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Summary

The departure of the United Kingdom from the European Union has left a wound on this sui generis international organization. Ever since the 2008 crisis, Euroscepticism started gaining popularity, raising questions on the EU. This thesis will consist of analysing economic data from the World Bank, the political results from 2014 and 2019 on the European Parliament and researching Opinion Surveys from the Eurobarometer and YouGov. The data collected shows how the United Kingdom is enduring severe economic consequences after the “divorce”, which has also created political uncertainty. Meanwhile, the European Union is recovering from the political aftermath of the Migration Crisis, which led to Brexit and the rise of Euroscepticism.

Keywords

Brexit, Euroscepticism, European Union, United Kingdom, Hard Euroscepticism, Soft Euroscepticism, Hard Brexit, Soft Brexit.

Terms and abbreviations

ACRONYM	ENGLISH	SPANISH
ALDE	Alliance of Liberals and Democrats for Europe	ALDE
BoP	Balance of payments	BP
ECR	European Conservatives and Reformists	CRE
EFA	European Free Alliance	ALE
EFDD	Europe of Freedom and Direct Democracy	ELDD
ENF	Europe of Nations and Freedom	ENL
EP	European Parliament	PE
EPP	European People's Party	PPE
EU	European Union	UE
FDI	Foreign Direct Investment	IED
GDP	Gross domestic product	PIV
ID	Identity and Democracy	ID
MEP	Member of the European Parliament	MPE
RE	Renew Europe	RE
S&D	Socialists & Democrats	S&D
SNP	Scottish National Party	PNE
TCA	EU–UK Trade and Cooperation Agreement	UE-RU ACC
TEU	Treaty on the European Union	TUE
TFEU	Treaty on the Functioning of the European Union	TFUE
UK	United Kingdom	RU
UKIP	UK Independence Party	PIRU

List of figures

- Figure 1** – *United Kingdom's GDP growth (annual %) in 2008-2016; page 15*
- Figure 2** – *Comparison between the United Kingdom's and Germany's inflation, consumer prices (annual %) in 2008-2016; page 16*
- Figure 3** – *GDP growth of the UK and Germany between 2006 and 2020 (annual %)*
Source: World Bank, 2020 (Self-made); page 31
- Figure 4** – *Inflation of the UK and Germany between 2006 and 2020, consumer prices (annual %)* *Source: World Bank, 2020 (Self-made); page 32*
- Figure 5** – *Imports of goods and services of the UK and Germany between 2006 and 2020 (annual % growth)* *Source: World Bank, 2020 (Self-made); page 33*
- Figure 6** – *Foreign direct investment of the UK and Germany between 2006 and 2020, net (BoP, current US\$)* *Source: World Bank, 2020 (Self-made); page 34*
- Figure 7** – *Opinion polls, results (population %)* *Source: YouGov, 2020 (Self-made); page 38*
- Figure 8** – *Opinion polls, results (population %)* *Source: YouGov, 2020 (Self-made); page 40*
- Figure 9** – *Opinion polls, results (population %)* *Source: YouGov, 2020 (Self-made); page 41*
- Figure 10** – *Opinion polls, results (%)* *Source: Eurobarometer, 2020 (Self-made); page 43*

Table of Contents

Summary	1
Keywords	1
Terms and abbreviations	2
List of figures	3
1. Introduction	6
1.1 Methodology	6
1.2 Motivation	7
1.3 Hypothesis.....	7
1.4 Objectives.....	8
1.5 Limitations	8
2. Theoretical Framework	8
2.1 State of the Art.....	9
2.2 What is Euroskepticism?	10
2.3 What is Brexit?	12
3. Background Research on the United Kingdom pre-Brexit.....	14
3.1 Economic background of the United Kingdom.....	14
3.2 Socio-Political background of the United Kingdom	17
3.3 How can Brexit come into Force?	19
4. Empirical analysis: Impact of Brexit on the United Kingdom and European Union	22
4.1 Legal Impact of Brexit in the UK and European Union.....	22
4.1.1 Consequences from the UK-EU Trading and Cooperation Agreement (TCA)	22
4.2 Economic Impact of Brexit.....	31
4.3 Socio-Political Impact of Brexit in the European Union.....	36
4.3.1 European Parliament elections of 2019.....	36

4.3.2 Impact of the UK leaving the EU and its representation in the European Parliament.....	37
4.3.3 Opinion polls on European Union.....	38
5. Conclusions	44
BIBLIOGRAPHY	47

1. Introduction

The United Kingdom and the European Union have a very complex relationship over the course of their entire history. From geographic, historical or political differences, the United Kingdom has always felt different from its neighbours. However, given the current state of affairs, the differences that have always characterized the UK within the EU might become the future challenges for European integrity. The UK has finally exited the European Union, which leaves not only an open wound for the EU's cohesion but also indicates the possibility for other countries to take the example of the United Kingdom (De Vries, 2018).

Brexit can be catalogued as one of the biggest obstacles, if not the biggest, that the EU has ever handled regarding EU's unity. At the moment of the writing, there is still considerable uncertainty on the events, as the independence of the United Kingdom did not impact how it should have been due to Covid-19. Right now, there is a big question whether or not the European Union will suffer future schisms in the integrity of its member states or if Brexit could help achieve better integration with the remaining European States (De Vries, 2018). This opens up the question: *What are the consequences of Brexit for both the European Union and the United Kingdom evaluated through the prism of Euroskepticism?*

1.1 Methodology

In this thesis, I will analyse the impact Brexit has left on the European Union regarding its unity and integrity, focusing on Euroskepticism. The first part of the thesis will analyse the causes of the event in a legal, economic, and socio-political scope, accompanied by its historical background. After an analysis of the causes has been made, the analysis of the impact will be done.

The primary analysis will focus on the impact of Brexit in both the United Kingdom and the European Union. It will be divided into three main parts: the direct impact from the trade deal, which aims to analyze effects that the TCA created; An economic analysis, in which I will evaluate the economic performance of the United Kingdom to show the impact from the TCA, concluding with a socio-political analysis, where the results of the last European Parliament elections will be analyzed, with a brief analysis of the Eurobarometer on specific topics. After the principal analysis has

been made, the conclusions will take place. After the conclusion, a brief prospect on the future will take place.

1.2 Motivation

This topic is important mainly due to the fact that as the current state of affairs of the European Union, analysing the impact Brexit leaves on the EU is a fundamental factor for comprehending possible future issues regarding the integrity of the EU. Nevertheless, analysing the causes of Brexit can also help find out if Euroskepticism, especially Hard Euroskepticism, can be detrimental for the EU. It is vital to understand how Euroskepticism works because it is the primary source of critique on the European Union, or at least the most mediatic. This critique is channelled through the Euroskeptic Members of the European Parliament (MEPs). Moreover, people like Boris Johnson can also provide more commentaries through the European Council as a Head of the Government.

I believe the European Union is a modern Phenomenon in civilization, where countries have joined not through a banner, flag or leader, but on the premises of cooperation and mutual support. With that in mind, Euroskepticism has always been around since its foundations, but after several crises that we will see in advance, its influence rose in power. Moreover, that is something I find interest in as a person who truly believes in cooperation and mutual assistance. This work allows me to see the aftermath of losing such cooperation and therefore showing all the achievements done thanks to that cooperation.

1.3 Hypothesis

Going back to the research question, *"What are the consequences of Brexit for both the European Union and the United Kingdom evaluated through the prism of Euroskepticism?"*... My research tries to prove that the United Kingdom has stagnated economically, but the European Union will suffer a rise in Euroskepticism.

1.4 Objectives

Continuing with the objectives of the thesis, this thesis has the main aim of finding out whether or not Brexit has been detrimental to the European Union and its Integrity. Other objectives include the analysis of the Covid-19 *hiatus*, as the quarantine separated all the countries at once, and one could argue that this quarantine may have got an effect that may be the complete opposite as Brexit. On the other hand, thanks to the quarantine, the European integrity and Brexit may have also given a positive aspect on being European, as the EU has helped the countries in the EU that needed it the most. This would traduce in an objective of finding out the impact of Brexit pre and post quarantine, as it can be an indicator of a possible change on the topic.

1.5 Limitations

In this thesis, there have been several difficulties. First and most apparent, my research is still reduced to my sources of information, and my academic works reviewed and researched. Second, the scarcity of data, as you cannot receive the information from the future (obviously). The third is the possible bias; as I am a person from the European Union, my information might not be the same as a person living in the United Kingdom. The fourth one is the unpredictability of present and future events due to the pandemic, shifting the results to any possible predictions. This factor refers to the fact that Covid-19 is actively grieving the data as it is an event that comes from natural causes and heavily affects the United Kingdom and European Union.

2. Theoretical Framework

This section of the thesis will focus on the state of the art of the process of Brexit, which will include the works of other academics and their understanding of the situation. After the state of the art is done, I will start by defining Euroskepticism, including Soft and Hard Euroskepticism, and analysing Brexit, also including Soft and Hard Brexit. This analysis will take place with several definitions of authors and a reflection on the definitions.

2.1 State of the Art

Starting with state of the art, previous authors already thought that the *divorce* between EU and UK had to bring nefarious results. According to Nauro F. Campos in his work, *The Economics of Brexit* (2019), estimates that Brexit in the long term is very detrimental for the United Kingdom, but in the short term, they might have uncertainties. In my work, I beg to differ on the uncertainty in the short term, but mainly because you can already analyse the short term status of the UK. It is true that in 2019 the pandemic was not known, but thanks to Covid-19, UK's economy has plummeted, especially in 2020 (Campos, 2019).

According to John Van Reenen, in his work *Brexit's Long-Run Effects on the U.K. Economy* (2017):

“The bottom line is straightforward: Under all plausible scenarios, Brexit will make Britain poorer compared with remaining in the European Union. This is because the United Kingdom will have higher trade costs with its closest neighbours in Europe (which account for about half of all U.K. trade), and this will reduce its trade and, therefore, welfare. The magnitude of these losses will outweigh the modest benefits of lower net fiscal transfers to the EU budget” (p.368)

As this statement implies, the divorce will be again catastrophic for the UK due to the loss of potential trade for the Islands. Continuing for the consequences for the EU, Neill Nugent (2018), in his work, *Brexit and Beyond*, states:

“Brexit is clearly a major crisis for the EU. It is so not only because it is the first time a Member State has sought to withdraw from the Union, but also because the state concerned is a large and powerful Member State whose withdrawal will have damaging political and economic implications for the EU's standing and influence” (p. 54).

This means that for the author, Brexit will have negative political and economic consequences for the Union, as one of the most powerful countries of the EU has left.

Economically speaking, that might be true, but only because the EU loses its *superpower* status as it has lost one of the countries that *allowed* the EU to be considered a superpower. After the state of the art has been commented on, the analysis of the words Euroskepticism and Brexit will take place. (Campos, 2019; Nugent, 2018; Van Reenen, 2020)

2.2 What is Euroskepticism?

This analysis of the definition of Euroskepticism with its two categories, *soft* and *hard*, will consist of analysing the meaning of Euroskepticism on three different sources of information. One tertiary (Michael Ray) and two secondary sources (Patrick Bijsmans and Paul Taggart with Aleks Szczerbiak).

