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The UK's Withdrawal from the EU and its Possible Future Implications on the UK's Economy

A Dissertation Submitted to the Department of Letters and English Language in Partial Fulfillment of the Requirements for the Master Degree in Anglophone Language, Literature, and Civilization.

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Dedications

I would like to dedicate my dissertation to my family. A Special feeling of gratitude and recognition goes to my beloved parents, who provided me with an endless support and love. I would like to dedicate this work to my father. I would like to thank him for his guidance and trust. To my mother, the person who deserves all the appreciation, for her love and for being always my enlightenment and inspiration in life.

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Abstract

The notion of the withdrawal from the European Union has never been tackled before among its Member States and as an unprecedented event, nothing is sure about how to be conducted or its possible future implications and entailments. In this regard, the current dissertation spots light on the UK's membership in the EU for more than 40 years of economic thrive and prosper that both of the UK and the EU witnessed. Yet, the future of this successful relationship is not enlightened anymore. To hold an in/out referendum on the EU membership was a turning point in the UK's history because it was not an ordinary member for the EU; rather it is the EU's biggest and strongest trading partner throughout decades. On 23 June 2016, the referendum results the UK's departure from the EU. In contrast, the process would not be fulfilled before triggering the Article 50 and starting the two years negotiations to achieve an agreement. The two years negotiations are the key element in determining the UK-EU future relationship and specifying the possible impact and challenges that may stand in front of the UK's economic advancement and the alternative the UK can adopt to withdraw with fewer damages.

ملخص

لم يحدث التعامل مع فكرة الانسحاب من الاتحاد الأوروبي من قبل دوله الأعضاء من قبل وكحدث لم يسبق له مثيل ، لا يوجد شيء مؤكد حول كيفية إجراءه أو تداعياته المحتملة في المستقبل. وفي هذا الصدد، تلقي هذه المذكرة الضوء على عضوية المملكة المتحدة في الاتحاد الأوروبي لأكثر من 40 عامًا من الازدهار الاقتصادي الذي شهده كل من المملكة المتحدة و الاتحاد الأوروبي. ومع ذلك، لم يعد مستقبل هذه العلاقة الناجحة منيرًا بعد. لقد كان إجراء استفتاء خارجي/داخلي حول عضوية الاتحاد الأوروبي نقطة تحول في تاريخ المملكة المتحدة كونها لم تكن عضوًا عاديًا في الاتحاد الأوروبي، بل هي أكبر وأقوى شريك تجاري له طوال عقود. في 23 جوان 2016، نتج عن الاستفتاء خروج المملكة المتحدة من الاتحاد الأوروبي. في المقابل، لن يتم تنفيذ هذه العملية قبل إطلاق المادة 50 والشروع في المفاوضات لمدة عامين للوصول إلي اتفاقية. إن المفاوضات التي ستدوم لمدة عامين هي العنصر الأساسي في تحديد العلاقة المستقبلية بين المملكة المتحدة والاتحاد الأوروبي، و تحديد التأثير والتحديات المحتملة التي قد تقف أمام التقدم الاقتصادي في المملكة المتحدة ، بالإضافة إلي البدائل التي يمكن للمملكة المتحدة اعتمادها للانسحاب بأقل الأضرار الممكنة.

List of Abbreviation and Acronyms

CAP	Common Agriculture Policy
EAEC	European Atomic Energy Community
EC	European Communities
ECSC	European Steel and Coal Community
ECB	European Central Bank
EDC	European Defense Community
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Area
EMU	European Monetary Union
EMS	European Monetary System
ERM	Exchange Rate Mechanism
ESCB	European System of Central Banks
EU	European Union
FDI	Foreign Direct Investment
FRG	Federal Republic of Germany
GDP	Gross Domestic Product
IGC	Intergovernmental Conference
OECD	Organization for Economic Co-operation and Development
PPERA	Political Parties, Elections and Referendum Act
NATO	North Atlantic Treaty Organization
NCB	National Central Banks

QMV	Qualified Majority Vote
SSA	Stabilization and Association Agreement
SEA	Single European Act
SFRY	Socialist Federal Republic of Yugoslavia
TEU	Treaty on the European Union
UK	United Kingdom
UKIP	United Kingdom Independence Party
WTO	World Trade Organization

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Introduction

The United Kingdom has always shared a common history with Europe for centuries, where they had either common goals and traditions or conflicts. After the end of the Second World War and increased rise of the notion of creating a "United States of Europe" through Winston Churchill's call in 1945, the first steps for the formation of the EU history saw light. The UK did not support Churchill's request at the beginning and considered it as not appropriate for the Empire's prestige. But, its economic downfall and instability obliged the UK to apply later for the accession to join the EEC, since the latter' economy was gradually thriving.

In fact, the UK's accession to the EU was fruitful; both of them influenced and affected the other part in different ways. Churchill's aim to make Europe live in peace and harmony was fulfilled for decades, but Britain was always described as the awkward partner in the Union. This feeling of non-affiliation always haunted the British people and resulted, in a way or another, the UK's quest to determine its future membership within the EU regardless of their long relationship.

This study advances the hypothesis that the UK would have a profound implication after the withdrawal, since it would lose its largest market. Nonetheless, the EU also would face a new experience of negotiating the Brexit of its most important and influential member. Hence, this would bring about significant changes of the nature of their relationship after the departure. Concerning the EU, the loss of its largest economic member could cause economic crises that would not be easy to get rid of.

The significance of this research is to investigate the real causes behind declaring to hold an in/out referendum on the UK membership within the EU and how the Prime Minister's decision would impact whether his country or the Union they are belonging to. It highlights as well the problems related to the UK-EU future relationship and the possible challenges that may face their growth after the UK's departure.

The main objective of this study is to deal with and analyze the possible entailments and costs of the Brexit, taking into consideration that the UK is the EU's biggest trading partner. For more than 40 years, the UK-EU relationship was too successful and the UK was relying heavily on the EU in its economical affairs as its biggest market. Thus, the topic had been chosen to focus and clarify the main reasons that led the UK to step forward and bring itself out of the EU. Both of the UK and the EU had numerous economical binds that would not be easily revoked without profound consequences.

The next objective is to find out how would the UK-EU negotiations of March of 2017 bring some hope for shaping a possible cooperation and integration between the two blocks. Hence, UK scheduled timetable with the EU to negotiate and manage the possible implications of the secession, because the failure to do so will lead to countless political and economic damaging problems. So, this thesis will show the impact of the withdrawal on both the UK and the EU and how the negotiations could manage to make it less harmful.

The research will try to answer the following questions: what are the challenges that could face the UK and the EU in this new experience? What will be their relationship in the post- withdrawal period? Are there any alternatives for the UK to fill the gap the withdrawal caused? Is UK able to maintain its new situation with fewer damages since almost of its trade was directed to the EU? And how it would do cover the possible crisis and deficit? The outcome of the research would be significant as it paves the way for a clear investigation about this topic.

The subject of the UK's withdrawal from the EU is a recent event that has about five years since Cameron's announcement in 2013. Precisely, it has only two years since the referendum day on 23 June 2016. Thus, a limited literature has been produced or available in either printed or electronic forms. Few books and Articles have been written by researchers or analysts or journalists about this recent topic especially the mutual impact of the UK-EU membership. Yet, the attention has been mostly focused on studying the causes or the reason behind this sudden event and its implications.

In his paper of "Europe without Britain: Assessing the Impact on the European Union of British Withdrawal", Tom Oliver points out the idea of leaving the EU is becoming stronger than before and its implications would be more profound on the UK. He added that the loss of UK's membership could cause big problems for the EU like crisis. Also, the author sees that the withdrawal is a threat that needs more analysis before taking that step. He claimed that the future relationship could be positive and the withdrawal does not mean the end of Britain in Europe because it remains always a part of it, but rather it would be only the end of the UK's membership in the EU. Hence, he examines the process of the withdrawal and discusses the possible EU-UK post-withdrawal status.

"The Process of Withdrawing from the European Union" is a report written by the House of Lords in 2016. It deals with the Article 50 of the Lisbon Treaty as the only way for the UK's departure. Besides, it explains the process of the withdrawal and the possible coming future relationship between the EU and the UK and it considers the danger of the negotiations failing on the UK citizens who live in the other EU Member States.

In a book entitled *Leave Alliance, Flexcit, a Plan for Leaving the European Union* written by Peter Troy. He provides a detailed explanation concerning the negotiation framework and the post-withdrawal relationship in which he mentioned the influence of media on the negotiation and the role of the Article 50 in triggering in the negotiation. Besides, the author tackles the importance of the Single Market in the EU's trade as a genuine policy. Yet, this policy may not be adopted by the UK; rather it would seek to join the global trading system.

