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## European Union's Political and Economic Changes in the Wake of Brexit

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### Contents

- [Introduction](#)
- [Theoretical Framework](#)
- [Research Methodology](#)
- [Conclusion](#)
- [References](#)

**Abstract:** Brexit refers to the withdrawal of Great Britain from the European Union, signifying a significant political shift in Europe's contemporary landscape. Its ramifications extend to both the economic and political trajectories of both the UK and the EU. In the midst of 2016, a pivotal referendum was conducted in the UK, aimed at determining whether the nation should remain within the EU or make an exit. The majority opted for the latter. This analytical exploration encompasses an examination of the repercussions of Brexit on the European Union, anticipates potential challenges in a post-Brexit scenario, and delineates potential pathways for the EU's future trajectory.

**Key Words:** EU, Brexit, Political, Economic Impacts

**JEL Classification:**

### Introduction

Brexit stands as a momentous political juncture in the annals of both the United Kingdom and the European Union, with far-reaching implications spanning politics and economics across Europe. The UK, a pivotal EU member state, will inevitably leave its indelible mark on the EU as it departs, altering the dynamics of this union. The EU has weathered tumultuous episodes, from the Eurozone crises to the influx of Middle Eastern refugees, and Brexit emerged as an additional challenge. The UK's powerful standing within the EU played a crucial role in underpinning European integration in realms such as the single market, social policies, and justice initiatives. However, with Brexit, the landscape will shift, possibly impeding the EU's enlargement process and prompting a

review of its institutional structures (Ghulam Mustafa, [2020](#)).

The referendum vote in the UK on its membership in the EU held on 23 June 2016, had spurred significant scholarly attention. The majority of academic analyses have predominantly focused on explaining the outcome of the referendum or evaluating the repercussions of withdrawal for the UK. However, the implications of Brexit for the EU have garnered less research. Among the limited scholarship, two main approaches (Ferdinand De Ville, [2019](#)) have emerged. Some scholars have adopted integration theory to frame Brexit as a disintegrative force endangering the European integration project, while others have taken a more nuanced view, examining Brexit as a form of 'differentiated (dis)integration' across Member States and policy domains. An alternative group of

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scholars has delved into specific policy impacts, primarily exploring the 'static' effects of Brexit—essentially envisioning how the EU and its policies would appear without the UK's historical influence.

Contrary to the presumption that Brexit will lead to more progressive EU policies, the issue seeks to challenge this assumption. Recognizing that disintegration is an ongoing and unpredictable process rather than a fixed outcome, the analysis delves into the uncertain EU and UK relationship and how other actors within the EU respond to and anticipate Brexit, revealing the 'dynamic' effects. These dynamic effects involve discursive struggles within the EU in interpreting and addressing Brexit's implications. The editorial asserts that simply removing the UK from the equation assumes that other actors' behaviour remains unchanged, failing to account for the complex interplay of factors.

The complexities of these concerns are contingent upon uncertain conditions, intertwined with the EU's institutional structure. The role of the UK and its nuanced role in EU policies, beyond its 'awkward partner' label, further complicates the matter. This editorial elaborates on these elements and underscores their relevance, providing insights from the individual contributions. Ultimately, the issue contributes to the broader understanding of EU politics by analyzing the unfolding effects of Brexit. Post-Brexit, the EU must reckon with budgetary gaps spawned by the departure of a major contributor. Measures to address this vacuum may encompass expenditure reductions and enhanced revenue generation. The withdrawal of UK representatives from key EU institutions will necessitate redistributing seats and recalibrating power dynamics, potentially reshaping group positions in the European Parliament. Simultaneously, the rise of Eurosceptic factions across member states poses a looming challenge to the EU's stability, as anti-EU political forces, driven by concerns about immigration, security risks, and economic burdens, could trigger further withdrawals from the union (Ghulam Mustafa M. M., [2020](#)).