... According to Michael Ray (2016), "*Euroskepticism is a European political doctrine that advocates disengagement from the European Union (EU).*"

Following that description, the author (2016) also notes that "*Political parties that espouse a Euroskeptic viewpoint tend to be broadly populist and generally support tighter immigration controls in addition to the dismantling or streamlining of the EU bureaucratic structure.*" This information is worth noting for the future comprehension of *Hard and Soft Euroskepticism* as they both fit into the description above. However, their differences lay in how they want to implement it, especially in the case of the United Kingdom's Independence Party. (Ray, 2016)

Continuing with Michael Ray's description (2016), "*Euroskeptic political parties can be classified as hard Euroskeptics (those that express complete opposition to European integration and advocate withdrawal from the EU) and soft Euroskeptics (those that are conditionally in favour of European integration but qualify such support along political, ideological, ethnic, or geographic lines).*"

This definition might seem too basic to understand what Euroskepticism is. However, using the definition from Taggart and Szczerbiak (2002, p. 363), "*Euroskepticism is mainly limited to parties on the periphery of their party system and is often there used as an issue that differentiates those parties from the more established parties which are only likely to express Euroskepticism through factions.*" This definition helps to understand that Euroskepticism is also done to differentiate from other political parties in their political alignment and give more coverage to their more marginal ideas. At the time of the writing, these ideas could consider Euroskepticism as a minority due to the

lesser importance that these political ideas had back in the day (*Taggart and Szczerbiak, 2002*).

Moreover, Taggart and Szczerbiak (2002) explain that: *“Party based Euroskepticism is, therefore, both largely dependent on domestic contextual factors and a useful issue to map emergent domestic political constellations”* (page). This continuation proposes the idea that Euroskepticism and populism tend to move around the domestic factors rather than the external ones. This tactic has proven helpful in the last years, where Brexit has been the most notable out of all of them (*Taggart and Szczerbiak, 2002*).

Passing onto the last definition, Bijsmans' (2020) concept of Euroskepticism is: *“A diverse, multifaceted phenomenon that varies across time, member states, and policies”* (p. 1). This new definition also helps us locate that Euroskepticism is not only reserved for one country or group of countries, but more or less it has an irregular emergence. This means that Euroskepticism, as well as Euroskeptic parties, can arise anywhere but also can have different forms of representation in the government. This also means that because one political party or politician may have a Euroskeptic idea, that does not mean that their whole agenda is against the European Union. In the end, it is just politics and their tactics to gain control over the population (*Bijsmans, 2020*). Bijsmans also indicates that: *“Euroskepticism has been present since the start of the integration process. Other research reports the existence of varying ideas on Europe among citizens and parties and representations in media and transnational institutions and organizations”* (p. 13). This last fragment of the definition can help us also see that Euroskeptic ideas and Euroskepticism, in general, has *diluted* onto the general public opinion of the countries as another source of criticism. This also means that Euroskepticism has always been part of the public opinion of the European Union, but because the European Union worked pretty much well, it was never noticed (*Bijsmans, 2020, p. 1*).

To conclude our analysis, it can be noticed that Euroskepticism is not only concern or a critique for the European Union but a phenomenon where parties use to differentiate their political identity from other parties in order to gain recognition. Furthermore, to differentiate between *Hard and Soft Euroskepticism* effectively, it is only needed to see their actions and ideals against the European Union. Parties such as UKIP can be considered *hard* because they want to be independent of the European Union. Therefore, their primary focus of ideas revolves around withdrawing from the

EU, as opposed to other political parties that may consider themselves Euroskeptic. In the case of soft Euroskepticism, like Le Pen's National Front, where they seek tighter immigration controls. It is worth noting that although UKIP may also have problems with immigration, what classifies them as Hard Euroskepticism is the fact that they seek to disassociate from the EU instead of cooperating at some level. For example, Le Pen's National Front or Italy's Northern League might still want to cooperate with the European Union in some way, compared to the disruptive behaviour of UKIP (Bijsmans, 2020; Taggart & Szczerbiak, 2002; Ray, 2016)

2.3 What is Brexit?

Continuing with the analysis of definitions, the next one is Brexit. However, the question of what Brexit means precisely arises. In this analysis, we will take the definitions from Oxford English Dictionary (OED Online, 2020) and the authors Adam Hayes (2021), Johnathan Van Reenen (2020) and Peter Denis Sutherland (2016). Starting with the analysis, according to Oxford English Dictionary (2020), Brexit is:

"The (proposed) withdrawal of the United Kingdom from the European Union, and the political process associated with it. Sometimes used specifically with reference to the referendum held in the UK on 23 June 2016, in which a majority of voters favoured withdrawal from the EU."

This statement let us know the nature of Brexit, which is the withdrawal from the EU. It also lets us know that Brexit is also an event in time, from the referendum held in 2016. Nevertheless, that is not a complete understanding of Brexit (OED Online, 2020). To expand the definition, according to Adam Hayes (2021):

"Brexit is a portmanteau of the words "British" and "exit" coined to refer to the U.K.'s decision in a June 23, 2016 referendum to leave the European Union (EU). Brexit took place at 11 p.m. Greenwich Mean Time, Jan. 31, 2020".

With this definition of Brexit, it shows us how the wording was made, that in perspective, it was just a gimmick aimed to mock the movement, but it backfired, turning into a symbolic word for the population that wanted to leave the EU. This

definition also helps us to understand the chronological events of Brexit, which starts at the referendum on the 23rd of June, 2016 and ends on the 31st of January, 2020. This period of time can be described as Brexit, from start to finish (Hayes, 2021). Continuing with Peter Denis Sutherland's understanding of the Brexit (2016, p. 309-310):

“As far as the UK is concerned, the Brexit issue may be the final dénouement of a long and, to some, increasingly tedious tragedy of British EU membership. It is, in fact, the definitive expression of exceptionalism based on nationalism in England” (p. 309-310)

This statement lets us know the symbolic value of the word “Brexit”, which Sutherland (2016) notices that shows how nationalism in the United Kingdom has evolved. This proves over time as one of the main objectives of Brexit was to regain sovereignty over the United Kingdom (Sutherland, 2016). Finally, according to Johnatan Van Reenen (2020):

“These trade costs will arise from some combination of tariff and non-tariff barriers and will be larger if there is a hard Brexit, whereby the United Kingdom would leave the Single Market and trade under World Trade Organization rules, rather than a “soft Brexit” option of staying in the Single Market (like Norway)” (p. 367).

In this definition, the author shows us the difference between a *hard Brexit* and a *soft Brexit*, where *hard Brexit* means that the United Kingdom will reach little agreement with the EU, therefore exiting from all spheres of influence. In contrast, a “soft Brexit” means that the UK may pursue to preserve a part of the influence of the EU, allowing the UK to orbit into their different grades of dependence. (Van Reenen, 2020)

To sum up, we have learned that Brexit has symbolism reflected on British nationalism, while also being the process in which the United Kingdom has exited the European Union, from the referendum until the exit on the 31st of January. Moreover, there were two classifications of Brexit, hard and soft, and as the TCA will show us, it concluded on a hard Brexit rather than a soft Brexit, as we will see in the next point. (Hayes, 2021; Sutherland, 2016; Van Reenen, 2020)

3. Background Research on the United Kingdom pre-Brexit

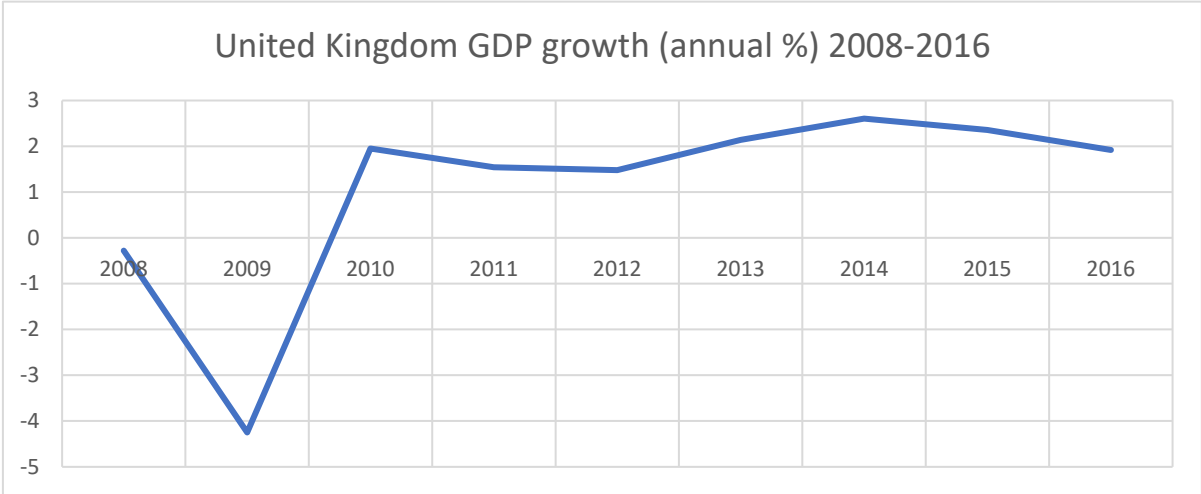
Brexit has a whole plethora of reasons to happen - from historical events to the most recent crises in the European Union. However, for the sake of keeping the background information as concise as possible, I will analyse the last eight years before Brexit to achieve a deeper understanding of what caused Brexit in the first place. An analysis that goes beyond recent events might help find roots for Brexit, but the quality of the analysis would decrease.

The analysis will contain a historical and economic analysis with the aid of graphs to achieve a better understanding of the situation through an economic scope. Following the historical and economic analysis, a socio-political analysis will be made. This part will also include graphs and figures to aid in the research. After the background has been made, an analysis of the withdrawal provisions is made, namely of Article 50 of the Treaty of the European Union or TEU (TEU, 2012). This analysis will focus on the referendum and the legal means to enable the rupture of the United Kingdom and the European Union.

3.1 Economic background of the United Kingdom

This analysis will include several graphs comparing UK economic performance against another country of equal standing, which in this case is Germany. Both analyses are dated in the last years before the referendum in favour of Brexit (2008-2016).

Figure 1 – United Kingdom’s GDP growth (annual %) in 2008-2016 Source: World Bank, 2020 (Self-Made)



In *Figure 1*, we can appreciate the UK's gross domestic product (GDP) growth from 2008 until 2016. Within this period, the country's growth is frozen. This factor has historical roots, as the 2008's world crisis arrived. Even though the crisis originated in the United States, the European Union was the most affected (World Bank, 2020). Countries like Spain and Greece needed large amounts of financial aid. These events might have unknowingly started the sequence of events that were about to come (World Bank, 2020).