Among what has been written about the UK-EU relationship a paper entitled "the Impact of the EU Membership in Scotland" published by the European Parliament. It includes the development of the EU after WWII which is started in the beginning as the European Economic Community of only six members till it becomes today's European Union of 28 member states including the UK. Then, the paper moves to deep explanation of the Lisbon Treaty which was signed in 2009. Moreover, it discusses the path that was followed to reach the decision of the referendum and how the Prime Minister Cameron has set five principles to change the EU to what suits the 21st century such as competition and flexibility.

The research methodology is based on a descriptive analytical process, focusing on the description and investigation about the issue of "the UK's withdrawal from the EU", as well studying the impact of that unprecedented event. It also describes how the UK withdrawal happened. The qualitative method is also required to provide a deep analysis to the subject through tables, statistics, censuses and graphs that will clearly explain the economic losses and gains of both the UK and EU. Concerning the analytical approach, it is used to investigate the possible implications of the Brexit on the UK and the EU and their further solutions.

The historical method is given an important place in this research as well since it deals with the historical background of forming the EU, how UK has joined it and the different treaties and agreements that bound the EU Member States together. The study cannot be fulfilled without analysing speeches of prominent figures from both the UK and the EU; discourse analysis therefore is applied in this research in addition to a large range of studies, reports, books and articles that deal with all what is related to the topic.

The current thesis investigates the UK's relationship within the EU since its accession and how they affected each other especially in the economic fields. As a debatable subject, their gradual relationship which had moved through several challenges and steps shall be discussed. This research therefore will be divided into three main chapters to talk about the most important events that the UK and the EU went through over years.

The first chapter spots light on the historical overview of the EU and how it was established. Europe was in strong need to build up again what was destroyed in WWII. The only way to achieve that was making treaties and agreements that enable them to live in peace and develop collaboration and integration between all Europe countries. It was not an easy process to start from the zero and make it successful. For decades and till nowadays, the EU leaders made several treatments and agreements to unify Europe and facilitate their cooperation. Chapter one also deals with the different steps that the EU made to ensure the stability and unity of its Member States.

The second chapter deals with the accession process of the UK into the EU in 1973 after two previous rejected applications. It highlights the impact of the UK joining to the EU on the UK itself and the EU as well in different fields especially those related to economy. The two blocks witnessed a huge success and development, thus the chapter will define the key elements that were vital for boosting their economy that results the mutual benefit.

The third chapter is devoted for a selected case study through clarifying the UK's withdrawal process and identifying the main causes behind it. As an unprecedented event, the process was not easy to accomplish. The withdrawal was complicated and went through several stages to be concluded, yet it still under negotiations. This section shows the possible withdrawal implications on UK and how it would affect the country's future relations.

Chapter One

The Historical Background of the EU

After World War II, Europe was destroyed and devastated in all sides, which led its leaders such as Jean Monnet, Winston Churchill, Walter Hallstein, Robert Schuman…etc, to recognize that the continent was in a strong need of cooperation and integration of all the European countries to avoid further wars in the future. Thus, the aim behind the creation of the European Union was to make Europe able to be a crucial part in the world affairs. It was needed for the European countries to present themselves as one voice, one economic and political body concerning their relations with the world especially after the great damages of the two world wars.

Therefore, the European countries thought about making treaties that would enable them to live in peace and harmony and to build up their infrastructures. The result of several agreements and treatments throughout more than 50 years was the creation of the European Union. The latter was made through different and numerous actions and steps that took place after the WWII and continued to be developed till nowadays, to unify Europe and maintain peace among its countries. These Treaties played a major role in the development and the prosperity of the European Union as an economic and political power that has its unique place in the world as a whole.

1.1. The European Steel and Coal Community (ECSC)

The first person who talked about the European bind was the British Prime Minister Winston Churchill. He called for a kind of 'United States of Europe' in his famous "Speech to the Academic Youth" held at the University of Zurich in 1946 ("Founding Fathers of EU"). In his speech, Churchill urged the European countries to forget about the centuries of hate and conflicts that left Europe suffering from a lot of casualties and atrocities, and create new

Europe that would live as one family of justice, freedom, homogeneity and safety under what he referred to as a kind of United States of Europe.

As a first step, Churchill request started by the creation of a Council of Europe, in which 800 delegates from all over Europe attended the Congress of Europe in 1948, which has resulted the creation of it on 5 May 1949 ("Founding Fathers of EU"). He stated in his speech: "We must build a kind of United States of Europe. In this way only will hundreds of millions of toilers be able to regain the simple joys and hopes which make life worth living" ("European Message of Winston…" 18-9), for further reading, see Appendix 1.

The European integration has begun when Robert Schuman, the French Prime Minister of Foreign Affairs, proposed the 'European Coal and Steel Community' (ECSC). This latter was drafted by Jean Monnet who was a French political, economic advisor and the inspiration of the Plan as well. The aim of the integration was to pool France and Germany's coal and steel resources in a new organization which other European countries can join (Bindi 14). This was a major step that built the road for the coming binds.

The Plan's negotiations were triggered in 1950 when the European countries felt that it was necessary to rebuild their economies. While they were, in the same time, afraid of Germany's dominance over the steel industry, since Germany in 1947 was using all the pulled out coal for the steel industry from the Ruhr and preventing the other European countries to have access to this source of industry (Piodi 24). The result of the negotiations was the agreement that is known as Schuman Plan, which established the (ECSC) to avoid the German dominance over the steel industry (Besslich).

The ECSC was signed with France, Belgium, Germany, Italy, Luxembourg and the Netherlands on 18 April 1951 (Besslich). The talks about the treaty took almost a year, from June 1950 to April 1951, but it came into force only on 25 July 1952 and it was signed in Paris as the ECSC Treaty (Piodi 26). At this time, the outbreak of the Korean War led to the necessary rearmament of Europe and Germany as well, since they were afraid of the communist spread ("From the Messina Conference…" 3). The result of this rearmament was the enlargement of the steel industry and the survival of the economic power of Europe in the early 1950s (Piodi 26).

1.2. The European Defense Community (EDC)

On 27 May 1952, under Pleven plan which was proposed by René Pleven, a French Prime Minister, the European Defense Community (EDC) was signed. Besides to its supranational basis, the plan called for the creation of a European army that would be controlled by the European Ministry of Defense, and its army is from the EDC's countries which are: Germany, France, Belgium, Luxembourg, Italy and the Netherlands. The Plan was a reaction from France to the United States' suggestion; creating an organization within the Atlantic alliance that stands for controlling the German army under its direct dominance, which became later the North Atlantic Treaty Organization (NATO) (Bindi 13-4). This new treaty connoted economic incorporation especially the military armament which called for standardization of industrial-war capabilities.

After two years, in 1954, the EDC was collapsed, when it was ratified by Germany and the Benelux countries. Though the competent parliamentary commission approved the Treaty in Italy, it did not make a vote waiting for France to lead it. At that time, the French people have separated into two positions: ones who were for the treaty's ratification and others who were against it, this led to the refusal of the ratification in a National Assembly on 30 August 1954 (Bindi 14). Despite that, the economic cooperation between France and Germany remained stable and strong forward, the rejection of the treaty and its failure created a statue of hostility in Germany towards France (Dinan 1125).

1.3. The European Economic Community (EEC)

Before the official failure of the (EDC) in the 5 May 1953, the Dutch Foreign Minister, Johan Willem Beyen, set out a new model in which he proposed the establishment of a 'general economic integration' like: energy and transport sectors, to not depending only on one field of integration. This framework was sent to the ECSC's Foreign Minister, and he aimed at developing a common market among the European countries but several technical and economic problems occurred before the real application of the proposed plan ("From the Messina Conference…" 3-4). So, it was necessary to look for Community plans that might help the reviving of the European economic integration and find solutions for its problems.

1.3.1 Plans for Revival

In early 1955, Jean Monnet prepared a plan for a European Atomic Energy Community and he has informed the Belgian Foreign Minister, Paul-Henri Spaak, about it to gather the plans for reviving the European economy, at a condition to be presented by Spaak because of France's reaction towards the European Defense Community (EDC). This plan has got an immediate support from the Luxembourg Foreign Minister, Joseph Bech, and his Netherlands counterpart, Johan Willem Beyen. These three Benelux countries made a memorandum on 18 May 1955, and they sent it two days later to West Germany, France and Italy ("From the Messina Conference…" 4).

The Plan was negotiated from 1 to 3 July 1955, at the Messina Conference by the Foreign Affairs Ministers of the ECSC's six countries ("Founding Fathers of the EU"). The aim of this plan was to bring plans that revive and strengthen the European incorporation and enlarging the ECSC in the fields of energy and nuclear energy, transport, economic, social and financial sectors.

1.3.2. The Messina Conference

The Messina Conference was seen as a sign to revive and re-launch the European integration and unity, it was the first meeting of the six Foreign Ministers since the failure of the EDC, in August 1954. The three days of discussions was attended by Joseph Bech for Luxembourg as the chairman of the Conference, Paul-Henri Spaak the Belgian, the German Walter Hallstein, Antoine Pinay for France, Johan Willem Beyen for the Netherlands and the Italian Gaetano Martino (Deschamps, "Messina Conference" 2).