This discourse centres on the stability of the EU post-Brexit and the attendant challenges. By synthesizing existing literature and scrutinizing political and economic developments, the analysis delves into the repercussions of Brexit on the EU, dissecting the extent to which it will be affected. The EU's resilience is projected, yet it hinges upon cohesive efforts among member states to transform challenges into opportunities. Integration of migrants is advocated to harness their skills, replacing an ageing workforce with a vibrant youth demographic that can catalyze positive economic growth. Amidst the uncertainties, the EU's path lies in harmonious unity, ensuring its endurance despite the formidable headwinds posed by Brexit (Rebecca Adler-Nissen, [2017](#)).

### **Theoretical Framework**

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The Theoretical Framework (Kumar, [1996](#)) of this study is built upon the UK's pivotal role in driving integration within the EU's single market, and its significant influence on shaping social and justice policies. This centrality has led to tangible effects on the EU's integration in specific areas, an impact that is expected to be influenced by the phenomenon of Brexit. Advocates of the UK's departure highlighted immigration as a potential threat, emphasizing the need to regain control over borders and prevent foreigners from exploiting EU regulations. The concerns regarding migration crises were reflected in the leave campaign, fueled by fears of an impending influx of refugees following their settlement in the EU. The rise of anti-EU political factions, as seen in Austria's anti-immigrant party, capitalized on hostile sentiments towards foreigners.

Brexit's economic consequences are projected to be negative, as it anticipates a budgetary gap resulting from the exit. The ramifications of this departure extend to slowing down the EU's enlargement process, particularly impacting the accession of Western Balkan states, which were previously supported by the UK. While existing literature provides comprehensive coverage of various dimensions of Brexit, the complexity and current nature of this issue hinder definitive

conclusions (Ghulam Mustafa M. M., [2020](#)). Thus, an interdisciplinary approach has been adopted, spanning disciplines like Political Science, International Relations, Law, History, Economics, and Psychology. The study also incorporates theoretical perspectives like Euroscepticism, Nationalism, and Xenophobia, offering unique insights rarely addressed in the literature. The research gap lies in comprehensively understanding the EU's post-Brexit stability and identifying strategies to effectively address the diverse challenges arising from this pivotal event.

### **Future Relationship in the Wake of Brexit**

The ambiguity surrounding the forthcoming connection between the UK and the EU presents challenges in evaluating the repercussions of Brexit on EU policies. The Brexit negotiations are partitioned into two phases: the withdrawal agreement governing the UK's departure from the EU, and the subsequent negotiation of the future relationship. The nature of the impending economic collaboration between the UK and the EU remains indeterminate within the withdrawal agreement and the non-binding political declaration. Should a prolonged scenario of "no deal or no Brexit" be averted, the forthcoming relationship may span from close alignment of UK and EU policies (soft Brexit) to a preferred economic arrangement akin to the EU's free trade accords with other nations (hard Brexit). "The outcome of these negotiations, combined with the intricate and uncertain process of their realization, will exert substantial influence over diverse EU policy domains." (Mutambo, [2020](#)).

The consequences of this outcome, whatever it may be, will reverberate across a variety of EU policy areas. In a harder Brexit scenario, Michelle Egan (2019) suggests that companies might choose to relocate to EU27 countries, with the extent and nature of such moves varying by sector. The situation may lead the EU to implement protective strategies, encompassing measures like judicial, market, and institutional safeguards, with the intention of upholding the integrity of the Single Market. However, Ferdi De Ville and

Gabriel Siles-Brügge ([2019](#)) posit an opposing view, suggesting that a soft Brexit might paradoxically exert a more pronounced influence on the EU's trade policy when contrasted with a hard Brexit. "Under the conditions of a soft Brexit, the relocation of firms—particularly influential sectors such as finance and business services established in the UK—may be fewer. Nevertheless, these entities would encounter the loss of direct representation within the Brussels framework." (Rashica, [2018](#)). Brexit's impending departure from the EU, enacted by one of the world's major economies, will undoubtedly reverberate globally. This analysis delves into how Brexit has shaped competing subjective perceptions of the global economy. These discourses mirror divisions between internationalism and nativism, akin to those found in discussions on identity and the geopolitical order. Within conservative narratives on the global economy, intriguing paradoxes emerge.