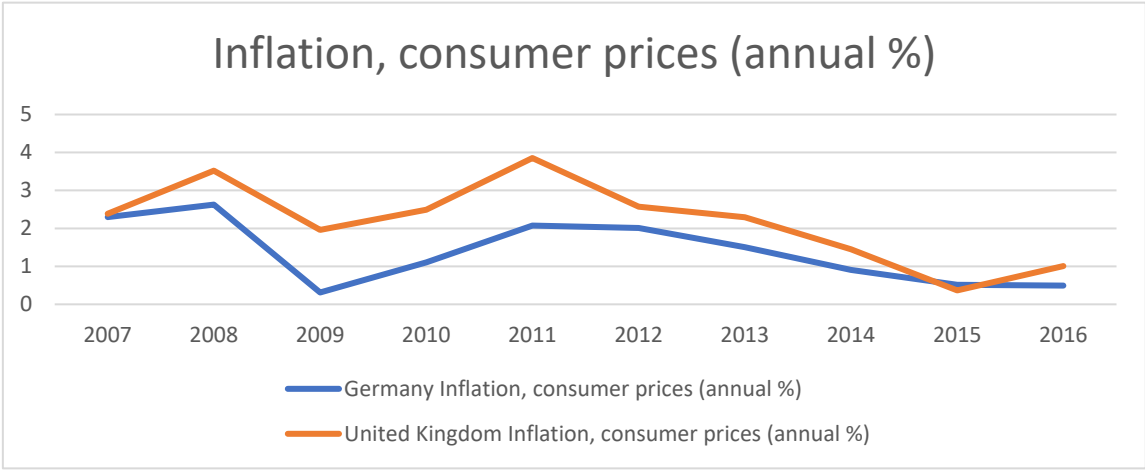
Ever since the 2008 Crisis, the public opinion of the European Union started to deteriorate (Pew Research Center, 2019). From 2010 onwards, the GDP growth of the UK stabilized again, as well as many other European Union Member States. However, the trust of the EU was already damaged enough. In 2014 David Cameron, pressured by the Euroskeptic party, UKIP (United Kingdom's Independence Party), launched a proposal for 2016, where they will hold a referendum about maintaining the United Kingdom into the European Union (UKIP, 2020). It is important to note that the UK's GDP growth has been slowly stagnating from that point onwards. This situation might also be perceived as the pressure of the European Union to refrain them from actually getting independence. Ultimately, *Figure 1* shows that ever since the 2008 crisis and the rise of Euroskepticism in European countries, the UK has struggled to maintain its economic growth (World Bank, 2020).

Finally, the decline of the GDP since 2014 shows us how ever since the rise of participation in the European Parliament by the UKIP, the United Kingdom's growth is slowly freezing. It is also worth noting that ever since 2014, the Migrant Crisis started

to appear in the European Union's borders, but immigration is not the main reason for the stagnation of the growth of the state in focus (World Bank, 2020).

To comprehend this last statement with more clarity, I will briefly analyze the inflation in consumer prices of both Germany and the United Kingdom to showcase.

Figure 2 – Comparison between the United Kingdom's and Germany's inflation, consumer prices (annual %) in 2008-2016
Source: World Bank, 2020 (Self-Made)



In *Figure 2*, we can appreciate the gap of inflation that Germany has over the United Kingdom over the crisis period. In this graph, you can observe how the United Kingdom could not control the inflation for the consumer prices as effectively as Germany, as the gap indicates (World Bank, 2020). Nevertheless, the gap starts to decrease as the years go on to the point where the United Kingdom neutralized it, but possibly due to the migrant crisis in 2016, the UK was not able to fully control its inflation, thus increasing the gap once again (World Bank, 2020).

This graph is relevant to the research because it shows how the United Kingdom and Germany could recover economically by controlling inflation. It is also remarkable to add that Germany was also added because it was the European state that received the most immigrants during the Refugee Crisis, which exemplifies that immigration does not constitute a problem for the country's growth (World Bank, 2020).

Concluding the economic analysis for now (a more in-depth analysis will complement this previous research), we can see how the United Kingdom has been in a state of stagnation since the 2008 crisis. Logically, this situation could create unrest in their population regarding Euroskepticism. However, as stated previously in the

definition of Euroskepticism, the criticism for the European Union was never considered marginal, primarily because the European Union worked consistently even before the Maastricht Treaty of 1992 (World Bank, 2020).

Ever since the 2008 crisis, things were not the same, and that situation could have created unrest that suggests that, for the UK, the European Union was not as attractive for them as before the crisis. Of course, these ideas back in 2008 were still marginal but visible to the public. Following the Migrant Crisis (2014-2019), the European Union showed its most significant weaknesses as thousands of migrants collapsed several countries on the EU (World Bank, 2020).

The next part of the background analysis focuses more on the political sense, as it might also be relevant to see how parties like UKIP used the times in crisis to increase their popularity in the UK.

3.2 Socio-Political background of the United Kingdom

In this part of the analysis, we will focus on the UK elections and data taken from the Eurobarometer. Germany will also be used for benchmarking purposes regarding this situation. According to a Pew Research's study from 2019, the United Kingdom experienced a decrease in support in the European Union, starting from 2007 in 52%, which decayed over the following years to a maximum lower of 43% in 2013 due to the Economic crisis. Here we can see, however since 2007, the opinion of the EU was stained for the British, and the beginning of a snowball of events that nobody could ever imagine. For the next two years, UK's opinion on the European Union rises once again, reaching 52% and 51%, respectively (Pew Research Center, 2019). Once the crisis was finally fading, the opinions finally stabilized, giving a false sense of security. However, the EU's favourable opinion crashed again in 2016 in the middle of the migrant crisis, decreasing 44% in 2016, ultimately the year the UK decided to leave the European Union (Pew Research Center, 2019). But before venturing ourselves into the aftermath of Brexit, we will give a quick overview of the UK Independence Party (UKIP) and its political rise and fulfilled objective - to achieve Brexit. This is done to understand where UKIP comes from and the tactics to achieve what the party wants.

United Kingdom's Independence Party was founded in 1993, and ever since it started, its main objective was to take the UK out of the European Union. Its main objective was to oppose the Maastricht treaty, which was written and enforced in 1992.

They defend that the United Kingdom should not be dependent on the EU as it was historically a good trading country; therefore, they feel the need to bring those times back (UKIP ..., 2021).

Election-wise, nobody gave importance to this party, as UKIP never gained a seat or a Member of the British Parliament until 2015, in the aftermath of the 2008 Crisis and the wake of the Migrant Crisis (2014-2019). UKIP (2021) also declares itself as the party that made Prime Minister David Cameron's agree into holding a Referendum on 23rd June 2016. They also declare that they were instrumental in bringing the referendum (UKIP, 2021). This statement indicates that UKIP was the only party that wanted to hold out the referendum. UKIP started to boom in popularity in 2004 and 2009 in the European Elections. UKIP already secured 15,38% of the seats in 2004, reaching the top 4 UK parties in the European Parliament and 16,09% in 2009, making it the second most important party in the European Parliament elections. (European Parliament, 2009)

On the one hand, according to the European Parliament, UKIP secured 26,77% of the total seats in the UK for the European Parliament, winning over the Labour party and the Conservatives party, shocking the UK and the European Union. Backed by the newly-formed EFDD (Europe of Freedom and Direct Democracy), it had gained enough power to negotiate with the rest of the parties as equals and not as a minority anymore (European Parliament, 2014). On the other hand, following BBC Reports, in 2015, UKIP gained enormous support, of around roughly 3,8 to 3,9 million people, which constitutes 12,7% of the electoral votes, also winning the seat in Claxton. Although with such high results and very few seats, in most areas (except Claxton), UKIP was bested by the rest of the more established parties like Labour, Conservatives, or SNP. However, the numbers do not lie, and UKIP was the third-largest party in terms of votes, winning more than a million to the Liberal Democrats and more than two million to the Scottish National Party (BBC, 2015).

With such results in both European Parliament and UK's General Elections, UKIP played with Cameron's position to be Prime Minister, making him agree to make an In/Out referendum in 2016. At this point, Cameron just agreed to secure its presidency because the support of a party with almost 4 million votes is a force to be reckoned with. Further BBC reports indicated that other parties agreed at some point to also have a referendum during 2005 to 2015, indicating that this was pressure by

UKIP to Cameron and Conservatives, but most importantly, all the parties agreed at some point, even before the 2014 success for UKIP (BBC, 2019).

According to Reporters Without Borders (2020), United Kingdom passed from one of the States with the most press freedom in 2008-2009, with 4/100 and 5,5/100 to a staggering 16,89/100 in 2010 19,93/100 in 2011. Unfortunately, it has gone downhill for press freedom ever since because its numbers worsen each year. In 2015, it reached 21,65/100, showing how the UK passed from one of the countries advocating Press Freedom to a country that now needs to work on it (RSF, 2020). This data portrays how the UK felt ever since the 2008 Crisis, as the notable rise of Euroskepticism began. The crisis is undoubtedly the catalyst that triggered the unexpected results in 2014 and the electoral upset of 2015. These events show how the political unrest bloomed in the UK and how the media and press started degenerating in their quality. With all of these components circulating, with less press freedom, misinformation is always lurking.

3.3 How can Brexit come into Force?

In this section of the background, the procedure for the United Kingdom to be able to exit from the European Union will be analysed. This will include an analysis of Article 50 of the Consolidated Version of the Treaty on European Union (TEU) and the necessary tools and negotiations that took place in order to place everything in order.

The British referendum of 2016 took place on the 23rd of June, and its central question was whether or not the UK should remain in the EU. As the events unveiled, the United Kingdom's population voted to leave the EU. From this point onwards, the United Kingdom and the European Union had to deal with the departure of the UK from the EU, using Article 50 as the base for the "divorce". Article 50(1) of the Treaty of the European Union (TEU) stands for the following: *"Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements"*.

This statement means that any country is free to leave the EU according to its constitution. It is the basis of the Brexit referendum, where they use Article 50 to exit the European Union, allowing them to exit the EU with no repercussion freely. However, there is more to Article 50 than just the first condition; thus, it needs to be in accordance with the rest of the paragraphs. (European Union, 2012) Article 50(2) of the Treaty of the European Union (TEU) continues:

“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 State, setting out the arrangements 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.”

This fragment states that any country that has the intention of withdrawing from the European Union cannot cut connections out of anywhere, and they should notify of its intention to be able to reach an agreement with the country. (European Union, 2012) Furthermore, it should also be in accordance with Article 218(3) of the Treaty on the Functioning of the European Union (TFEU), which applies the following:

“The Commission, or the High Representative of the Union for Foreign Affairs and Security Policy where the agreement envisaged relates exclusively or principally to the common foreign and security policy, shall submit recommendations to the Council, which shall adopt a decision authorizing 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.”

With this framework in mind, the EU and UK started dealing with their respective negotiations, where they had to deal with renegotiating all their terms because the UK will not be in the EU anymore. Therefore the benefits of being inside the EU are technically gone. (European Union, 2012) However, article 50(3) of TEU continues:

“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.”