The six foreign ministers, on the one hand, focused in their discussion mainly on the different proposals and suggestions that were submitted by the Benelux countries in the memorandum and they agreed on the idea of widening the European integration in all sectors of economy and the creation of a common market among the European countries (Deschamps, "EEC Institution" 2). On the other hand, the six representatives had some disagreements such as: for or against the extending of the ECSC power, giving the priority and importance to the political or economic aspects more than the other sectors, for or against the supranational institution in which they want to eliminate the all national borders…etc ("From the Messina Conference…" 4-5) for better integration. Although, they had different points of views about what is mentioned before, an agreement was signed on 3 June 1955 (5).

In addition, the six claimed that they have ‘‘to go a step further towards the construction of Europe […] in the economic field and that the further progress must be towards the setting up of a united Europe by the development of common institutions, the gradual merging of national economies, the creation of a common market and the harmonization of their social policies" (qtd. in Deschamps, "Messina Conference" 2). This means that, they agreed to work on making Europe restoring its position and its influence on the world as a united power, taking into consideration the necessity of raising the standards of living for their populations and determine the working hours, length of holidays, overtime and holiday payments for better harmonization.

Also, they wanted to combine between supranationality and an intergovernmental cooperation that is based on unifying Europe and the establishment of a “general common market”. This latter is defined as the elimination of the private and public obstacles and barriers for the free internal movement of people, services, goods and capitals (Deschamps, “EEC Institutions” 2), through which Europe would develop and revive its condition in all sides as one hand.

Other points were tackled in that conference, the first one was the nuclear energy in which the six Ministers talked about its importance and the need for developing it for peaceful purposes. Also, they wanted to provide the European countries with the necessary and essential equipments to ensure the peaceful development of this nuclear energy under a common organization, since it boosts the economy and leads to more industrial revolution and prospect in Europe (“From the Messina Conference…” 5). Nonetheless, they talked about transports, in which they recognized the importance of developing this area through establishing networks of canals, railways lines and motor highways (Deschamp, “Messina Conference” 4). Having a developed transportation would facilitate the movement of people, goods, services, and capitals.

1.3.3. The Spaak Report

While, there were a growing power of the United States of America and the Communist nations, it was noticeable that the European countries were weak in the field of foreign policy and they were lacking the essential equipments to make the right investments and researches to start the technological revolution and further binds. So, the Messina Conference was the first step for more integration and it was confirmed by the Spaak Report. The Conference created an Intergovernmental Committee to be held on 9 July 1955 in Brussels under the chairmanship of Paul-Henri Spaak (Deschamps, “Spaak Report” 2).

This Conference was attended by the six Foreign Ministers and a representative from the United Kingdom. It aimed at studying and finding the appropriate ways for the future integrations under a common market system and the nuclear energy through the European Economic Community (EEC) and European Atomic Energy Community (EAEC), the Euratom, successively (“From the Messina Conference…” 5).The Spaak Committee worked from 9 July 1955 to 21 April 1956 and was considered as the cornerstone of the intergovernmental negotiations at Val Duchesse, a City in Brussels, Belgium (6). Its role was to direct, organize, coordinate and monitor the work of the committees and the six governments with the assistance of experts.

The Committee analyzed the common market, the investments and the possible social issues, the conventional energy, the nuclear energy and nuclear issues, agriculture, the transports and the areas that need urgent actions. On 21 April 1956, the Intergovernmental Committee published the Spaak Report, which has regulated the headlines of the future European Economic Community (EEC) and European Atomic Energy Community (EAEC) (“From the Messina Conference…” 5). The latter was specialized with the nuclear energy industry.

1.3.4. Obstacles in the Common Market and Euratom

Despite the fact that the establishment of the Common Market aimed at creating a geographical area with a single economic policy through the elimination of quotas and tariff barriers, there were disagreements concerning the way of implementing this economic system. Italy and France were in favor of market regulations and external protection, while the Benelux countries favored an economic liberation and requested a reduction of customs duties and low common external tariff (Dinan 1126). This disagreement, however, was not the last.

The six foreign ministers also disagreed on how they could apply a common agriculture that had to satisfy each country. Even the establishment of Euratom faced some issues ("From the Messina Conference…" 8). For example, the industry of nuclear energy developed only in electricity, which obliged Europe to produce a "large amounts of low-cost nuclear-powered electricity" (8). Thus, it was necessary and urgent for the Euratom States to adopt rapid formation for the development of the nuclear energy industry in order to raise the living standards and for further success and development of trade within the world.

1.3.5. Rome Treaties

The Treaties of the European Economic Community (EEC) and the European Atomic Energy Community (EAEC), that were negotiated at the Intergovernmental Conference (IGC) on the Common Market and Euratom, at Val Duchesse in June 1956, were signed on 25 March 1957, and entered into force on 1 January 1958, by representatives of the European Coal and Steel Community (ECSC) in Rome and known as the Treaties of Rome (Deschamps, "EEC Institutions" 2). The EEC Treaty was based on the following principles: progressiveness, irreversibility, the prohibition of discrimination, and the open nature of the Community. It determined the objectives of the customs union and how should it work, the outlines of the Common Agriculture Policy (CAP), the common transport policy and the free movement of goods, persons, services and capitals ("From the Messina Conference…" 9).

The EEC treaty was founded on the three powers of: a legislative power, an executive power and a judicial power which are the Assembly, the Council and the Commission and the Court of Justice, respectively ("From the Messina Conference…" 9). Like the EEC, the Euratom Treaty was provided with: an assembly, a Council, a Commission and a Court of Justice. The rapid development and formation of the nuclear energy's industry was the main principle of the Euratom, since Europe was in a huge need for further evolutions in trade and economy and to improve the standards of living for the European Member States (10-1).

As the first Article in the treaty declared: "It shall be the task of the Community to contribute to the raising of the standard of living in the Member States and to the development of relations with the other countries by creating the conditions necessary for the speedy establishment and growth of nuclear industries" (Spaak et al. 2). The objective of the European Atomic Energy Community progress was to promote the use of nuclear energy in peaceful purposes and to encourage good relations with the world ("From the Messina Conference…" 11). Its progress, however, was slow because of the members' disagreement on different issues.

1.4. UK's Application to Join the EEC Membership

The six Member States of the ECSC had the desire to add Britain with their bind, but Britain refused their quest (Dinan 1127). Then after the ECSC's economic development and success, Harold Macmillan, the British Prime Minister, asked to join the EEC and started negotiations on 31 July 1961(Perisic 4). Yet, many obstacles were going to stand in front of the British government which resulted the delay of the negotiations till 1963 (Gervig Hansen 51-2), and th.e French president Charles de Gaulle was the cornerstone behind the twice vetoing of the British accession to the EEC in 1963 and 1967 (Bindi 17-8, Gervig Hansen 75). The third application of Britain to the EEC took place in 1970 after the resignation of de Gaulle and it became an official Member State on 1 January 1973 (Bindi 19).

1.5. Merger Treaty

There were several reforms made for the Communities since the establishment of the ECSC till reaching the EEC. The treaty that established the Single Council and a Single Commission of the European Communities, known as the "Merger Treaty" or the "Treaty of Brussels", were an important step in the European integration and development. It was signed in Brussels, Belgium, on 8 April 1965 and came into force on 1 July 1967. It created the executive bodies of the ECSC, EEC and the Euratom which are a Single Council and a Single Commission which collectively became known as the European Communities (Pappalardo 2).

Nevertheless, the Treaty of Merger was provided, later, with several amendments among which, the Treaty of Luxembourg of 22 April 1970 and the Treaty of Brussels of 22 July 1975 (Pappalardo 2). The former was created to amend specific Budgetary Provisions of the Treaties of the European Communities and the Single Council and a Single Commission of the European Communities through increasing the budgetary power from the Communities' own sources not from the Member States (2). While the latter was concerning the amendment of certain Financial Provisions to increase the budgetary power of the Parliament and creating a Court of Auditors, which was responsible for accomplishing the community's external audits. Also, both of the Treaty of Luxembourg and the Treaty of Brussels were, respectively, concerning the amendment of the ECSC Treaty, the EEC Treaty, the EAEC Treaty, the Merger Treaty and final provisions (2-3).

1.6. The Economic and Monetary Union (EMU)

The Path towards the Economic Monetary Union (EMU) started from the decline of Bretton Woods's exchange rate system in the early 1960s, which was a dollar-centered system that provided, since after the WWII, an international framework of currency stability with the United States dollar which, in turn, had a fixed price of gold (Klein 3). This system met several tensions between the United States and the other countries that led to a pressure against the dollar, which consequently, led to the collapse of Bretton Woods' system in March 1973 (5). Before the official demise of the Breton Woods' exchange rate system, in 1969 the Heads of the States met in The Hague, in the Netherlands, where they agreed on the necessity of making a plan to create an economic and monetary union within the community (Delors 7).

