there would be a potential alternatives for managing its trading relationships: membership of the European Economic Area (EEA – the Norway option); a customs union, like the one the EU has with Turkey; a basket of bilateral agreements such as that which exists between Switzerland and the EU; a free trade agreement like the ones the EU has with states ranging from South Korea to Canada; and lastly trade with the EU under World Trade Organisation (WTO) rules. None of these options would be straightforward. Only one of them would be politically realistic for the post-EU Britain, that would have potentially far-reaching implications for the country's trade and investment.

### **EEA membership**

If Britain joined the EEA, British firms would have unimpeded accession to the single market. But the UK would have no say over EU trade policy, besides, in order to qualify for EEA membership, Britain would still have to be committed to European regulations while having slight say in making them. The EEA member-states largely experience 'regulation without representation' and if an EEA member does not succeed in implimenting rules, the EU can suspend its membership. Indeed, the UK could face increased regulatory costs as a member of the EEA, since it would no longer be in a situation to assure that EU regulations were proportionate, and would have to abide by whatever the remaining EU members agreed between themselves.

So-called 'rules of origin' would apply to British exports to the EU. Rules of origin are used to determine the country of origin of a product, and therefore how much EU



import duty is payable: products which are mostly 're-exports' are liable for tariffs. EEA states are not part of the Common Agricultural Policy (CAP) or the Common Fisheries Policy (CFP), however, their agricultural exports to the EU confront tariffs as well as can be subject to anti-dumping rules.<sup>53</sup> Finally, the UK would be included in the EU's trade agreements with other countries, however, would have to abide by the free movement of labour rules and make contributions to the EU budget.

### Swiss-model

As irritation at 'Brussels interference' is at the heart of the issue against EU membership, Britain would find it politically intolerable after leaving the EU to agree hand-me-down legislation such as the Norwegians do in the EEA or the Turks do like a part of their customs union. A Swiss-style partnership based on bilateral negotiations and accordss could be more palatable. Switzerland's relationship with the EU rests on a series of bilateral sectoral agreements, however, not all important sectors are covered. Switzerland has free trade in goods with the EU, but unlike the EEA it has no comprehensive agreement with the EU on services. The UK's financial services industry may face the same challenges as its Swiss counterpart; Switzerland has no accord with the EU on financial services, except for a 1989 agreement on non-life insurance.<sup>54</sup>

The Swiss develop their legislation with the EU in mind – the EU grants access to the single market on the basis that Swiss regulation is equivalent. They make substantial contributions to the EU budget. But Switzerland has no common institutions with the EU to guarantee such equivalence. The UK would be free to negotiate bilateral trade

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<sup>53</sup> Anti-dumping duty is charged in addition to normal customs duty and is applied across the EU. It is designed to allow the European Commission to take action against imported goods that are sold at less than their normal value – that being defined as the price for 'like goods' in the exporter's home market. Anti-Dumping Duty measure AD2198 <https://www.gov.uk/government/.../anti-dumping-measure-ad2198>

<sup>54</sup> David Buchan, 'Outsiders on the inside: Swiss and Norwegian lessons for the UK', CER policy brief, September 2002.

agreements with non-EU states, however, these could demonstrate less of a benefit than they appear. Moreover, Commission (and member-state governments) are increasingly frustrated with the Swiss arrangement, which involves constant renegotiation of bilateral agreements when EU legislation moves on. In all likelihood, Britain would have to remain fully open to workers from EU countries. In 2014, the Swiss voted in a referendum to present immigration quotas on EU citizens, but the EU has refused to negotiate, arguing that freedom of movement is an inviolable part of the Switzerland's preferential access to the single market.

### **Customs union:**

An alternative to EEA integration would be a customs union of the kind that Turkey adopted with the EU. The EU's customs union, in which Turkey takes part, eliminates internal tariffs, but, unlike the EEA agreement, requires member-states to agree common tariffs with countries outside. But the EU-Turkey arrangement is not really a 'union', as tariffs are decided in Brussels, with no Turkish input. Turkey must also follow the EU's preferential agreements with non-European countries, but does not benefit from the trade deals the EU does with other countries, who continue applying tariffs on Turkey's exports. Britain would have to abide by most of the EU's *acquis communautaire*.<sup>55</sup> British-based manufacturers would be exempt from rules of origin but would have to comply with EU product standards. Failure to do so could lead to the suspension of market access or the imposition of anti-dumping duties. And the

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<sup>55</sup> The *Acquis Communautaire* is the accumulated body of EU law and obligations from 1958 to date. It is a French expression, "acquis" meaning "that which has been acquired" or "achieved", and "communautaire", meaning "of the community". The notion of the *acquis* originated during the EU accession negotiations with Denmark, Ireland, Norway and the UK (1969-1972).