This means that all the previous agreements that the UK had as an EU member shall no longer continue from the moment the UK formally exits the EU. This segment also explains that they can also agree to extend the withdrawal period if the European Council and the EU decide it unanimously. This was one of the reasons why there were so many extensions to Brexit in the last four years, where they wanted to reach an agreement that had a “softer” exit from the EU, but as we all know, it ended up with a “hard” exit as they reached minor agreements between the two sides. (European Union, 2012) Article 50(4) of TEU goes by the following:

“For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member 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.”

This section explains how the UK can not be part of their negotiations, meaning that they cannot negotiate from both sides as the UK and as the EU as they are the withdrawing state. Moreover, Article 238(3)(b) of TFEU explains:

“By way of derogation from point (a), where the Council does not act on a proposal from the Commission or from the High Representative of the Union for Foreign Affairs and Security Policy, the qualified majority shall be defined as at least 72 % of the members of the Council representing the participating Member States, comprising at least 65 % of the population of these States.”

This section outlines the majority needed for any deal to happen, which is 72% of the council members. Finally, to conclude the analysis, Article 50(5) of TEU states: *“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.”* This procedure, although highly improbable, explains that the UK is still able to rejoin under a procedure explained by Article 49 of TEU. Of course, if the UK ever feels the need to join the EU once again, they might apply again for membership in the EU, but as stated before is nearly impossible

because if that were to happen, the UK would not have left the EU in the first place. (European Union, 2016)

4. Empirical analysis: Impact of Brexit on the United Kingdom and European Union

This section of the analysis of the aftermath of Brexit will commence. The analysis will consist of the following aspects. First, the direct impact of Brexit, where the UK-EU Trading and Cooperation Agreement (TCA) marks what has changed for the UK and the EU (but mainly for the UK). Second, an economic analysis from 2016 until 2020, which will show the economic performance of the UK using Germany again as a benchmark, with the help of some graphs to aid the description and analysis. Third, a socio-political analysis, which will analyse the results of the electoral results of the previous elections. The political analysis will also include the electoral results of other states in the European Union, like Germany. (European Commission, 2020)

4.1 Legal Impact of Brexit in the UK and European Union

In this section, I will analyse the direct impact that the UK has after it is no longer a member of the European Union and the impact the EU had without the United Kingdom. It will be divided into several subcategories, one for each side of the *divorce*.

4.1.1 Consequences from the UK-EU Trading and Cooperation Agreement (TCA)

The UK and EU have achieved a deal in 2020, where both sides have failed to achieve a “soft Brexit” where they managed to agree on minimal situations. It means that the “hard Brexit” takes away a part of the privileges that the EU membership holds for the UK. This section will be divided into six parts: Consequences on the Free Movement of People; Trade in Goods; Trade in Services; Air and Road Transport; Energy and EU Programmes (Chislett, 2021).

4.1.1.1 *Consequences on the Free Movement of People*

According to Instituto Elcano, the United Kingdom will have to implement several policies that have already maimed the movement of the UK and EU. First, the UK will have to go back to do border checks, which destroys all the movement of the country with the EU, as being part of the Schengen Area has always been a benefit not only for citizens but for companies, as the connections for companies based on Continental Europe made them easier to connect with British companies. All this “quality of life” that the EU have is already gone. This supposes a downfall not only of British Tourism but also for the countries inside the EU, as British tourists have always been present all over the EU.

Second, they have removed the Pet Passports that the EU has. This may seem trivial at first, but according to the British Government (2020):

“You can enter or return to Great Britain with your pet cat, dog or ferret if it: has been microchipped; has a pet passport or health certificate; has been vaccinated against rabies - it will also need a blood test if you are travelling from a country that is not ‘listed’ and Dogs must also usually have a tapeworm treatment.” (Gov.uk, 2020)

This means that for civilians that want to bring their pets, not only they have to suffer the new border restrictions, but they will also suffer the restrictions to their pets. This can potentially make future tourists take different options that help them avoid unnecessary bureaucracy, especially if they can avoid all the problems for their loved pets. (UK Government, 2020)

Third, Visa travel for short visits UK-Schengen Area have been restricted. This means that for a 180-day period, you can be 90 days abroad for the UK. However, if the time abroad goes further than 90 days, they will need to apply for a long term immigration visa. This means that any person whose lives are intertwined between the EU and the UK will have to fill unnecessary bureaucracy, and this is mostly negative for both sides, although the biggest loser in the deal is the UK, which saw at least the necessity of 90-day short term visas or they might suffer a brain drain. The UK can pass from a country benefit from the brain drain of EU countries to actually being “brain drained” by the EU. (European Commission, 2020)

Fourth, the right to live or work for the EU and UK is no longer valid. This means that the UK is no longer able to freely work or live in the EU and may have to apply for

citizenship, both in EU Member States and UK territories. Furthermore, there is a huge issue with the citizens that have been living and working in the UK/EU coming from the EU/UK before the 31st of December, 2020. For the citizens from the EU living in the UK, they had to fill in a form to register as a resident, with the deadline on the 30th of June, 2021. The problem is that any person that has failed to apply before that deadline (which only has half a month of transition) will lose all their rights in the UK, like healthcare, among others. This is obviously detrimental for both sides, as the deadlines have nothing positive for the citizens of both sides. This only contributes to the downfall of the EU-UK relations. (UK Government, 2021)

Lastly, the roaming fees for the companies will also be brought back again, which just contributes to a technological setback for the UK. This may also be considered a “quality of life” improvement, but this shows the level of connection the UK and EU had before Brexit. This causes that phone companies can charge incredible amounts of money, and it is a very bad situation for consumers both in the UK and EU.

To conclude this section, it is remarkable to mention how all these changes were just something that both Europeans and British thought common, and thanks to Brexit and the incapability of making a fair deal between both parts, the citizens of both sides are suffering. The lack of free movement for the UK-EU affects millions of people, and most importantly, the future generations will live without that freedom of movement, thus severing the future relationship with the EU and UK in the future. Moreover, the lack of movement for the UK will result in less labour for the companies, as migrants can't reach the UK so easily, and that means that the workers will be transferred across Europe. (UK Government, 2021)

4.1.1.2 Consequences on Trade in Goods

According to Instituto Elcano, the United Kingdom has managed to keep the zero-tariff trade. Nevertheless, this is the tip of the iceberg in trading problems. Starting with the barriers to trade, the UK and EU have not managed to reach a deal on it. This means that products from both the EU or UK will suffer from barriers on the non-tariff side, like regulations and inspections. This always means a hit to trade for both sides and, most importantly, to the companies that need to transport the product. (UK Government, 2021)

In addition, there should be customs formalities that will increase the time at the customs area, which again the companies that transport the product keep on suffering. The sanitary and phytosanitary checks will also be enforced in the border EU-UK in addition to the additional customs checks and the rest of the non-tariff barriers. This turns a living hell for the companies that work on both sides, as the trade barriers have been reinstated. (UK Government, 2021)

Moreover, there are also rules of origin procedures. As the UK's government states (2021): *“To export tariff-free under the TCA, goods must meet the UK-EU preferential rules of origin. This means that there must be a qualifying level of processing in the country of export to access zero tariffs. This applies to EU origin goods imported and moving through the UK from an EU member state to another EU member state, as well as goods imported from outside of the UK or EU.”*

This means that even for being eligible to access a zero tariff environment, you need to pass for a qualifying process for both countries, which damages the companies that obtained products from countries outside the EU and UK, as they might need to pass a new qualifying test for these products. This also means that now companies have it easier importing the product directly from the country of origin instead of the United Kingdom or European Union. The fact that it is easier doesn't mean that it is simplified; it is because the original process has been made insanely complex. (European Commission, 2020)

Lastly, the changes to the fisheries agreements have made the UK regain full control of their waters in 2026. This means that the EU and UK will still share part of the UK's waters for now, but the quota of the share will decrease until being completely given to the UK by 2026 as a transition. After that, the plan is to have annual talks about sharing the waters with the EU. Additionally, in 2026 the UK will have the right to withdraw any European boat from its waters. This not only damages the fishing parties in the EU but also the fishing parties in the UK, as they will need to satisfy a demand that the European boats might be fulfilling. Most of the fishing quota will be given to the UK as both sides agreed, but that doesn't mean that the UK has the necessary logistics to move all the quotas that they are taking. Overall, this damages the fishing companies that now they have to accept huge waiting times for their products to arrive, resulting in a loss of efficiency. (European Commission, 2020)

Summing up this section, we can observe that the trade between the UK and the EU has now an insane number of barriers for European companies and British

companies. This has obviously damaged the economy, as such high bureaucracy means absurd waiting times with the closest neighbours for the UK. This situation can permanently dent the British economy, collapsing the Exports and Imports from the UK, especially because of queues. The real consequences of this deal are roughly felt by the companies, that now with a lack of workers in their farms and boats have to also wait incredible amounts of time. (UK Government, 2021)

4.1.1.3 *Consequences on the Trade in Services*

According to Instituto Elcano, the UK and EU failed to reach an agreement on two important topics: Financial services passports and the easy recognition of professional qualifications. First, on the removal of the financial services, according to Professor Sarah Hall (2020), *“The TCA does not (and was not intended to) make provisions for financial services firms in the UK to access the single market. As a result, from the 1 January 2021, UK financial services firms will lose their passporting rights. Passporting has allowed firms to sell their services into the EU from their UK base without the need for additional regulatory clearances.”*

Additionally, Professor Hall also mentions the importance of the financial services, as it has always been successful for the United Kingdom, developing markets in the EU, accounting for approximately 40% of the sector’s exports. She also explains that UK businesses will need to pass different certifications for each and every different EU member state, which increases the costs of the financial firms. (Hall, 2020)

As stated by Professor Hall, 40% of the exports go to the EU, and as companies have lost their passports, this is going to make the process much more complex, making a negative impact on the UK. This is also not good for the EU as the companies that have been served by the UK might have to find alternatives that can increase their costs. (Hall, 2020)

Second, regarding the Easy recognition of professional qualifications, according to the United Kingdom’s government (2020): *“You’ll need to have your professional qualification officially recognized if you want to work in a profession that is regulated in the UK. It will need to be recognized by the appropriate regulator for your profession. You’ll need to do this even if you’re providing temporary or occasional professional services.”* (Gov.uk, 2020).

This would mean that a lot of professionals in the UK might have to flee the country in order to be able to work as they might not get the certification they need. To evade these cases, the United Kingdom's government states (2021):

You don't have to do anything if your qualification was officially recognized by the relevant regulator in the UK before 1 January 2021. The regulator's decision to recognize your qualification will remain valid [...]. If you were using the temporary or occasional declaration to work in the UK, you will need to get your qualification recognized by the relevant regulator.

This means that for any professional that was working in the UK before 2021, this would mean no problem for them, but the problem arrives when the professional is only for temporary services. This puts them at risk to lose their employment opportunities, and therefore producing a shortage of labour as the professionals that once entered the UK with their qualification might be dismissed by the new agreement.