In 1970, the first step towards EMU was the "Werner Report" of the Luxembourgian Prime Minister Pierre Werner who headed a Committee through which he advocated the movement towards economic and monetary union by 1980 ("European System of Central Banks" 5). This latter was seen to be an important step for encouraging trade in goods, services and capitals within the European countries. In October 1970, the final report was submitted with a main objective of achieving the EMU within 10 years and it concluded with the possible making of a single and irreversible currency, the free movement of capitals, and the elimination of margins in the exchange rates ("One Currency For One Europe…" 5).[1] Finally, after the Werner Report, the European Member States expressed their political desire to establish an economic and monetary union in March 1970 (5).

1.6.1. Delors Report and the Reviving of EMU

Thinking about the EMU was revived again in 1980s, exactly through the establishment of the Single European Act (SEA) of 1986 which introduced officially the single market ("European System of Central Banks" 5). Yet, the Member States recognized the necessity of creating a single currency among them to benefit more from the single market. Therefore, in June 1988, a Committee was held by the European council at Hanover, Germany, under the chairmanship of Jacques Delors, the President of the Commission, who were instructed to find out ways for the recognition of the EMU ("One Currency for One Europe…" 7, "European System of Central Banks" 5).

Accordingly, a report was submitted in April 1989 that introduced the objectives of the EMU which were: "the complete liberalization of capital movements, the complete integration of the financial markets, irreversible convertibility of currencies, irrevocable fixing of exchange rates and the possible replacement of national currencies with a single currency" ("One Currency for One Europe…" 7).

1.6.1.1. Three Stages towards EMU

Delors' report stated that the mentioned above objectives could be achieved through three main stages, from 1990 to 1999 and forward ("One Currency for One Europe…" 7). The first stage started from 1990 to 1 January 1994, where all the internal barriers were supposed to be removed, through the SEA's establishment ("European System of Central Banks" 5). The second stage, from 1 January 1994 to 1 January 1999, launched by the creation of the European Monetary Institute, [2] it prepared for the transition to a single currency, the euro, enhancing the economic stability and governance between the members, strengthening the national central banks as an independent institution, preparing the European System of Central Banks (ESCB), it is a preparatory phase for the third stage ("European Monetary Institute" 7-11). The latter started on 1 January 1999, it stated the fixed and irrevocable exchange rate, putting monetary policy under the responsibility of the ECB and ESCB and introducing the euro as a single currency, to be applied officially in 2002 ("European System of Central Banks" 6, "One Currency for One Europe…" 7).

1.7. The Abolition of the Customs Duties

Customs duties is a levied taxation on the exportation or the importation of goods, that were imposed by the Member States whether inside or outside their territories. This custom duties or any other kind of quantitative restriction were recognized as a heavy issue and barrier in front of the European integration. Therefore, the EEC's third Article stated the elimination of the customs duties or any other measures having equivalent effect between the Member States (Ortino 37-48). Although it was not easy for the Member States to prohibit the custom duties at once, it had a gradual process through which they mentioned it in several Articles of the Rome Treaty.

On 31 December 1961, the Article 16 of the same Treaty (EEC) stated that the custom duties or any other equivalent changes were abolished, while the Article 25 of the Treaty stated the abolition of the inter-state trade financial barriers (Ortino 37-48). Besides, the Council of Ministers declared in May 1960 and May 1962 to speed up the abolition process. Under the customs union which was at first applied officially between the Six on 1 July 1968, then it touched the new members, United Kingdom, Denmark and Ireland on 1 July 1977, the custom barriers finally disappeared and the nine countries formed “a single customs area” in which all the past financial barriers were vanished (“EU Customs Union…” 5).

1.8. The European Monetary System (EMS)

In October 1977, the President of the European Commission, Roy Jenkins, made the first impulsion for establishing the European Monetary System (EMS), through which he wanted to motivate the creation of monetary integration between the Member States. Then, he was supported, six months later, in 1978, by the German Chancellor, Helmut Schmidt, who put a new plan for the creation of a “zone of monetary stability” in Europe (Cohen 1). This plan was submitted at first in the European Council in the Community Summit, in Copenhagen, city in Denmark, in April 1978. Then, in July of the same year, the second Council meeting in Bremen, in Germany, approved the idea of the EMS. After that, in December 1978, the negotiation about the EMS was held at a third summit in Brussels (2).

Consequently, the European Monetary System (EMS) was launched in March 1979; it was signed by eight Member States of the European Community, except the United Kingdom which signed it in 1990, and participated in its Exchange Rate Mechanism (Klein 6).[3] The EMS was set into force to link the currencies of the European countries through reducing the exchange rate between the different European currencies, to stabilize the inflation and to eliminate the large exchange rate currency fluctuations, since they were damaging the European trade and the economic prosperity (“One Currency for one Europe…” 6).

1.9. The First Direct Election of the European Parliament

The European Parliament was first introduced in the establishment of the ECSC as a “Parliamentary Assembly” in September 1952 in Strasbourg, France. Following the creation of the EEC and the Euratom, the ECSC Assembly was expanded to cover the three communities as the “European Parliamentary Assembly” on 19 March 1958 and as the

"European Parliament" on 30 March 1962, yet its power was limited (Lee, Malarvanan 2). Though the Treaty of Rome contained provisions that allowed the direct election for the European Parliament, it did not provide any timetable for the election through universal suffrage (Bardi et al. 34-5). It rather gave more importance and priority to the economic integration (Lee and Malarvanan 2).

The European Parliament gained gradual growth of power only after 1970. On 9 and 10 December 1974, a Summit Conference was held in Paris, which decided that the direct election should take place during or after 1978 and demanded the Parliament to make new proposals to be adopted instead of the original draft convention of 1960, hence the Parliament did so in January 1975 (Bux 1). Nevertheless, on 20 September 1976 the Decision and Act signed the decision on making the European elections through direct universal suffrage. Then, the Act was ratified to be came into existence in July 1978, while the first European Parliament elections took place on 7 and 10 June 1979 and headed by Simone Veil (Lee and Malarvanan 2; Bux 1).[4]

1.10. The Second Enlargement: Greece, Spain and Portugal Accession

In the mid of 1970s, three European countries, Greece, Portugal and Spain applied their requests to join the EEC, yet they were considered unequal partners because of their low wages, unstable currencies, low-cost agriculture products, high inflation rates, and undeveloped industrial sectors. Consequently, the negotiations with Spain and Portugal were postponed, they did not become members until 1 January 1986 and it was the fourth enlargement (Gürzel 7).

While, precisely for Greece, it was not the first time to show its desire to join the EEC, since July 1959, though Constantinos Karamanlis, the Prime Minister of Greece, was not supported either by his government or by the public, he submitted his proposal (Gürzel 7). The EEC signed with Greece on 10 July 1961 in Athens, an Association Agreement, which is a free trade agreement with non-members states where customs duties are abolished but it did not allow for covering full membership within the Community (7-13). The Agreement came into force in November 1962, it was mentioned in the Article 238 of the EEC Treaty and Greece was the first one to apply it (13).

In the late 1960s and early 1970s, Greece was under a military dictatorship leader, Archbishop Makarios, after the military coup d'état of 21 April 1967. At that time, the relationship between Greece and the ECC was suspended until the military junta was ended on 24 July 1974 (Deschamps and Lekl 2). Consequently, the Prime Minister of Greece, Constantinos Karamanlis, announced his desire to fulfill the membership within the ECC and he submitted the official application on 12 June 1975 (2). By doing so, on the one hand, Greece wanted to free itself from the Western and the American dominance which was obliged on them by the military junta, as a primary step, Greece announced its succession from NATO on 17 August 1974 (2). While, on the other hand, the country hoped to regain its democratic statues, economic development and its stability through joining the ECC, since it was suffering from bad situation at that time especially in economy and agriculture (2).

Despite that, Greece was living a bad situation in comparison with the rest of the nine nations since it had tensions with Turkey on Cyprus, a country with a mixture of Greek and Turkish people who were invaded by Turkey in July 1975 and results a dispute between the two countries (Karamouzi 19). The European Commission recognized the political significance of the Greece membership and it proposed a pre-accession period for Greece in order to develop its statues (Deschamps and Lekl 2). Also, Greece gained support from both France and the Federal Republic of Germany (FRG), because of its political and economic grounds, respectively. France viewed that Greece's location on the edges of Balkans would be of great importance, while Germany supported it because of the strong trade links within it and wanted to strengthen those links (Deschamps and Lekl 2-3; Karamouzi 19).

Although the European Commission was still afraid of accepting the application, both the German Prime Minister for Foreign Affairs, Hans-Dietrich Genscher, and his counterpart of the Netherlands, Max van der Stoel, had decided to accelerate the process of joining Greece and working, at the same time, to convince the other European counterparts to approve the application (Deschamps and Lekl 3). Accordingly, the Council of Ministers approved the application on 9 February 1976, as a step to start negotiations officially on 27 July 1976 (3-4). The negotiations took almost three years till 23 May 1979, and a Treaty of Accession was signed on 28 May 1979 (4). Consequently, due to the efforts of Karamanlis, Greece was the official tenth Member State of the Community on 1 January 1981 (4).