The *acquis* comprises all the EU's treaties and laws (directives, regulations, decisions), declarations and resolutions, international agreements and the judgments of the Court of Justice. It also includes action that EU governments take together in the area of Justice and Home Affairs (Freedom, Security and Justice).

Vaughne Miller *The EU's Acquis Communautaire*,

researchbriefings.files.parliament.uk/documents/.../SN05944 (Last access on 6 April 2017)

customs union agreement does not cover agriculture, services or public procurement. Customs unions are intended as precursors to full EU membership, though, in Turkey's situation the progress has been very slow since the customs union joined effectively in 1995. It is difficult to see how this would be the best relationship for the UK after quitting the EU.

### **A Free Trade Agreement:**

The UK could leave the EU and sign a free trade agreement (FTA) with it. Given the importance of the UK market to the EU, the UK might be able to negotiate an FTA. There is a reasonable chance that the tariffs levied by the EU on British manufactured goods would be zero. Unlike a customs union, Britain could set its own trade policies with non-European countries. But an FTA with the EU would not leave Britain free to determine its own regulations. As part of any deal with the EU to create an FTA, the EU would make requirements on labour market rules, safety and health, and competition policy might be subject to mutual regulatory oversight.

The deeper the trade agreement, the more EU regulation the UK would have to comply with. British manufacturers would certainly have to continue to abide by EU product standards and other technical specifications for selling their goods to other EU countries. In all likelihood, UK firms would continue to manufacture to only one set of product specifications – the EU's – in order to avoid the costs connected to duplication. The UK would be subject to anti-dumping measures and rules of origin, which would make it harder for UK firms to participate fully in EU supply-chains. The UK would struggle to sign an FTA which included unrestricted access to EU goods and services markets, unless it agreed to abide by freedom of movement rules and most of the *acquis communautaire*, as well make contributions to the EU budget. In all likelihood, the British government would balk at these terms, because, the campaign to leave the EU has concentrated on concerns over free movement and sovereignty.

The loss of unconfined accession to EU services markets could have formidable implications. Services account for an unusually high proportion of British exports, so the country has much to gain from EU-wide liberalisation. (In 2015, estimate based on ONS trade data for the first three quarters of 2015 that UK exports of goods and services totalled £521 billion, of which £228 billion were services). The UK's trade in services with non-EU markets might also be weakened if leaving the EU undermined the attractiveness of the UK as a financial heart and as a centre for business consultancy, law and accounting. Britain's membership of the EU is crucial for foreign investors in these sectors, however they also export to non-European markets from their UK operations.

### **Trade under WTO rule**

Finally, if the UK balked at the demands of a free trade area, it could opt to trade with the EU under WTO rules. The UK would not have to abide by EU regulations, but it would confront the EU's Common External Tariff (CET) and substantial non-tariff barriers to trade. For instance, food imports are subject to an average EU tariff of 15 per cent, while car imports face a 10 per cent tariff, and car components, 5 per cent.

Under WTO rules, UK manufactured exports could be hit hard. For instance, the EU is easily the biggest market for British car-makers (almost three-quarters of UK car exports were sold to the rest of the EU in 2015), and the country's car components industry is fully integrated into pan-EU supply chains. Indeed, a higher proportion of UK exports to the rest of the EU get the form of intermediate goods than is the case for Britain's exports to the rest of the world. Such goods would be less competitive within Europe if they confronted tariffs. And UK goods exports to the EU would also be vulnerable to anti-dumping duties. Relying on WTO rules for Britain's tradable services industries would have still more serious implications. The WTO has made little progress in freeing up trade in services, so British firms' access to the EU's services market would be limited.

In summary, a Swiss-type arrangement, a customs union or EEA membership would give the UK at least partial access to the EU market, but would not address the reasons for the UK quitting the EU in the first place. The UK would still have to comply with the *acquis communautaire* in exchange for market accession, however it would be powerless to influence the *acquis*. In the case of the Swiss or Norway option, Britain would have to continue to accept free movement of labour and contribute to the EU budget. An FTA is possible, but its breadth would depend on Britain's willingness to sign up to free movement, budget contributions, and the EU's rules.