In conclusion, UK and EU both bleed in these scenarios, as the flow of workers, especially if the services given are temporary, will decrease, creating a need for workers in the UK in certain areas. (UK Government, 2021)

4.1.1.4 Consequences on the Air and Road transport

According to Instituto Elcano, regarding Air transport, the UK will lose the privileges of being part of the European Common Aviation Area. Moreover, the Insitute of Government states (2020):

As a member of the EU, UK airlines currently had access to the world's most liberalized aviation market – the European Common Aviation Area (ECAA). They will continue to have access to the ECAA during the transition period, which is due to end on 31 December 2020.

This will mean that the UK will need to reformulate their agreements not only with the European Countries but also with the countries that were able to fly to the UK thanks to EU agreements, like the EU-USA open skies agreement. This is a terrible consequence for the UK as leaving such an important orbit has forced some of their

aviation companies to decentralize and move part of their management to Europe to Avoid these problems (like EasyJet, with EasyJet Europe). This might mean that the aviation sector in the UK has suffered significant damages. (UK Government, 2021)

Continuing with road transport, the situation has created instability for drivers that work on both sides. According to the European Commission (2020):

EU haulage operators should ensure that they and their drivers hold certificates of professional competence issued in the EU and not in the United Kingdom[...] Holders of the UK driving licences should ensure that their licence is recognized where they operate in the EU, or should obtain an EU driving licence.

As the European Commission suggests, drivers that need to work in both environments will additionally need another license, one for the UK and another one for the EU. This will take effect after the transition ends and will especially affect cargo drivers from both sides, which now they will need to get qualifications from both sides, or just stop working in the side that doesn't recognize your license. Either way, it is catastrophic for the trade of both sides. (European Commission, 2020)

In conclusion, both air and road transport will suffer Brexit's consequences as well, hitting hard on the transport companies and companies that export/import from the EU or UK. This added bureaucracy is the perfect example of how simple things were before Brexit, and now it will turn into a bureaucratic hell between both parties. (European Commission, 2020)

4.1.1.5 Consequences on Energy

According to Instituto Elcano, the TCA does not mention anything about energy, meaning that there will be no single internal energy market between both the UK and EU, as well as a decoupling of the Energy Trading Platforms. This means that for the EU, the energy received from the UK increases in prices, and it will not be as constant as it was before. This means that the prices for energy can fluctuate, and it means that prices are basically volatile, and they can explode or implode at any given moment. However, that doesn't mean that it is bound to happen. (UK Government, 2021)

4.1.1.6 Consequences on the EU programmes

After the transition period of the TCA is completed, the UK is out of all the programmes of the EU, which ranges from financial aid to Erasmus. First, according to the European Commission (2020):

“The UK is no longer an EU Member State. It has also opted not to take part as an associated third country in the new Erasmus+ programme 2021-27. The UK will therefore not be taking part in the new programme as a Programme Country. The European Commission regrets this decision by the United Kingdom.”

As it is well known, the United Kingdom has been one of the top spots for students all around the world, like Erasmus. This means that not being part of the program, the students that were planning to go to the UK from the EU in the upcoming years has turned out very complex for them. This simply means that the students that the UK receive may be transferred to other universities, but in most of the cases, it will mean the loss of spots for candidates (excluding bilateral programmes between centres). (European Commission, 2020)

This also means that the students of the UK will also experience difficulties if they planned to study abroad in the UK, which means that mostly bilateral programmes will be considered for future exchanges. It is not that it is impossible for students to study abroad in the UK or from the UK, but their freedoms will be greatly reduced. This also means that for a student from the UK with the objective of studying abroad in the EU for the future will be more difficult, but also, they will have fewer options due to the universities not having bilateral agreements with all the previous learning centres. This means that the quality of the exchanges will decrease, as students won't be able to go to the institutions that they like the most. (European Commission, 2020)

Continuing with the programmes, the UK is also out of the financial recovery programmes like NextGenerationEU. According to the European Commission (2020): *“NextGenerationEU is a more than €800 billion temporary recovery instrument to help repair the immediate economic and social damage brought about by the coronavirus pandemic. Post-COVID-19 Europe will be greener, more digital, more resilient and better fit for the current and forthcoming challenges.”*

This means that the UK obviously do not have access to aid from the EU, which can also damage their economy, as they have been getting aid from the EU previously. This might seem insignificant, but the funds normally go to areas that need it desperately, and that could suppose a lack of support to specific companies in the UK or infrastructure. (European Comission, 2020)

Furthermore, the UK also had to quit the Galileo encrypted military signal, which means that the space industry will take a massive hit for the following years as they will have to develop the innovations by themselves. This could also mean that the innovations made may be technologically outdated by the time they manage to develop their own tech. (Financial Times, 2018).

Lastly, the access to Horizon Europe has been kept by the United Kingdom. According to the United Kingdom's Research and Innovation (2021):

“In January, the government announced that the UK will associate to Horizon Europe. This means UK scientists, researchers and businesses will be able to access funding under the programme on equivalent terms as organizations in EU countries.”

This information means that the UK might still be able to invest in R&D for the future in cooperation with the EU. If Horizon Europe had not been agreed upon, the UK might have suffered an even more significant technological setback due to the reason of lack of EU investment, the lack of Erasmus+ programmes, and the loss of the Galileo encrypted military signal. (European Comission, 2020)

In conclusion, the United Kingdom has really travelled back to Non-EU times, as EU's development aid is gone, but in addition to that, the Erasmus+ programmes not only helped UK universities but also ensuring a better qualification for UK citizens. The loss of such vital programmes, with the loss of Galileo encrypted military signal, means that the UK has a long way to go in order to establish themselves as a technologically developed country. (European Comission, 2020)

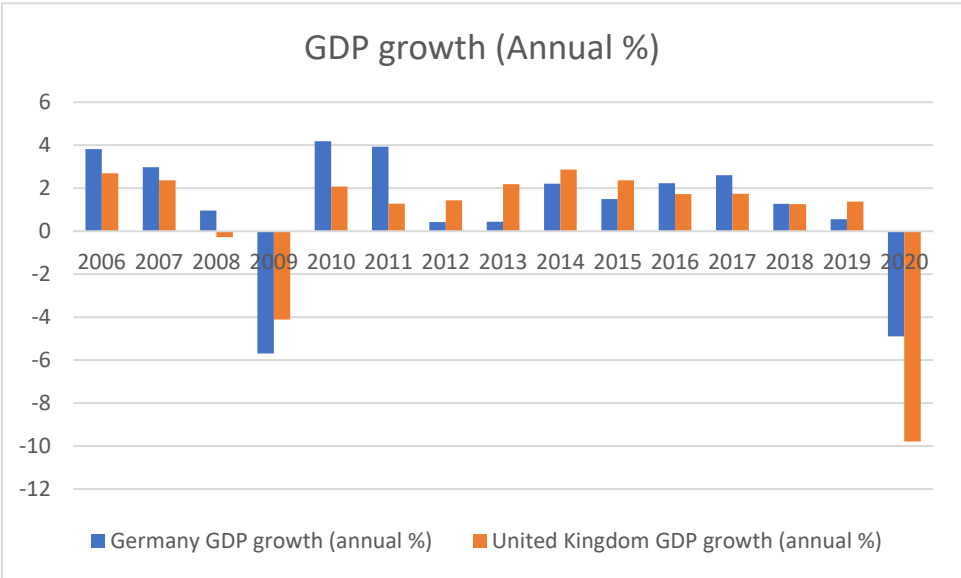
All the TCA changes for the UK has been brutal for the country, especially in times of crisis, like Covid-19. In a brief sum up, most, if not all of the changes made in the TCA has resulted in insane amounts of bureaucracy between the two sides, collapsing the trade in the UK; reduction of workers, as they cant access the country like they were able to in the past; Loss of licenses, which causes transport (and trading)

companies to lose work and workers as well; Loss of energy regulations, giving a hard hit in electrical companies, as the prices can skyrocket at any given time; and the loss of effective EU programmes that gave aid, influence and prestige to the UK, forcing them to develop their technology on their own. This is a snowball of consequences that, with the current pandemic situation as the cherry on top, Brexit has been maiming UK's growth. As we are going to observe in our next part of the analysis, the sum of all the consequences created a grim for the economic future of the UK. (European Commission, 2020)

4.2 Economic Impact of Brexit

In this part of the analysis, we will overview the political performance of the UK using Germany as a benchmark as Germany is considered "Europe's Engine".

Figure 3 – GDP growth of the UK and Germany between 2006 and 2020 (annual %)
Source: World Bank, 2020 (Self-made)

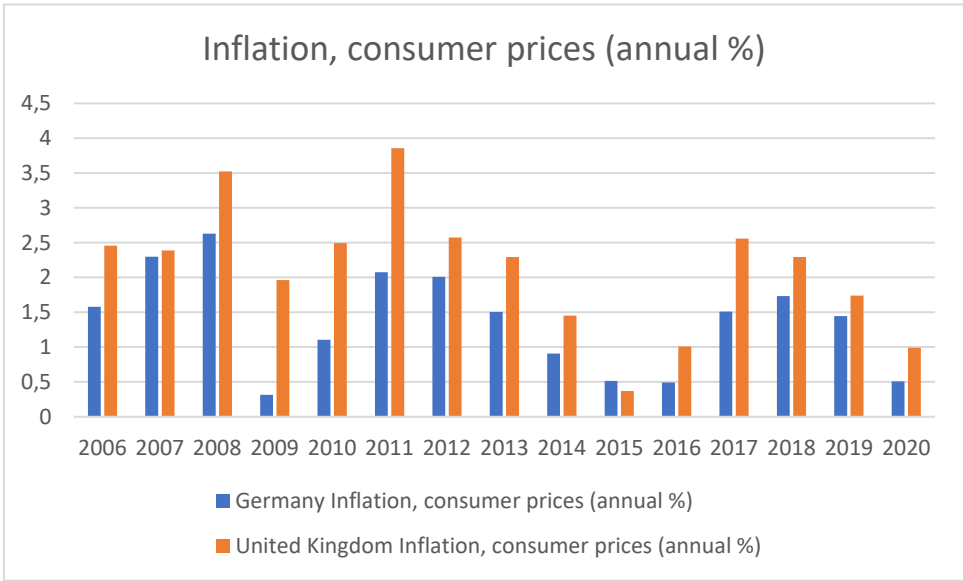


In the third figure, we can appreciate the GDP growth of the United Kingdom, compared to Germany, from 2006 to 2020. Starting our analysis in 2008, we could already appreciate the impact of the 2008 crisis going on in both Germany and the United Kingdom. As we venture into 2009, we can also appreciate hard-hit Germany took at their GDP, as Germany "tanked" most of the financial damages inflicted by the crisis by sending financial aid to other countries, same with the United Kingdom. As time progresses and their growth starts to stabilize, 2016 arrives. From this point

onwards, the migrant crisis is at its peak, and the borders are mostly collapsed. But that did not stop Germany or the UK from economic growth. In the period from 2018 until 2019, both countries start suffering stagnation, caused mainly by the infamous trade war that the United States had with China, which affected most of the countries as they are the biggest superpowers in the world. (World Bank, 2021)