1.11. The Schengen Agreement

On 14 June 1985, five of the founding countries of the European Community, Belgium, France, the Federal Republic of Germany (FRG), Luxembourg and the Netherlands signed the Schengen Agreement, which is an intergovernmental agreement that abolished the internal borders and checks between the five countries and allow for the free movement of goods, people, capital and services(“Schengen Area” 5-6). The process of abolishing the checks at common internal borders was in gradual development to reach a single external border. The Schengen Agreement was named after a city in Luxembourg where all of France, Germany and Luxembourg share a common border with and where the agreement was signed (6).

Moreover, the same five countries signed a convention to implement the Schengen Agreement of 1985, in the same village of Schengen on 9 June 1990, in order to confirm what they already talked about concerning the arrangements and the safeguards to ensure the freedom of movement, though it would enter into force after five years (“Schengen Area” 9). In the same year, in November, Italy signed up to join the Schengen Agreement, also Spain and Portugal in June 1991, while Greece in March 1992. Nevertheless, the removal of the internal borders took place only when a meeting was held on 22 December 1994 in Bonn, Germany, where the Five agreed irreversibly for applying the Agreement on 26 March 1995 (10). This meeting created what is known as the “Schengen Area”.

The Shengen Agreement was extending gradually to reach almost all the European countries, even those which were non-members of the EU, especially, after incorporating it into the EU Law by the Treaty of Amsterdam, in 1997 (Coleman 2-3). Currently, the Schengen Area consists of 26 European countries, 22 of them are members of the EU which are: Belgium, Czech Republic, Denmark, Germany, Estonia, Greece, Spain, France, Italy, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia, Finland and Sweden. While, the lasting four countries are non-members of the EU which are: Iceland, Liechtenstein, Norway and Switzerland. The remaining Member States of the EU which did not take part in the Schengen Area are: Bulgaria, Croatia, Cyprus, Ireland, Romania and the United Kingdom (“Europe without Borders…” 4).

1.12. The Single European Act (SEA)

Though, the European Community members reached twelve members by the mid 1980s with several regulations and arrangements, it had problems concerning the implementation of the single market among the members effectively. This led them to think about the Single European Act (SEA), which was the first major attempt done by the Member States in order to revise and amend the Treaties of Rome of 1957, at the aim of establishing and reaching a full single market by 31 December 1992 (Maclean1).The Single European Act moved through several stages before it entered into force on 1 January 1987 (1).

The first stage into the preparation of the SEA was the meeting of the European Council at Fontainebleau, in France, on 25-6 June 1984, in which the heads of the States authorized a study to be conducted on the possible institutional reforms for the community to be based on an Ad Hoc Intergovernmental Committee, known as “Dooge Committee” (Deschamps and Maufort 2). The latter’s report invited the European Council to convene an IGC to negotiate a treaty about the creation of a European Union and it gave specific proposals to improve the cooperation in the Community and the European political cooperation as well (2) . The Dooge Committee was named after the Irish senator, James Dooge, who headed the committee.

The second major stage was the “White Paper”, which was a draft agreement dealt with the completion of the Single Market, submitted by Jacques Delors, a French economist and politician and the President of the European Commission, to the European Council on 14 June 1985 (Deschamps and Maufort 3). The Paper also identified 310 measures that were designed to motivate the economic recovery, to guarantee the free movement of the four freedoms: good, people, services and capitals and to eliminate all the remaining internal boundaries by 31 December 1992 as a deadline. In addition, with the help of the Vice-President of the Commission, Lord Arthur Francis Cockfield, the White Paper was presented on 28-9 June 1985, in the Milan European Council (3).

The Milan European Council was demanded to revise the proposed reforms of the European institutions and to review the White Paper’s proposal of the completion of the Single Market. Here, by a majority vote, the Council decided to make an IGC which was held, in addition to other decisions, to complete the Single Market by 1992, to improve Community institutions power and to lay down the foundation for a common foreign and security policy (Deschamps and Maufort 4). Consequently, on 17 February 1986, the Single European Act (SEA) was signed in Luxembourg, by nine of the members, and later by Denmark, Italy and Greece on 28 February 1986 (Novak 3). Finally the Act came into force on 1 July 1987, while the establishment of the Single Market was in 1993 (3).

1.13. The Maastricht Treaty

After the end of the Cold War, the collapse of the Soviet Bloc, the disappearance of the Iron curtain and the unification of Germany under one flag, the States of the European Community wanted further European Economic and Political Union that gather more than the twelve Member States (Ludlow 11). Consequently, the Maastricht Treaty was signed on 7 February 1992, it is known as the Treaty on European Union (TEU). Its name, Maastricht, is related to the place where it was signed, in Netherlands (Herket et al. 2). The Treaty brought the European Union (EU) into existence and it was approved by the twelve Member States of the European Community which led the Treaty to come into force on 1 November 1993.

The Maastricht Treaty set up a list of requirements that should be founded in the applicant country and should be accepted willingly for the accession to the European Union. The European Union (EU) enlargement depends on these requirements which are: firstly, the country should be a European State. Secondly, it must respect the principles of democracy, liberty, the human rights and fundamental freedom and the rule of law, which are legal principles in which law should govern the nation (Herket et al. 4). After the acceptance of these conditions by the applicant country, it should deal with the 'Copenhagen Criteria'.

1.13.1. The Copenhagen Criteria

The Copenhagen Criteria determine whether the country is qualified to join the European Union or not and to evaluate the applicant's 'suitability', it took place in June 1993 by the European Council (Herket et al. 4). It dubbed Copenhagen, Denmark, after the place where it was signed in (4). The Copenhagen Criteria define three requirements for the applicants to be accepted in, which are: it should have a free market economy, enjoys democracy and willingly accepting without exception the Law of the EU that was already stated (4-5). Here, the negotiations about the country's accession would take place, in which each Member State must accept the accession individually; then, the country must ratify the Treaty with its own government to successfully being one of the EU Member States (5).

1.14. The Fourth Enlargement: Austria, Finland and Sweden Accession

The fourth enlargement of the EU extended its membership to 15 Member States by the accession of Austria, Finland and Sweden. In contrast to the two preceded enlargements of

Greece (1981), Spain and Portugal (1986), these three new members, in addition to their richness, were characterized by their highly developed economies and growing democracies (Breuss 131). In fact, there were five states which applied for the accession: Austria on 17 July 1989, Finland on 18 March 1992, Sweden on 1 July 1991, Norway on 25 November 1992 and Switzerland on 20 May 1992, but this latter went on referendum, in the same year, before its accession which was against the membership (131).

The accession negotiations started on 1 February 1993 and finished by the signing of the Accession Treaties at the European Council under the Greek Presidency in Corfu on 24-5 June 1994 (Emmert and Petrovic 1373). All the four countries had made a referendum, since the accession was not supported by their populations. Therefore, Austria was the first which went on referendum on 12 June 1994 and resulted 66.4% for being with the EU. The second was Finland on 16 October 1994 with 56.9% supported the accession, and then Sweden on 13 November 1994 and 52% agreed on the membership. While, the Norwegians voted against the accession by 52.5% of the population on 28 November 1994, thus the country had to withdraw its accession (1373). So, only Finland, Sweden and Austria joined the EU and their accession came into force on 1 January 1995 to be 15 Member States (1373).

1.15. The Amsterdam Treaty

The Amsterdam Treaty was another amendment for further arrangements to be made for the Rome Treaties of 1957. This treaty was held after a decision was taking by the European Council, in Corfu in June 1994, to make an IGC for examining further revisions for the Treaty. Thus, the Spanish Minister of European Affairs, Carlos Westendorp, led a reflection group through which he made a draft that was later adopted by the Amsterdam European Council on 16-7 June 1997 (Bindi 34; Deshamps, "The Treaty of Amsterdam" 2). The draft consisted of the main objectives of the Treaty to be achieved in the IGC, which are: to make Europe more important and closer to its citizens, to make the EU decision-making more efficient and to provide the EU with more responsibility, to create areas of freedom, security and justice for people and to strengthen the common and security policy and power in addressing their foreign relations (Bindi 34; Deshamps, “The Treaty of Amsterdam” 2).

The IGC was held on 29 March 1996 in Turin, Italy, in which a treaty was signed by the European Council of Amsterdam on 16-7 June 1997 and it was ratified by all the 15 Member States to come into force on 1 May 1999 (Deshamps, “The Treaty of Amsterdam” 2). The Amsterdam Treaty was based on amending certain provisions of the existing Treaties of the Maastricht Treaty and the European Economic Treaty and other related Acts. In addition to other decisions of the Amsterdam Treaty, the most important ones were those which are related to strengthening the human rights’ position within the EU, the incorporation of the Schengen Treaty into the EU, creating areas of freedom, justice and security and promoting the cooperation with the EU and enhancing it (2).