Traditionally, economic thought has been dichotomized into economic liberalism and nationalism. Advocates of economic liberalism champion market society and limited government intervention, while economic nationalists prioritize national interests for economic justice. The recent era of globalization has aligned with economic liberalism, whereas economic nationalism has signalled a retreat from global integration (Mutambo, [2020](#)). Brexit and the election of Donald Trump were both linked to a backlash against globalization, reflecting a victory for economic nationalism. Interestingly, the pro-Brexit coalition encompasses both nativists rallying around anti-immigrant rhetoric and hyper-liberals who perceive the EU as obstructing a truly unfettered market system. This coalition between seemingly incompatible stances underscores a distinctive facet of Brexit (Mutambo, [2020](#)).

The schism between nativist and globalist perspectives in the political economy realm also resonates in discussions about Brexit's impact on the global economic order. These deliberations centre on reshaping the principles that structure the global economy

post-Brexit, ultimately reaffirming pre-existing normative assertions about economic order. The historical analogy of Winston Churchill's 'three great circles' concept, depicting the UK's interactions with the British Commonwealth, transatlantic relations, and a unified Europe, aptly captures the nation's foreign policy conundrum. These circles signify competing economic spaces, representing divergent value systems and political-economic philosophies (Wood, 2017). The ensuing exploration delves into the discourse variations in each circle's context.

## **Europhobia**

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Euroscepticism, a political doctrine within the EU, is characterized by opposition to the EU and is often associated with populist political parties that advocate strict immigration controls and resist the expansion of EU powers (EAVI, 2018). This theory also intersects with the psychological aspect of xenophobia and finds relevance in the context of Brexit. The influence of Euroscepticism on British politics has been present since the nation's entry into the union, reflecting its historical identity as an imperial state. Its impact has extended to British media and civil society as well (Mustafa, 2020).

The "attitudes of the British political elite toward the EU after World War II have been instrumental in shaping Euroscepticism. This sentiment was demonstrated in the UK's 1975 referendum on EU membership, revealing long-standing Eurosceptic tendencies. Notably, the UK refrained from fully participating in the second wave of European integration during the 1990s. The challenges faced by the EU, including the Eurozone crises and the EU's response to them, further amplified Eurosceptic sentiments within the UK" (Ghulam Mustafa M. M., 2020). These circumstances culminated in the British Government organizing a referendum on EU membership. Former Prime Minister David Cameron, who advocated for the UK to remain in the EU with a distinct status within the union, initiated the Brexit referendum. As a manifestation of Euroscepticism, the emergence of the United Kingdom

Independence Party (UKIP) added a populist Eurosceptic dimension to the British political landscape (Usherwood, 2018).

## **Research Methodology**

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This study employs a qualitative research approach, focusing on the collection, analysis, and interpretation of secondary data sources. These sources include newspapers, books, articles, journals, government records, reports, and statements from political leaders and government officials. The research methodology adopted is analytical and descriptive, examining the subject matter through various theoretical perspectives (Kumar, 1996). Given the timeliness and current nature of the topic, this study draws information from readily available sources such as online newspapers, articles, reports, and official statements to derive factual and supportive evidence.

The research process involves a qualitative analysis, with results and concepts being discussed and elucidated within an interdisciplinary framework. Challenges encountered during the study relate to the evolving nature of the topic, which necessitates consideration of various scenarios. The study also seeks to capture real-time events related to Brexit, acknowledging that sourcing relevant reports or data may be challenging due to the dynamic nature of the subject. By employing a qualitative research methodology and inter-disciplinary approach, this study aims to provide a comprehensive understanding of the multifaceted Brexit issue.

## **Aftermath of Brexit for the European Union**

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Brexit's uncertainty emphasizes the significance of ideational dynamics, as highlighted in constructivist International Political Economy literature. In contexts of radical uncertainty, ideas play a pivotal role when actors can't deduce interests from material structures. Understanding Brexit's impact is crucial within both the UK and EU27. Emmanuel Macron sees it as a call for protection, fostering a socially oriented Europe. Euro-realists, including Donald Tusk,

view it as rejecting federal ambitions, advocating a Common/Single Market return. Angela Merkel aims for policy continuity while enhancing EU benefits communication. Discourses drive policy changes; pro-liberalization voices use Brexit to back liberal trade policies. Brexit pressures EU actors to justify development cooperation more self-interestedly (Jacob Wood, [2017](#)).