The most comprehensive FTA the EU has negotiated is the deal done with Canada, which will eventually eliminate around 98 per cent of tariffs on manufactured goods. However, the EU-Canada deal maintains much more restricted access to services markets than does EU membership. Moreover, it could take many years to negotiate such a deal (the EU-Canada one took seven). Under the EU's exit rules, negotiations over a withdrawal treaty may be extended by more than the initial period of two years (though only if the remaining EU member-states agree unanimously).<sup>56</sup> The longer the bargaining went on, the greater the damage to the British economy, as uncertainty over tariffs and regulations hampered investment.

Britain therefore, have to choose the most adequate model that would be appropriate for its future interests also for settling a new arrangement relationship with the EU. Accordingly, a continuous renegotiation may lead to a satisfactory UK/EU agreement.

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<sup>56</sup> Jean-Claude Piris, 'If the UK votes to leave: Seven alternatives to EU membership', CER policy brief, January 2016. [www.cer.org.uk/.../policy-brief/2016/if-uk-votes-leave-seven-alter](http://www.cer.org.uk/.../policy-brief/2016/if-uk-votes-leave-seven-alter). (Last access on 20 May 2017)

## **Conclusion**

The UK Parliament will be presented with an entirely new set of challenges as the government seeks to secure new arrangements with the remaining EU member states. Withdrawal from the EU, would necessitate Britain to craft a new multilateral arrangement with European trade partners or a series of bilateral deals. There are considerable uncertainties being weighted to the UK brexit until the negotiating position with the EU becomes clearer. But there could also be longer term opportunities for UK businesses from trade with other parts of the world if they can ride out the short term economic storm. Meanwhile, The UK government is considering its options for its future relationship with the EU, which will inevitably have an important trade policy content. While the Prime Minister, Theresa May, has said that there is no suitable 'off-the-shelf' model available, there are various models under discussion that can serve as references in assessing the pros and cons of various approaches. Each of the models under debate so far (called in shorthand WTO, Norway, Switzerland, Turkey and Canada) has its own respective qualities, however, each of them also entails serious drawbacks from the UK's standpoint.

# **General Conclusion**

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British Euroscepticism transcended the EU. Notably, with the turning point in the history of European project: the 1992 ratification of Maastricht Treaty, the 2004 ‘big - bang’ enlargement and the Eurozone crisis 2008. Hostile attitudes towards the EU had become extensively mainstreamed. Effectively, the Brexit represents the final product of the British Euroscepticism towards the EU. The proposed alternatives included: European Economic Area (EEA), European Free Trade Association (EFTA), a customs union. Finally, an extensive Free Trade Agreement (FTA); or World Trade Organization (WTO).

The British public discontent about the EU and the widely held suspicion has been further stimulated by the eurosceptic discourse. The Brexit outcome was a sign that required conscientious activity to assure that a beneficial economic future can be realized by all the EU. Britain's awkward relationship in the EU is extensively debated, and generated a madness of political and public debate regarding its backgrounds.

The ECSC was in effect the institution that gave birth to today's European Union and its purpose was to ensure that a war will never break out between European people. The EEC is configured not merely as an economic stabiliser that increases prosperity due to the free flow of commerce, but also as a political project designed to create peace between France and Germany. These fundamental gradual steps to constitute long-lasting peace have been recognized with a lot of enthusiasm and offering British seeds to the European project's ground.

Britain's Euroscepticism has been related to the belief that Europe is the source of the malaise by which Britain is struggling. This state has given way to deep uncertainty about the future. The EU is an evolving institutional arrangement without a precise endpoint. Even if integration is treated purely as a means to an end, the debate over the relationship of Britain with the EU will not cease because of a referendum result. Furthermore, The British people have been fed a diet of Eurosceptic untruths by a media and a political leadership that never attempted to explain the positive features of the



European project. Yet the Brexit could prove immensely consequential for both the UK and the EU.

The Brexit seems to have a considerable impact on Britain and renegotiation could especially change the economic political UK structure that was founded since the UK integration within the European project. Also, during these renegotiations, Britain will face unavoidable alternative models, from which the UK would benefit from a closer economic integration with the EU.

At the end, the UK however, will have to answer the question of whether it wishes to continue maintaining close economic cooperation since today's volatile world requires its nations to collaborate and confront new challenges. Brexit is now carrying uncertainties nonetheless, it can be changed into an endless opportunities.

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