1.16. The European Central Bank (ECB) and the European System of Central Banks (ESCB)

On 1 June 1998, both of the European Central Bank (ECB) and the European System of Central Banks (ESCB) were established under the Maastricht Treaty, in Frankfurt am Main, Germany (Oldani 16). On the one hand, the ECB manages the European single currency, the euro, and operates the payment system among the Member States. Besides, since 1 January 1999, the monetary policy [5] and the euro circulation were under the management and the responsibility of the ECB (15). In addition, the creation of the ECB in 1998 put an end to the EMI which was launched on 1 January 1994 and replaced it (16).

On the other hand, the ECB is a part of the ESCB and the Eurosystem (Oldani 15). The former includes the ECB and the National Central Banks (NCBs) of all the Member States, whether being adopted the euro or not, while the latter comprises the ECB and the NCBs of only the Member States that has adopted the euro as their currency (16). Its aim was to maintain the price stability of the euro for the good of the Member States.

1.17. The Treaty of Nice

Although one of the main objectives of Turin's IGC (1996) was the enlargement of the EU, several issues were necessary to be solved before taking any forward step. Then, the Treaty of Amsterdam (1999) recognized the need of making serious and quick changes to foster the enlargement of the EU and introduced the necessary enlargement of it with twenty members or fewer (Katz 243). Consequently, in a meeting on 3-4 June 1999, to solve institutional questions, the European Council decided to hold an IGC in 2000 which was held exactly on 14 February 2000 (Katz 243-4; Bindi 36), in order to make successful institutional reforms for the issues that were not resolved yet by the Amsterdam Treaty.

Therefore, the IGC reached an agreement which was signed by the Member States of the EU on 26 February 2001, under the Nice Treaty which entered into force on 1 February 2003 after being ratified by all the eleven Member States' governments, except for Ireland (Katz 243-4; Bindi 36). The latter needed its citizens' approval of the Treaty.

1.18. The Single Currency: The Euro

The third stage for acceding the EMU on 1 January 1999, defined the launch of a single currency, the Euro, for the EU's Member States and it was adopted by eleven out of fifteen Members (Bertaut and F. Iyigun 655). These eleven countries formed the euro area that consisted of the EU countries that have adopted the euro which are: Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland, then Greece which joined them on 1 January 2001 ("The European System of Central Banks" 6).

Although the new currency banknotes and coins came into access only 1 January 2002 ("The European System of Central Banks" 7), their preparation traces back to a decade before, when signing the TEU in 1992. While the currency's name as the euro was decided on 16 December 1995 by the European Council in Madrid (10), where they also agreed on the date of the euro use among the European Member States would be the 1 January 2002 (12).

1.19. The Fifth and Sixth Enlargements: 2004, 2007

The Treaty of Nice in 2002, paved the way for the EU to enjoy further enlargements through enabling it to add more members and operating the whole effectively, therefore, the enlargement of 2004 was the largest expansion (Balfour and Stratulat 1) that the EU witnessed since the foundation of the ECSC in 1951. After taking four years of negotiations within the applicants, to be finished in December 2002, the European Parliament, on 9 April 2003, gave its agreement for the accession treaties (Emmert and Petrovic 1384) for eight countries from central and Eastern countries: Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, and Slovenia and two Mediterranean islands: Cyprus and Malta (Balfour and Stratulat 2). Then, the 10 applicants ratified the accession with their respective governments to be officially Member States of the EU on 1 May 2004 (Emmert and Petrovic 1384).

Through the enlargement of 2004, the EU members reached 25 Member States which all share common values of freedom, democracy, the rule of law and the respect for human rights, the use of a single market and the elimination of the internal borders between them (Kok 69). Though their negotiations concluded in December 2004, the European Parliament gave both of Bulgaria and Romania additional three years before their accession, because of some internal issues that the two countries were solving to be officially members of the EU on 1 January 2007 (Emmert and Petrovic 1384; Archick and Morelli 3) and bringing the EU membership to 27 Member States.

1.20. The Constitutional Treaty

The European Union was in a huge need for a constitution to regulate their political, democratic affairs, especially after being enlarged to further Member States. Therefore, in December 2001, after being encouraged by the European Parliament, the Belgian European Council at Laeken decided on the preparation of an IGC in 2004 through a Convention (Laursen 3). Then, the Laeken Summit in December 2001, under the chairmanship of Valéry Giscard d'Estaing, former French President, proposed the "Convention on the Future of Europe" based on improving democracy, transparency and efficiency. Accordingly, on 28 February 2002, the European Parliament established the European Convention in Brussels, which was created to "achieve a broad consensus on a single proposal" which would "open the way towards a Constitution for Europe" (qtd. in Laursen 5).

On11 December 2002, the Benelux countries introduced an institutional framework through a memorandum to make reforms on the institutions, the Commission, the Parliament and the Council, and on 16 January 2003, a Franco-German proposal, [6] was submitted under the names of Gerhard Schröder, German Chancellor, and Jacques Chirac, the French President, by Joschka Fischer and Dominique de Villepin, the foreign Ministers of the two countries respectively (Laursen 6). The reforms concerning the institutions was also tackled in a proposal was given on 23 April 2003, especially about giving new definition for the qualified majority, where the majority of Member States, representing at least three fifths of the population of the Union, and the composition and the size of the institutions (8-12), which were the points of dispute since the proposal of the Benelux countries.

After many debates, on 19-20 June 2003, Valéry Giscard d'Estaing introduced the Draft Constitutional Treaty, at a meeting of the European Council in Thessaloniki, Greece, and it was adopted few days before by the Convention on 13 June (Laursen 9). Then, this Draft was finished by the Convention on 10 July, in which they dealt with the Union Policies mentioned in Part III of the Treaty to be submitted, later on 18 July, to the President of the European

Council in Rome (10). In addition, on 4 October 2003, an IGC was held in Rome under the Italian Presidency through which the new definition of the QMV, where at least 50% of the states represent at least 60% of the EU and it was not accepted for Spain and Poland (13).

The debate over the QMV reached a solution, after several meetings, on 18 June 2004 in Brussels, where they agreed on 55% of the states represent 65% of the EU population (Laursen 14). Then, the Constitutional Treaty was signed on 29 October 2004, in Rome and it was a subject for ratification, consequently, both of the French and the Dutch refused to ratify the Constitutional Treaty in referenda on 29 May and 1 June 2005, which led to the preventing of the full ratification and the fall of the Treaty (15-6). Despite its refusal by France and the Netherlands populations, the European Council under the presidency of Jean-Claude Juncker, the Prime Minister of Luxembourg called for a reflection period on 17 June 2005 (16). The latter lasted for two years till 2007, but the Constitutional Treaty was abandoned and the European Council decided to hold another IGC before July 2007 (16).

1.21. The Lisbon Treaty

After two years since the reflection period that was announced by the European Council, in 2007, the EU, under the German Presidency, declared its end ("Treaty of Lisbon" 2). Then, during the 50th anniversary of the Rome Treaties in Berlin, in March 2007, all the EU Member States agreed on a new treaty before the Parliamentary election of 2009 under the Berlin Declaration (2). After that, the German European Council decided to establish new treaty in the next IGC to replace the rejected Constitution on 21 to 23 June 2007 in Brussels (Novak and Raffaelli 1). Consequently, an agreement was reached in the June meeting, in which they agreed on making changes on the rejected Constitution to fit the EU Member States, to be concluded in 16 pages mandate ("Treaty of Lisbon"3).

Moreover, in the meeting of June, emerged the name: Reform Treaty, which after the negotiations, the 16 pages mandate were to be adopted as the new Reform Treaty and the IGC took place on 23 July 2007 for drafting it ("Treaty of Lisbon…"3). As a result, the Reform Treaty was changed to the Lisbon Treaty, after being amended and signed in Lisbon, Portugal, on 13 December 2007, by all the EU Member States ("Your Guide to the Lisbon Treaty" 2). All the 27 Member States had to ratify the Treaty before entering into force and its final ratification was scheduled by the end of 2008 as a deadline ("Treaty of Lisbon…" 2).

But this decision did not come into existence because the Irish referendum on 19 June 2009 refused to ratify it with 53.4% against the treaty, this result obliged Ireland to hold a second referendum on 2 October 2009 which concluded with 67% with the treaty and it came into force on 1 December 2009 ("Your Guide to the Lisbon Treaty" 11). The Lisbon Treaty promoted in its articles the necessity to live in peace, equality, justice, rule of law and the respect for human rights as the EU's emphasized before. In addition to other reforms, the Treaty gave the decision-making more power through enhancing democracy and openness, set up new order for the EU's institution to function more effectively ("Your Guide to the Lisbon Treaty" 3-12).