Here are some ramifications of Brexit:

### Eurozone Reforms and Integration

The UK's departure from the EU, known as Brexit, has raised discussions about potential impacts on the Eurozone. The UK's refusal to participate in Eurozone crises or bailouts could prompt other EU member states to either adopt the Euro currency or consider leaving the union. However, Brexit's uncertainties could also trigger new Eurozone crises due to factors such as the rise of anti-EU parties and political dynamics within EU member states, potentially affecting the stability of the Eurozone.

### Immigration Concerns and Euroscepticism

Euroscepticism, marked by opposition to EU integration, is prevalent in the UK and other EU countries. Concerns about immigration played a significant role in the Brexit campaign, as many believed that EU freedom of movement would lead to an influx of refugees and migrants. Parties like the UK Independence Party (UKIP) advocated for leaving the EU to regain control over immigration policies. Similar anti-immigrant sentiments have fueled the rise of far-right parties in countries like Germany and France (Ghulam Mustafa M. H., [2020](#)).

### EU Enlargement and Brexit Impact

Brexit has implications for EU enlargement efforts and the balance of power within the EU. The departure of the UK, a strong supporter of enlargement, could lead to an absence of a vocal advocate for further expansion. Additionally, Brexit's potential to increase Russia's influence in the Western

Balkans adds complexity to the enlargement process. The EU's internal negotiations and priorities might shift due to the uncertainties posed by Brexit.

### EU Budget and Funding Changes

Brexit will impact the EU's budget, causing a substantial gap in funding. The UK's contribution to the EU budget will cease, creating a shortfall of around 10 billion euros per year. The EU will also have to cope with adjustments in its spending, such as the absence of funds allocated to the UK. Negotiations for the Multiannual Financial Framework (MFF) 2021-2027 have begun, highlighting the challenge of reconciling budgetary needs in a post-Brexit landscape (Ferdinand De Ville, [The Impact of Brexit on EU Trade Policy, 2019](#)).

### EU Unity and Future Scenarios

The EU has responded to Brexit by reaffirming its unity and commitment to its core principles. Declarations like the Bratislava Declaration and the Rome Declaration emphasize the EU's determination to remain united and address challenges together. The European Commission has also issued white papers that discuss potential future scenarios for the EU, considering challenges beyond Brexit and envisioning the direction the EU could take in 2025.

### Voting Dynamics and EU Council Changes

Brexit will have formal and potential power-related impacts on the voting procedures within the EU Council. The UK's departure will change the required majority for Qualified Majority Voting (QMV) decisions. Additionally, the composition of the European Parliament (EP) will be affected, with UK MEPs playing a role in EP proceedings until Brexit. Brexit will also reshape the political groups within the EP and impact their influence.

### European Commission and EU Leadership

Brexit will result in a reduction of European Commissioners from 28 to 27, potentially

leading to portfolio re-allocations. Calls for streamlining the Commission's size to enhance its effectiveness have also emerged. However, Brexit's impact on the Commission will be relatively limited compared to other areas. Brexit has illuminated a complex network of 'special relationships' that numerous countries maintain with the United Kingdom, revealing the performative nature of these ties. The US, epitomizing the 'special relationship', underscored the continued significance of NATO membership and bilateral bonds. The metaphor of the UK as a 'gateway' emerged, with Japan, India, and Turkey identifying it as their entry point to the EU. China also positioned the UK as pivotal for enhancing China-EU relations. Both Obama and Xi viewed the UK as an economic and political conduit into the EU. African leaders offered pragmatic responses, with Nigeria's President expressing hopes for ongoing cooperation despite the referendum's outcome (Rashica, [2018](#)).

Remarkably, the UK's role spans diverse realms: it is Japan's primary trading partner, a facilitator of China-EU ties, an advocate for Turkish interests in the EU, a sharer of security intelligence with the US, and a holder of special affiliations with Commonwealth nations. These narratives of 'special relationships', despite differing from the Leave campaign's arguments, shed light on why many British voters found reassurance in the notion of a 'truly global Britain' outside the EU. The performative nature of these relationships underscores the multifaceted impact of Brexit on international ties and perceptions.