And then, Covid-19 enters into the scene, as well as the exit of the United Kingdom from the European Union. It is hard to give any reason for the underwhelming results of both countries apart from the effects of quarantine. But in the case of the United Kingdom, its growth almost reaches a -10%. That has been the most significant recession of the United Kingdom in the last 50 years, without a doubt. (World Bank, 2021)

Figure 4 – Inflation of the UK and Germany between 2006 and 2020, consumer prices (annual %) Source: World Bank, 2020 (Self-made)

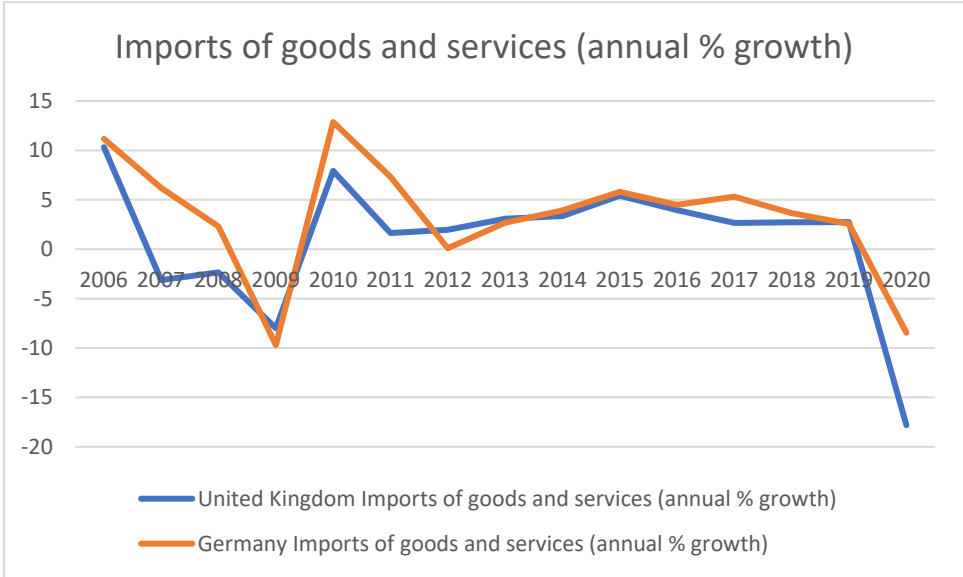


In the fourth figure, we can appreciate the inflation from both the United Kingdom and Germany through the period of 2006 to 2020. As stated in figure 2, inflation is more or less controlled at the start and peak of the migration crisis. From the period 2016-2019, both Germany and United Kingdom will make efforts to be able to control the inflation in their respective countries. This is mainly due to the migrant crisis (in 2017) and the trade war between China and the US (2018-2019). (World Bank, 2021)

Due to Covid-19, inflation did not really seem a problem in most of the countries, as the quarantine forced the companies to maintain the prices. Nevertheless, we can

appreciate how the United Kingdom is struggling to control this inflation, and in this situation, it is mainly due to Brexit. Even though the statistics of both countries are generally low, the United Kingdom has double the recession than Germany, and if you take in comparison any year before, the only year in this period of time that made such a difference is on the 2008 crisis aftermath. This can be troubling for the United Kingdom because if they are not able to control the inflation like they used to do before, investors will lose even more interest in the UK, thus leaving the country to their own luck. (World Bank, 2021)

Figure 5 – Imports of goods and services of the UK and Germany between 2006 and 2020 (annual % growth)
Source: World Bank, 2020 (Self-made)



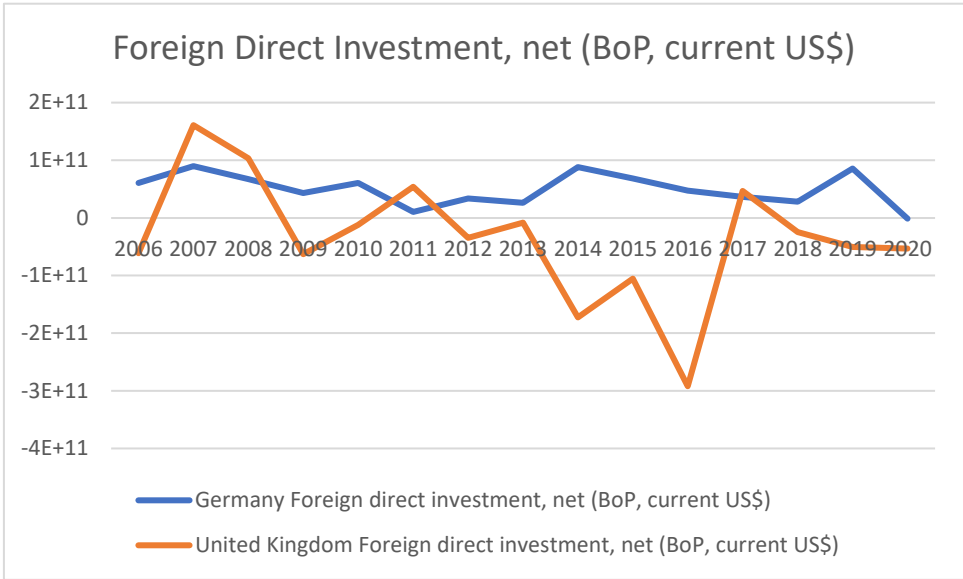
In the fifth figure, we can appreciate the growth of imports of goods and services in both the United Kingdom and Germany. If we observe the period of time from 2007 until 2012, it is clear that the 2008 crisis had an influence on the trade of both countries. The growth of trade is very irregular with big a big freeze in 2009, which it rose back up in the next year, and stabilized in the following years. From 2012 to 2015, we could see how the trade-in between both countries started to grow at a consistent rate. Nevertheless, starting from 2016 to 2019, United Kingdom’s growth in trade started to decrease. (World Bank, 2021)

This has numerous factors, like the fact that the migration crisis was peaking, but knowing that Brexit’s referendum was in 2016, it is also worth mentioning that trade

growth in the UK will not rise for the following years, compared to Germany, which managed to stabilize the growth more consistently until 2019, at the peak of the US-China trade war. But that being said, in 2020, there is a vast plummet in the growth of trade of both countries, and that is certainly not a coincidence. (World Bank, 2021)

One of the leading causes of such freeze in both states is the fact that Covid-19 and quarantine have hit both countries economies. Nevertheless, it is also remarkable that the United Kingdom, thanks to the TCA, has lost trading preferences on all the countries of the European Union. This is not only terrible for the United Kingdom but also for the European Union. The United Kingdom had deep ties with Europe regarding trade, but as Brexit burned all those bridges, both sides will keep suffering the economic consequences. (World Bank, 2021)

Figure 6 – Foreign direct investment of the UK and Germany between 2006 and 2020, net (BoP, current US\$) Source: World Bank, 2020 (Self-made)



In the sixth figure, we can appreciate the net balance of the foreign direct investment of both the United Kingdom and Germany. We can appreciate a big difference in both countries, starting with Germany, the net foreign direct investment is always on positive, meaning that it is always a country where money is constantly invested, while on the other hand, it is also investing leaving its line always close to zero. The United Kingdom, on the other hand, has a much more irregular net foreign direct investment, where they have ups and downs pretty much over all the data. (World Bank, 2021)

From the period 2007-2012, we can appreciate how the 2008 crisis affected the FDI of both countries. While Germany keeps the steady positive flow of investment, the United Kingdom receives enormous amounts of investment from 2007-2008. One of the relevant reasons for this is that the UK needed financial aid for the crisis, which plummets in 2009, probably giving financial aid to other European countries. In 2010-2012 we can start to observe again irregular investments where the investment does manage to be constant for the UK. But the vast problems start from 2013 onwards, where the United Kingdom is incapable of getting a positive net investment, and through the following years, more and more money starts exiting the country. (World Bank, 2021)

In 2014 the United Kingdom's FDI just gets worse, to the point it starts to become a problem for the country, while Germany is still in a constant positive net. In 2015 United Kingdom manages to recover some of the outflows of money, but in 2016, with the declaration of Brexit, investors thought the United Kingdom was risky, in addition to the migrant crisis, which was starting to peak in 2016. In the following year, new investments started entering the United Kingdom, but as the investors saw that Brexit was really coming, investors stopped investing as much as in 2017. United Kingdom's FDI will maintain a negative balance, which means that money is still exiting the country, but not as much as it was in 2016. (World Bank, 2021)

On the other side, Germany maintained a healthy net balance from inflows and outflows until 2020, which, as we mentioned before, Brexit and Covid-19 happen. This means that possibly that loss of net balance for Germany is due to the fact that the United Kingdom might have dropped some investments with the Brexit "divorce" apart from the quarantine, which meant that fewer investments are made. Nevertheless, the United Kingdom is still on a three-year streak of having more outflows of money rather than inflows. (World Bank, 2021)

In Conclusion, we can assume that from 2016 until 2019, the United Kingdom was stagnating its economic growth. Furthermore, the fact that Brexit was really taking place made the country suffer economically, as more investors were starting to back out as it was considered "risky". In 2020, the snowball effect of leaving the European Union, Covid-19, quarantine, and the remains of the China-US trade war, made a significant recession in the United Kingdom. In fact, 2020's economic data shows the worst recession for the United Kingdom in decades. To put it in perspective, the 2008 crisis made the UK lose approximately 4,1% of its GDP growth, but in 2020 the annual

percentage was approximately -9,8% of the growth. That is more than double the loss, which has to be devastating for the country at the moment. However, there has been economic repercussions to the EU, as the trade between the UK and EU has been significantly reduced, impacting the imports and exports for both economies. (World Bank, 2021)

After the economic analysis has been made, a socio-political analysis of the tendencies of the EU and UK will take place.

4.3 Socio-Political Impact of Brexit in the European Union

As we have analyzed in the previous years, from 2008 to 2016, there was a rise of Euroskepticism in the European Union, primarily due to the 2008 crisis and the migrant crisis, which led the EU into a crisis. In this part of the analysis, we will take data from European Parliament elections from 2019, as well as opinion surveys about the opinion of Brexit and the European Union.