1.22. The Seventh Enlargement: Croatia's Accession

With the sixth enlargement through the accession of Romania and Bulgaria in 2007, the EU reached 27 Member States. At that time, all of Turkey, Macedonia and Croatia were already applied to join the EU (Lejour, Mervar,and Verweij 9). Precisely, among the three, Croatia was the next country to be the 28th member of the EU, but it took almost a decade to be accepted within the Union, since Croatia had many circumstances that made the process longer. After being dismembered from the Yugoslav federation [7] and the loss of its market within it, then the successive war with Serbia from 1992 to 1995, this led the Croatian politics and economy to serious statues with budgetary deficit and inflation (13).

The first step for building a relationship with the EU was the signing of the Stabilization and Association Agreement (SAA) [8] on 29 October 2001 and it entered into force on 1

February 2005 (Emmert and Petrovic 1386). Meanwhile, Croatia applied for full membership with the EU on 21 February 2003 and its accession negotiation took place on 3 October 2005 through an IGC (Ott 5-6). Although Croatia aimed at joining the EU with Romania and Bulgaria, its negotiations seemed to be more complicated because of the Croatia’s administrative capacities that are not compatible with the EU institutions (Emmert and Petrovic 1390). Eventually, the negotiations concluded on 30 June 2011, letting the space for Croatia to hold a national referendum on 22 January 2012, where 66.25% of the Croatians were in favor of the accession and it became an official member of the EU on 1 July 2013 (1392).

Finally, thanks to the Winston Churchill’s speech in 1946, which called for a United States of Europe, then followed by the first concrete step through the creation of the ECSC which promote collaboration and cooperation between the European countries after being lived in a destroyed continent because of the Two World Wars. The first small bind was almost each year developed and enhanced with other different agreements and treaties to reach the unity they sought. Now the EU consists of 28 Member states, including the UK since it will not withdraw officially till 2019. In addition to enjoying the single Market, the EU eliminated all of the internal barriers and created a single currency among almost all the EU Member States in order to facilitate the cooperation between them.

Endnotes

[1] An exchange rate is the price of a currency in terms of another currency. For Further reading, see (Exchange Rate). 3 February

[2] The European Monetary Institute was established to oversee the co-ordination of the monetary policies of national central banks. It is also worked towards the creation of the European Central Bank under the Maastricht Treaty at the beginning of 1994. For further reading, see (“European Monetary Institute” 13-4). 15 February

[3] The Exchange Rate Mechanism is based on the concept of fixed currency exchange rate margins. However, there is variability of the currency exchange rates within the confines of the upper and lower end of the margins. For further reading, see (“Exchange Rate Mechanism (ERM)”). 6 March

[4] Simone Veil was the first female President since the creation of the Parliament and the one who expanded the role of it to the social, economic and political life, see (Lee, Malarvanan 2). 10 March

[5] Monetary Policy is measures to be taken by the central bank and treasury to strengthen the economy and minimize cyclical fluctuations through the availability and cost of credit, budgetary and tax policies, and other financial factors and comprising credit control and fiscal policy. For further reading, see (Monetary Policy). 17 March

[6] Franco -German proposal: it was proposed that the European Council should elect a President for five years or two and a half years renewable by QMV. For further reading see (Laursen 6-7). 23 March

[7] Yugoslav federations is the territory that was up to 25 June 1991 known as The Socialist Federal Republic of Yugoslavia (SFRY). Specifically, the six republics that made up the federation - Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia, see (what is the Former Yugoslavia). 5 April

[8] The Stabilization and Association Agreement (SAA) constitutes the framework of relations between the European Union and the Western Balkan countries. It establishes a free trade area between the EU and the concerned country. For further reading, see (Stabilization and Association Agreement). 7 April

Chapter Two

The UK- EU Relationship: Membership and Impact

After the Second World War, Great Britain as an influential Empire where the sun never set disappeared since it lost all of its colonies, leaving Great Britain in a situation where it was obliged to restore once more its position and influence among the European countries and the world as a whole. The major step towards integrating the UK within the new formed European Communities was of great importance, though it had many obstacles and barriers that stopped the process many times. It took more than a decade for the UK to be an official Member State in the EU and it played an important role in the EU's success and development since its accession.

The UK's accession to the EU was too advantageous for both parts since the first years of their membership in 1973.The relationship between the EU and the UK was with reciprocal benefits over years, where both of them benefited greatly from the UK's membership of the Single Market. The latter played a turning point for the UK and the EU's development and it opened a financial and economic success and other important opportunities for the two bodies whether within each other or within the world wide. So, the UK growth and development was increased only after joining the EU, and the latter benefited from the UK's success and prosper since the UK is the EU's biggest and strongest partner.

The Single Market was vital for the economic progress of the EU and then the UK. All of trade, financial sectors, services, all the different kinds of investments and businesses were attracted by this economic policy which paved the way for more successful integration and corporation between the EU Member states. Within its four freedoms of the free movement of goods, services, people, and capitals, numerous obstacles and barriers that were standing in front of the EU prosper were vanished which led to a steadily improvement in all the EU's members especially the UK.

2.1. The UK's Membership in the European Union (EU)

After the creation of the ECSC, the six founding fathers wanted to extend their membership with Britain, but the Conservative Government of Anthony Eden refused to sign the Treaty, declaring that this integration is appropriate only for the destroyed countries during the WWII, not for a victorious country like the United Kingdom (Dinan 1127). Later, the ECSC proved its economic power and success, especially after the signing of the Rome Treaties (Perisic 4). At that time, Britain was suffering from continuous political and economic decline (Sorokina 8). So, the UK internal serious situation led it to think about alternatives to solve its problems.

2.1.1. The UK's First Application

In 1955, Harold Macmillan as the Foreign Minister of UK voiced out the importance of being part of the European integration for the good of the UK (Sorokina 8). After taking office as a Prime Minister in 1957, Harold Macmillan and his government in1961 became aware of how much beneficial and critical the joining of the three European communities. Then, the Conservative Government of Harold Macmillan announced its intention to start negotiations with the Six Member States to join the EEC on 31 July 1961 (Perisic 4). Through this step, the UK gave itself a vital chance to ameliorate its economic and political weaknesses if it would be adopted by the EEC.

Though, the negotiations started in the autumn of 1961 and Britain accepted willingly the needed conditions for the application like adopting the Common Agriculture Policy (CAP), the harmonization of economic activities, the elimination of the external barriers and the establishment of a European Assembly, a Council, a Commission and the Court of Justice, which are mentioned in the second, third and fourth Articles of the Treaty (Gervig Hansen 51). Both of Charles de Gaulle, the president of the Fifth Republic in France, and Walter Hallstein, the Secretary of State in the German Foreign Ministry and the chairman of the EEC commission, declared that the negotiations were going to take a long period of time (52). Thus, it took almost two years, till 1963, to decide and declare whether the UK would join the EEC or not.

France and especially Charles de Gaulle after returning to power in 1958 played a significant role in Britain’s negotiations, in which he irreversibly vetoed the British entry into the EEC in a press conference on 14 January 1963 (Gervig Hansen 54). He did so, when the American President, John F. Kennedy, launched the Grand Design, which is a plan aimed at developing cooperation between the European countries and the United States (Bindi 17). Moreover, on 18 December 1962, Kennedy offered Polaris missiles to both France and Great Britain (18). The former rejected the offer and de Gaulle considered it as an attempt from the United States to dominate Europe with the nuclear weapons and he viewed the British acceptance of the proposal as a clear sign of its alliance to the US (18), which would not be tolerated by the EEC members.

2.1.2. The UK‘s Second Application

The second application of the UK to join the EEC was under the new elected Prime Minister of the British Labor Party, Harold Wilson, on 2 May 1967 (Bindi 18). But once again, the French President, de Gaulle, vetoed the UK’s accession at a press conference on 27 November 1967, declaring that the acceptance of Britain’s membership would hinder the EEC’s prosperity rather than bringing more development and success (Gervig Hansen 74-7). Also, de Gaulle questioned the British desire to join the EEC, since it was invited before to be part of the negotiations for the Rome Treaties in 1950s, but it refused (77). So, according to de Gaulle, in addition to the same previous reasons of the first application, UK’s economic decline led Britain to be considered as the death knell of the Community and this was not accepted by the French President.

2.1.3 The UK's Third Application: the Accession

After the resignation of Charles de Gaulle on 28 April 1969 (Emmert and Petrovi 1365), the new elected President Georges Pompidou took office on 15 June 1969, and he played a major role in the accession of the UK, especially after removing the French veto in 1969 (Bindi 18). Moreover, Pompidou introduced three ideas of completion, deepening and enlargement, [1] concerning the future of Europe in a press conference on 10 July 1969 to be adopted by the EEC; consequently, it was recognized and approved on 1 and 2 December 1969 in a summit in The Hague (18). Among these ideas was the enlargement which included the accession of the UK within other countries i.e. Pompidou paved the way for the UK to be a Member State of the EEC.