### **Addressing Challenges and Unity**

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Brexit raises challenges for the EU, including the rise of anti-EU parties and sentiments, concerns about immigration, and potential shifts in EU dynamics and power. To address these challenges, the EU needs to effectively communicate the benefits of unity, counter anti-migrant sentiments, and emphasize the value of a collective response to shared issues. Maintaining unity remains crucial for the EU's stability and future. Brexit has sparked diverse perceptions about its impact on

multilateralism and the international liberal order, with implications for identity discourses and shared values. Geopolitically, Brexit has been portrayed as a potential threat to the Western-led liberal world order. NATO's Secretary General, Jens Stoltenberg, warned that a fragmented Europe could jeopardize shared security and international cooperation. In contrast, Japan championed multilateralism, pledging commitment to a rules-based global order. US President Obama and China also articulated differing narratives. Obama emphasized resilient global values despite Brexit, while China positioned EU unity as essential for multipolarity and balance against the US (Rebecca Adler-Nissen, [2017](#)).

Within the EU, member states underscored European integration's resilience, framing Brexit as a catalyst for the EU-27's unity. Chancellor Merkel emphasized the collective defence of freedom, democracy, and the rule of law. A summit of EU-27 leaders in Bratislava solidified this discourse, promising a stable future. Brexit was reframed as a crisis uniting EU-27 members against a common threat. Yet, concerns about the EU's cohesion linger, with fears of Eurosceptic momentum gaining strength. The multilateral discourse strives to maintain continuity in a post-Brexit world, promoting shared international rules, democracy, and pluralism, even as boundaries between subjects are constructed and reinforced in the process. In essence, the narratives surrounding Brexit hold the promise of preserving a familiar global order amid its transformative implications.

### **Swiftness of Policy Adjustment**

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The effects of Brexit on policy changes can be observed through conscious adjustments in actor behaviour as well as more subtle, iterative changes within existing institutional structures. While some shifts are deliberate, the absence of the UK can lead to gradual alterations where actors don't actively adapt their behaviour. For instance, without the UK's presence, certain proposals they advocated for might receive less prominence over time.

This process resonates with historical institutionalist perspectives (Zaidi, [2017](#)).

Contributions in this thematic issue explore various levels of policies of Brexit. These articles touch on different aspects of policy, including specific policy settings, instruments, and overarching paradigms. Amidst these discussions, two articles adopt critical feminist and materialist political economy viewpoints, underscoring the significance of underlying structures related to gender inequalities and capitalist expansion (Rashica, [2018](#)).

These considerations highlight Brexit's impact on the EU's temporal and spatial dimensions. Articles here explore immediate aspects like EU budget negotiations and enduring consequences such as the EU's global political role. The analysis spans policy changes across the EU's multi-level governance and its global influence in the political economy (Usherwood, [2018](#)).

## Conclusion

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In conclusion, the multifaceted impacts of Brexit on the European Union have prompted a range of discourses and policy adjustments. The interpretations of Brexit's implications within the UK and the EU27 have given rise to varying perspectives. Some view it as an opportunity for a more social Europe,

facilitated by the absence of the UK, while others, labelled as 'euro-realists,' perceive it as a rejection of federal ambitions and advocate for a reversion to the Common/Single Market focus. Amidst these viewpoints, leaders like Angela Merkel call for better communication of the EU's advantages to citizens. Consequently, these discourses contribute to shifts in policy orientations and justifications, such as the endorsement of continued liberal trade policies.

Moreover, the effects of Brexit extend beyond deliberate policy changes, also encompassing subtler alterations. The absence of the UK in key decision-making arenas may lead to gradual modifications in emphasis, reflecting historical institutionalist notions of incremental change and path dependence. This thematic issue further probes the depths of Brexit's impact, examining policy changes at various levels, from concrete settings to overarching paradigms. Critical feminist and materialist perspectives emphasize the importance of underlying structures and inequalities. As the EU navigates both immediate negotiations and long-term global roles, these discussions underscore the intricate interplay of factors influencing the speed and nature of policy transformations in the wake of Brexit.

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