4.3.1 European Parliament elections of 2019

Starting with the European Parliament elections, Brexit already had a clear impact regarding election turnout. Conventional political parties that dominated the European Parliament, like EPP and S&D, saw their seats reduced. According to the European Parliament, EPP passed from 221 MEP's in 2014 to 182, which means that they lost 39 seats. S&D passed from 191 MEP's in 2014 to 154, losing 37 seats. (European Parliament, 2019)

On the counterpart, Renew Europe (Formerly ALDE) and EFA (Greens) gained seats as well. RE passed from 67 MEP's in 2014 to a very successful 108 seats, winning 41 more seats than the previous elections. EFA also passed from 50 seats to 74 MEP's in 2019, winning 24 seats compared to the previous elections. NGL lost seats, passing from 52 in 2014 to 41 MEP's in 2019, losing over 11 seats. (European Parliament, 2019)

Continuing with parties like Identity and Democracy (Former ENF and EFDD) and ECR, ID saw a rise of seats while ECR had fewer seats than the previous elections. As EFDD is no longer in the European Parliament elections of 2019, most

of the seats of EFDD (48 MEP's) and ENF (35 MEP's, formerly as Non-Attached) moved onto ID. ID had 73 MEP's in 2019, doubling ENF seats compared to 2014, but if we take the remaining 24 seats of EFDD into account, they might have won 11 seats. ECR passed from 70 MEP's in 2014 to 62 seats in 2019, which means they lost eight seats. Finally, passing over the non-inscrits, the 24 seats of EFDD given by UKIP rose to 29, winning five more seats in what was the newly formed Brexit party (as non-attached). (European Parliament, 2019)

This data lets us know that conventional parties are losing seats to an increasing polarization of opinions. However, as we have seen in the data collected by the European Parliament, the parties that got more of those lost seats were RE, EFA and ID. Nevertheless, ID rose into power as a coalition of previous Euroskeptic parties from EFDD and ENF. This ultimately means that although Euroskepticism did rise, it is not as aggressive growth as before, mainly due to the fact that other parties are rising as well (like RE or EFA). (European Parliament, 2019)

4.3.2 Impact of the UK leaving the EU and its representation in the European Parliament.

As it is already known, because the United Kingdom left the EU, the seats in the European Parliament has to be changed. This means that the 73 seats that the UK had in the parliament have to be transferred equally to the rest of the countries as a balancing method. The European Council decided to reposition 27 of the 73 seats of the UK to the rest of the countries. According to the European Parliament, after Brexit, these seats will be relocated to only 14 Member States. France and Spain gain five seats, Italy and the Netherlands gain three seats, Ireland receives two seats, and Sweden, Austria, Denmark, Finland, Slovakia, Croatia, Estonia, Poland and Romania will receive an extra seat. (European Parliament, 2020). This means that countries like France, Spain, Italy, the Netherlands and Ireland are going to have a bit more relevance in the parliament because they have been the countries that won the most seats. Furthermore, they will also increase their relevance because now that the United Kingdom is not in the EU, some countries might have to fill up the place. In the case of France, it might increase their relevance in the EU, but for the rest of the aforementioned countries, the increase of relevance is going to be more or less beneficial to them. This situation also creates a rebalance of power in the EU, where

Germany and France are now the most relevant countries in the EU, followed by Italy and Spain. (European Parliament, 2020)

4.3.3 Opinion polls on European Union

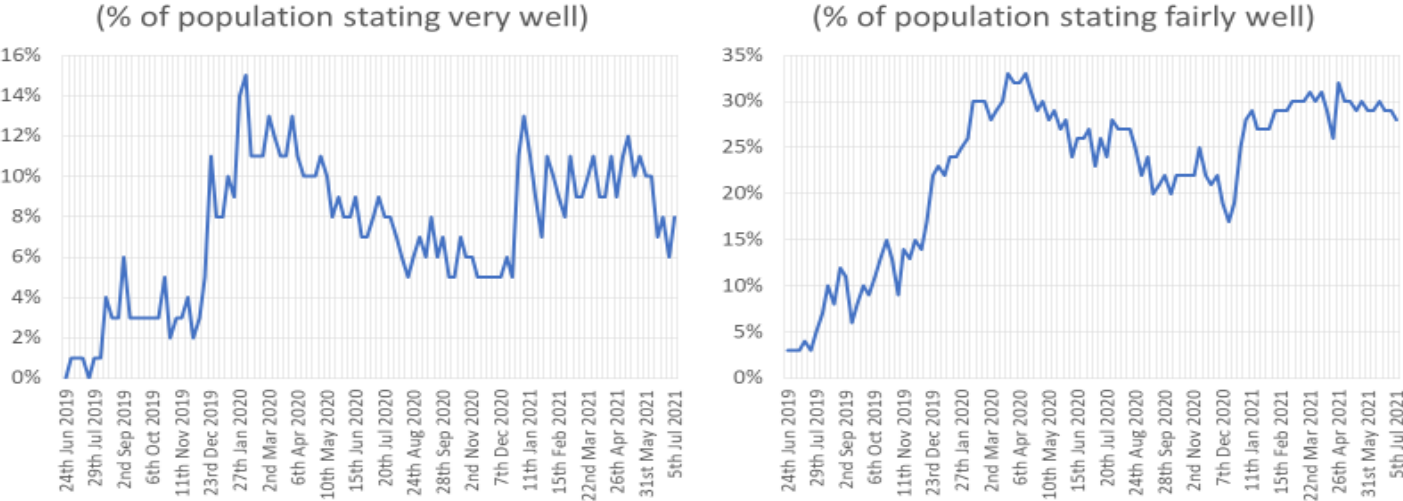
In this part of the analysis, we will take survey data from Eurobarometer (for the EU) and Yougov (for the UK). The data will consist of the two main relevant topics, the opinion of the European Union in the EU member states and the opinion of Brexit in the United Kingdom.

4.3.3.1 Opinion on Brexit in the UK

In this section, we will analyze the opinion of UK citizens towards Brexit through YouGov, which uses Active Sampling. In this survey, approximately 1700 were asked: “How is the government handling the issue of Brexit in the UK”. I will use survey data from the period of June 2019 to July 2021. (YouGov, 2021)

Figure 7 – Opinion polls, results (population %)
 Source: YouGov, 2020 (Self-made)

How well or badly do you think the government is handling the following issues? Britain's exit from the EU



In the seventh figure, we can appreciate a fragment of the results, which explains the percentage of the population that stated that the government is handling Britain's exit from the EU very well and fairly well. From the period of the 24th of June, 2019, nobody from the people that were surveyed thought that the UK is doing a very well job. Furthermore, only 3% of the population thought that the government was doing a fairly well job. This shows how the population is particularly not very happy with the achievements made in the negotiations on behalf of the UK. For the rest of the year, the population's opinion will seem more favourable, although it is due to the fact that they are starting from 0% and 3% respectively. By the end of November, the opinion has raised to 2%, stating very well, while 15% of the population will think that they have done a fairly well job managing Brexit. (YouGov, 2021)

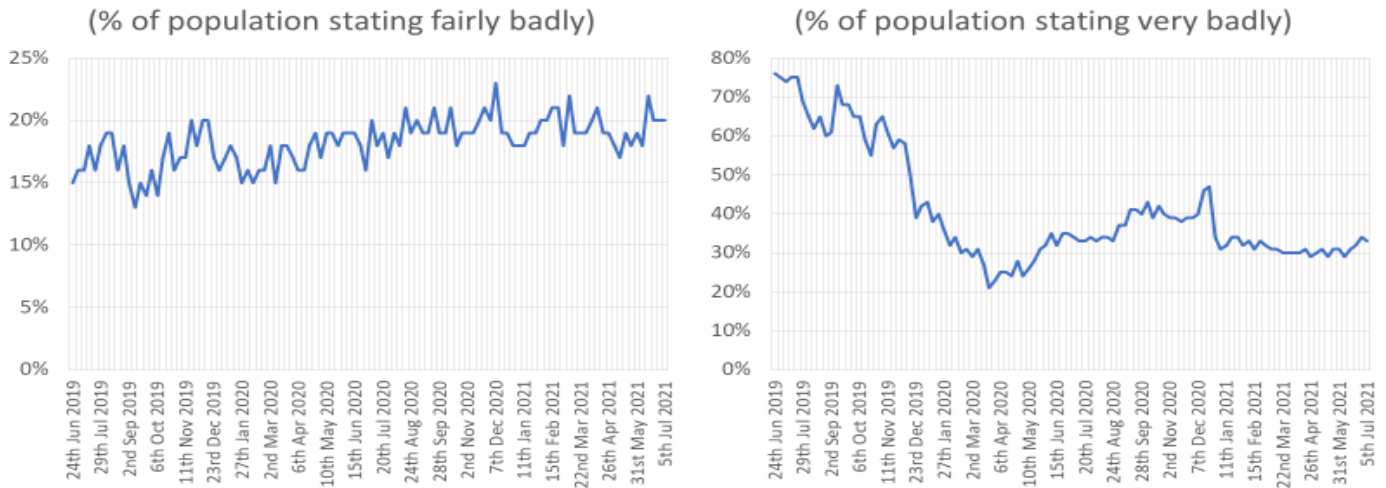
The population will keep increasing their hope for the upcoming month, where there will be a peak of 15% of the population thinking that the Government has done a very well job on the 3rd of February, 2020. On the 13th of April of the same year, there will be another peak of 33%, thinking that the government did a fairly well job. Nevertheless, from that point onwards, the opinion will never increase from this percentage, meaning that even joining the results they have never reached more than 50% in the last three years. (YouGov, 2021)

For the rest of the period of time, the population that thinks the government have done very well will swing from 6% to 12%. Regarding the population that thinks that they have done a fairly well job will swing their opinion from 30% to 17%. In the last seven months, the percentage has stabilized in an average of 28% of the population. This means that Boris Johnson's government has managed to save some of the public opinions about their government. (YouGov, 2021)

Figure 8 – Opinion polls, results (population %)

Source: YouGov, 2020 (Self-made)

How well or badly do you think the government is handling the following issues? Britain's exit from the EU



In the eighth figure, we can appreciate the same poll from figure seven, but now this is the percentage of the population that thinks the work has been very bad or fairly bad. From the 24th of June, 2019, the percentages stating that they have a great discontent with the British government are at a peak. 76% of the population surveyed thought they had done a very bad job, while 15% will state that it was fairly badly. It is remarkable to mention how 76% of the population resorted to the most extreme way to critique the government's actions. On the other hand, nobody stated that they did a very well job, which is a very disappointing result for the Government. (YouGov, 2021)

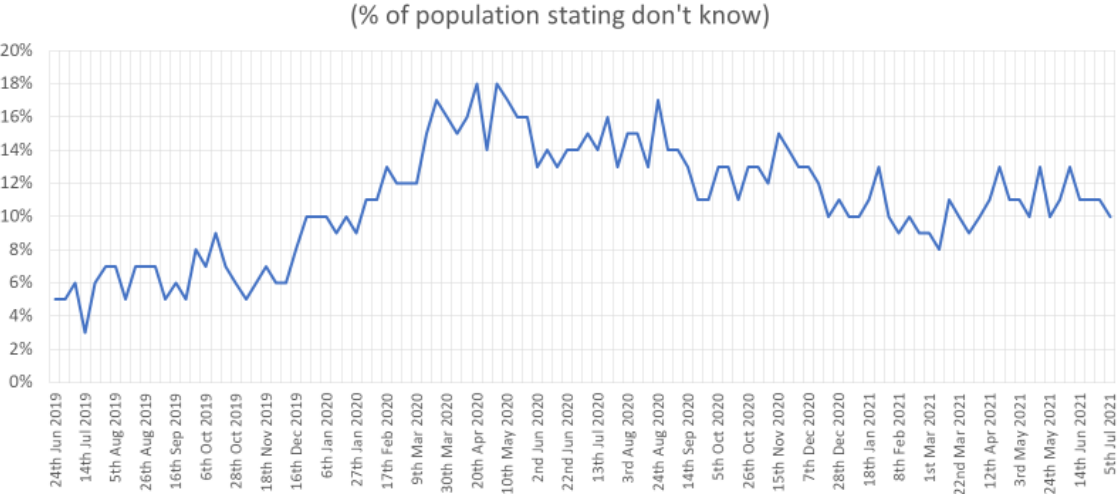
As time goes by, the population starts taking back their extreme discomfort, and some of that percentage moves to "fairly badly" rather than keeping with the extreme opinion. Nevertheless, from the 24th of June 2019 to the 23rd of December 2019, the percentage of the population will not go below 50%. On the other hand, the percentage of the population stating fairly badly will swing from 14% to 20% in the same period of time. This means that over time the unrest in the country has been cooling down over time. (YouGov, 2021)

The population will keep calming their opinion until the 23rd of March, 2020 where it reached an all-time low of 21%. The population stating that the government actions were fairly bad will keep swinging from 16% to 20%, at least until summer 2020.

For the second half of the year, the population unhappy with UK's government will rise. By the end of November 2020, the population will swing from 38% to 47%, stating that they have done it very badly. The percentage of the population stating that the UK has done fairly bad work will reach its peak on the 27th of December, 2020 with 23%. For the rest of the year, the opinions will calm again. The population will stabilize by over 30%, thinking that the government performance over Brexit was very bad. The population that thinks that UK's government was fairly bad will also stabilize around 20%. (YouGov, 2021)

Figure 9 – Opinion polls, results (population %)
Source: YouGov, 2020 (Self-made)

How well or badly do you think the government is handling the following issues? Britain's exit from the EU



In the ninth figure, we can appreciate the percentage of the population answering that they have no idea how the UK's government is handling Brexit. The situation is very particular, where the population, instead of decreasing the number of uncertainty, it has actually risen to the point it even tripled. From the first semester, around 8% of the population is uncertain about the performance of the UK. From December to June, the population's uncertainty will rise to a shocking peak of 20%, reached both in the 3rd of May, 2020. This high result might have its origins in the quarantine, and the population had to care about other things rather than evaluating their government. (YouGov, 2021)

However, in the next semester, the uncertainty will gradually lower, but never as it was before the pandemic. This also means that part of the population was uninterested in Brexit, mostly due to the fact that they had to take care of their loved ones, for example. For the rest of the year, the lack of knowledge from the population surveyed will keep oscillating between 10% and 13%. This means that since June 2019, the uncertainty grew from 3% to 13%, due to the fact of quarantine hitting every European Country, including the United Kingdom. (YouGov, 2021)

In conclusion, it can be argued that the opinion of the United Kingdom has been very critical since 2019 but disappeared when COVID-19 struck the countries. There was a general disinterest and distancing from the topic by the population. This means that for the moment, the population of the United Kingdom has been avoiding this situation until July 2021 because the quarantine has struck the country harder than expected. However, it is still true that at any given moment, the population of the UK generally thought that the government is doing a good job, in contrast with the whopping negative opinions. If UK's favourable opinion has struggled to surpass 40%, their negative opinion has only gone below 40% once, on the 23rd of March 2020. (YouGov, 2021)

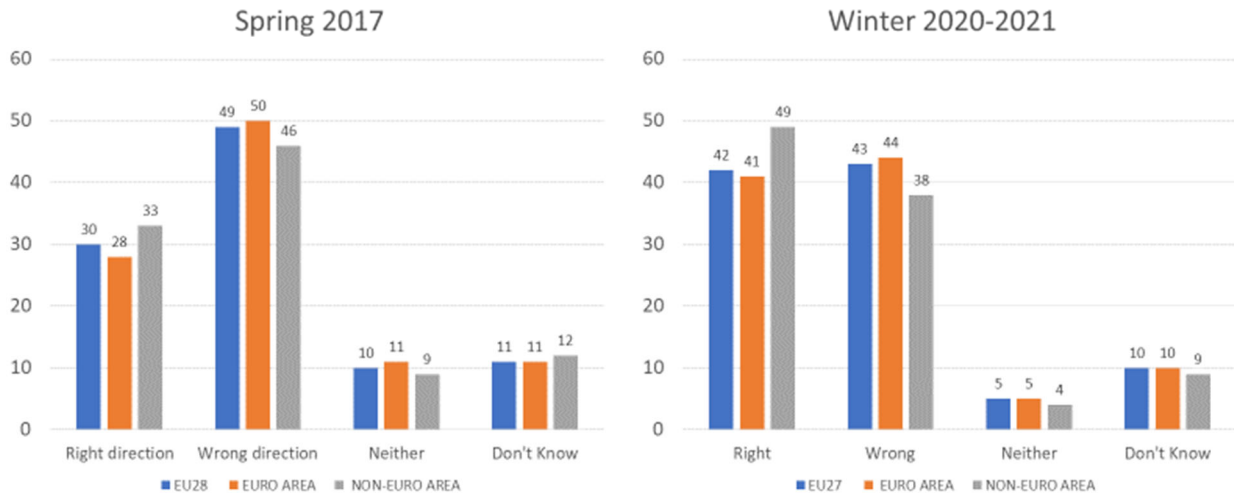
4.3.3.2 Opinion of the European Union from the EU itself

In this section, we will briefly analyze the data of the Eurobarometer regarding the opinion towards the European Union from the member states. The report will consist of an analysis of the opinion of the EU28 (and EU27) countries and the progress of the opinion in the next four years.

Figure 10 – Opinion polls, results (%)

Source: Eurobarometer, 2020 (Self-made)

At the present time, would you say that, in general, things are going in the right direction or in the wrong direction, in the European Union? (%)



In the tenth figure, we can appreciate the opinion of the EU28/EU27, Euro Area, and Non-Euro Area towards the European Union. Starting with the Spring of 2017, it is easy to detect the unhappiness of the EU member states regarding the Migrant Crisis. It is also remarkable to point out that during this time, it was the moment Euroskepticism was very relevant, especially regarding immigration policies. In the Spring of 2017, around 49% of the European Union thought that they are going in the wrong direction. This, compared to 30% of the population, thinks that they are going in a good direction. This is a huge issue in the European Union. Another remarkable fact is that 10% thought that it is neither, and another 11% with uncertainty, which means that there are mixed opinions and misinformation towards the topic. (Eurobarometer, 2020)

However, as we can appreciate in the graphic describing the results in winter 2020-2021, the opinion towards the European Union starts increasing. In 2020-2021, 42% of the population thinks that the EU is in the right direction against a 43% that thinks that it is still in the wrong one. Even though there is still a lot of work to do, this information is good for the EU, as the public opinion is growing back again. (Eurobarometer, 2020)

In conclusion, this means that even after the aftermath of the 2008 crisis, migrant crisis, Brexit and the quarantine, the European Union keeps the trust within its members. However, this doesn't mean that the European Union's integrity is intact. There is still a loss of trust within the EU member states, and that is an aspect that the EU should keep improving if they want to maintain the EU strengths. In the European Parliament, Euroskeptic parties have lost a bit of support but also mainly due to the loss of the UK in the parliament. Conventional parties are decreasing in popularity which is going mostly to parties like Renew Europe. However, parties like Identity and Democracy has managed to join the seats of ENF and EFDD together, forming a powerful Euroskeptic party. In the UK, the opinion regarding Brexit is being avoided due to the quarantine, but there is frustration regarding the government's management of Brexit. (Eurobarometer, 2020)

5. Conclusions

Going back to my research question, there are several implications resulting from Brexit for both EU and the UK. First, the analysis has shown us the maiming nature of Brexit, and ultimately the TCA, where the UK has lost so many privileges in order to regain its sovereignty. Some may argue that the UK will be better off without the European Union. However, as data has shown us, it is already the first year outside the EU, and with the quarantine present in all European countries, it has been a considerable recession for the UK, but also the EU. Furthermore, the lack of integration in the European market for the UK will damage their economy further. The EU is damaged due to the quarantine as well, but also due to Brexit. The lack of cooperation between the UK and EU also affects EU member states that were closely cooperating with the UK. If we put it in perspective, the EU can easily live without the UK and even find other countries to fill up their spot (trading-wise), as many countries will be willing to cooperate with the EU. However, if in the case of the UK, Brexit has generated many doubts on whether or not it is safe to invest in the country as well as trading or cooperating. (World Bank, 2021)

Second, regarding the rise of Euroskepticism, it is true that they are still standing strong, but they are not rising anymore for the moment. This means that parties like Renew Europe or EFA can probably see more support in the upcoming years, as the

conventional parties like EPP and S&D are starting to be less appealing to the Europeans. Nevertheless, Euroskeptic parties like ECR and especially ID are still relevant in the European Parliament. This means that Euroskepticism will keep standing firm in the European Parliament for the next couple of years, but due to Brexit, they will also lose some relevance during that period. (European Parliament, 2020)

Third, this analysis has also shown that trust in Europe is starting to reappear, as well as the UK. Nevertheless, the difference between each other is that while in Europe the statistics do not stop growing in their favour, in the UK they are still irregular, therefore not that trusted. The United Kingdom has a long way to regain trust not only from its investors but from its own population. The data has shown us that the UK citizens have a hard time trusting Boris Johnson government, and due to the quarantine, UK citizens are focusing on other topics. Meanwhile, in the European Union, the chaos originated from the Migration Crisis, and Brexit is finally starting to recover from the political crisis that the EU suffered. The European member states have visualized the aftermath of leaving the EU with Brexit, and it is safe to assume that most of the member states do not want Brexit for their country (at least for now). This also means that unless there are more crises (especially regarding migration), the trust of the European Union will increase over the following years. (Eurobarometer, 2020)

Regarding the aforementioned hypothesis about Brexit and Euroskepticism, namely, the United Kingdom has stagnated economically, but the European Union will suffer a rise in Euroskepticism, which has proven to be factually wrong. This is the consequence of several factors. On the one hand, the empirical analysis shows that the United Kingdom has not stagnated but entered the country's worst recession while also upsetting its population. On the other hand, the European Union's integrity is in the process of recovering from COVID-19 quarantine and Brexit. Therefore, the hypothesis is proven wrong, but due to the lack of solutions that the UK managed to achieve, surpassing the expectations for the wrong. The EU is factually still enduring Euroskepticism in places like the European Parliament but has finally stopped growing, giving hope for the elections of 2024. (YouGov, 2021)

As a point for future reference, it is still difficult to accurately define the long term consequences of Brexit, both for the UK and the European Union. Thus, a point for future research could be to extensively analyse the economic data from the process, perhaps after ten years. Another point for future research could be to analyse the

progress of Euroskeptic parties in the upcoming elections of 2024, assuring its presence in the EU or fading away. As a quick prospect, the United Kingdom needs to solve its worst economic crisis as quickly as possible, or the country will suffer economically for a long time. The EU just needs to show the member states why it is essential to trust the EU and deliver their promises if they want to achieve further integration or cooperation in the future. (European Parliament, 2019)

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