The summit concluded with the Hague Declaration which called for the enlargement of the European Community. The negotiations within the UK started in 1970 along with Denmark, Norway and Ireland and it was divided into two stages. The first stage of negotiations was between the six Member States in the first six months of 1970, while the second one took place with the four applicants on 30 June 1970 (Bindi 19). Precisely, the negotiations' process within UK was slow and several obstacles hindered its quick continuation because of the British desire to apply conditional accession to the EEC, through modifying the rules of the CAP and the refusal of Britain to change its pound to a single currency (Pilotto 3). So, the UK wanted the membership according to what suits its interests and benefits.

Consequently, three out of four candidates, the United Kingdom, Denmark and Ireland, signed the accession treaty within the three European Communities on 22 January 1972 and it entered into force on 1 January 1973, to form what was known as the "Europe of the Nine" (Bindi 19). Therefore, the British people had to accept the necessary modification and change in their country's role through the acceptance of the use of the supranational institutions to be managed by the nine Member States and the adoption of the new laws that govern the three European Communities as a whole to create homogeneity among all the European Member States without exceptions.

2.1.4. The UK's Obstacles (disapproval) within the European Communities

Through time and since the creation of the ECSC, the cooperated Member States tried to promote the integration and solidarity between them through the adoption of different treaties and agreements. Yet, the UK was contrasting the European Communities in several decisions that were aiming at bringing more progress and development to their incorporation. Among what the UK did not agree with, was the creation of the European Monetary system (EMS) (Pilotto 4), which, as mentioned before in the first chapter, intended the establishment of a single currency instead of the numerous European currencies for facilitating trade and movement between the EU members and eliminating the rate exchanges between their currencies which hinders the steadily thrive of the cooperated counties

When the European Member States decided to establish the European Monetary System in 1970s, the UK did not show its desire to be part of it, since it wanted to manage freedom of its own currency over its territory. Although the UK took part in the European Monetary System in 1990, the UK left the EMS officially and definitely in 1992 only after two years (Pilotto 4). Also, it was seen that the UK reluctance to adopt the single currency within the other European Member States, because it wanted to maintain the supremacy and prestige of the Sterling pound.

Moreover, in the mid of 1980s, the EEC Member States agreed on the huge necessity of the gradual abolishment of the external borders between them and allowing the free circulation of people without any obstacles under the Shengen Convention which was later applied officially in 1995. Yet, the UK once again introduced its refusal to admit the Schengen Convention and it did not participate in the Schengen Area, claiming that "both her own security and her relations with other Anglo-Saxon countries required the exclusive protection of the British Parliament" (Pilotto 4). But this refusal would have a negative effect on Britain in the concerning the numerous benefits of the free movement of people like tourism.

Furthermore, the creation of the single European currency of the euro was a major step implemented by the EU for more integration and cooperation among its Member States and for dealing with the rate exchanges of their currencies. This time also, the Government of John Major, the British Prime Minister, did not accept to adopt the euro as its new currency, though during the term of Tony Blair from 1997 to 2007, he showed his desire to adopt the euro but his intention vanished (Pilotto 5). This was explained that the majority of the British people would not support this idea and both of the Prime Ministers Gordon Brown and David Cameron, respectively, did not make any forward actions for the adoption of the single currency in their terms (5).

2.2. The Impact of the EU membership on the UK

It was noticeable that the UK economy flourished and more developed after the accession to the EU in 1973, especially within the adoption of the Single Market in the early 1990s ("United Kingdom" 14). Also, since the creation of the ECSC then the EEC, their Member States witnessed a remarkable economic growth and success which attracted the other European countries to be part of this Community. Recently, the EU is still a powerful entity which is "the world's largest economy and trading block, with almost 29% of global output, a population of over 500 million people, 15% of global merchandise trade, and 24% of global commercial services trade in 2010" (Booth and Howarth 23).

Moreover, Stephen Radley who is a Director of Policy and Lee Hopley who is a Chief Economist and Engineering Employers Federation in the UK, both stated in their report in 2013 that the accession to the EU had a considerable and recognizable effect on the UK in which they said: "Since the UK joined what was called the European Economic Community in 1973, our economy has become two and a half times larger and our living standards have advanced by a similar amount. Productivity growth has also accelerated, while employment is 4.5 million higher" ("UK and Europe: Costs Benefits, Options, the Regent's… " 69). This means that the EU had promoted the economic development of the UK in different ways since the first years of their integration.

2.2.1. The Impact of the Membership on Trade

For trade, the main reason behind its considerable development over years was the adoption of the Single Market and the free movement of goods, services, people and capitals, which played a major role in increasing the EU Gross Domestic Product (GDP), which is about the total market values of goods and services produced by workers and capital within a nation's borders during a given period usually one year (Booth and Howarth 16). According to a Commission report conducted in 2007, a 2.2% increase of the EU GDP in 2006 was due to the Single Market and led to the creation of additional jobs for 2.75 million people in the EU as a whole (16). Consequently, the Single Market established a harmonic relationship between the EU's Member States.

In addition, in 2005, trade between the EU Member States was advanced due to their membership to reach 38% and the Single Market affected it with 9%, while the UK trade within the other Member States of the EU was increased by 7% (Booth and Howarth 16). This was a considerable percentage that the Single Market contributing with in developing the UK's trade. Besides, 53% of the UK's merchandise trade was directed only to the EU membership in 2010 (9). So, the Single Market policy flourished trade of the EU Member States and gradually boosted it.

In 2015, the House of Commons stated in its published paper that the EU is the major and biggest trade partner of the UK, (see appendix 2), where "the UK exported £223 billion of goods and services to other EU member states. This is equivalent to 43.7% of total UK exports, [while] goods and services imports from the EU were worth £291 billion (53.1% of the total)" (Webb and Keep 5), (see table 1). This means that almost half of its imports and exports of goods and services goes only to the EU countries, which is a great contribution in trade from the UK in the EU.

Table 1

UK trade value and EU share in 2015

	Exports		Imports	
	£bn	Share	£bn	Share
EU	223	44%	291	53%
US	95	19%	60	11%
Rest of the world	193	38%	197	36%
Total	511	100%	548	100%

Source: Emmerson, Carl, Paul Johnson, Ian Mitchell, and David Phillips.“ Brexit and the UK's Public Finances." Institute for Fiscal Studies, London, May 2016. Web. 25 Mar. 2017.

a. The above table shows the share of the UK's trade with the EU in 2015 in comparison with the US and the rest of the world, in which it is noticeable that almost half of the UK's contribution of trade is directed to the EU with 44% exports and 53% imports. While, the other half of trade is directed between the US and the rest of the world i.e. the EU is the UK's major trade partner.

Though almost of the UK's trade is directed to the EU Member States, it is noticeable that, on the one hand, since 1999 to 2016, the percentages of the UK's share of trade within the EU was gradually falling over years. While, on the other hand, there were increasing percentages in the trade share within the non-EU countries (Ward 3-4). Besides, the UK had an augmented deficit in trade with the EU since 1999, whereas it had an increasing surplus with the non-EU countries since 2012 (5). This shows that the EU is important for the UK, but it is not the only solution for prosper and success of the UK's trade.

2.2.1.1 The Single Market

Thanks to the Single European Act (SEA) of 1985 that entered into force officially in 1992, the elimination of all the internal borders and barriers in front of the free movement of goods, services, people and capitals which are known as the four freedoms was finally applied. Since the adoption of this policy, the EU members achieved a considerable economic growth. In 2013, the Single Market was considered as the largest single market in the world wide in which its GDP was higher than that of North America ("UK and Europe: Costs, Benefits, Options, the Regent's…" 78). This means that the Single Market had a positive effect on the members of the EU and the EU as a whole.

The UK is a full member of the Single Market except for the single currency since it wanted to maintain dominance over its currency, the Sterling pound. It also refused to participate in the open borders between the EU Member States that is mentioned in the Schengen Convention. For the British people, even for those who were against the UK's accession to the EU, but later, they promoted the adoption of the Single Market in their Government, because they recognized its value for the future success of the UK's economy and trade ("UK and Europe: Costs, Benefits, Options, the Regent's… " 78). Therefore, the Single Market is labeled as "the EU's jewel in the crown", it touched all the financial sectors in the EU and it was the beneficial common point that ensured the European successful integration and cooperation between the EU Member States.

Another point, the access to the EU Single Market guaranteed a large market for the UK which can provide a huge variety of products that have good qualifications and with the same standards with those of the UK (Lawyers-In for Britain 13). Therefore, the UK could enjoy the access to the world's largest market. Also, it made the provided goods less expensive due to the elimination of tariffs and quotas in the countries' borders and that made trade easier and more beneficial (4).

2.2.1.1.1. The Gross Domestic Product (GDP)

The EU had a considerable effect on the UK, because of the deep level of integration that was achieved between the two. Concerning the Gross Domestic Product (GDP), which is basically related to the final value of goods and services or anything else produced by the country in a specific year through which the country's economic performance and activity can be measured (Leamer 19); the UK's exports to the EU reached 13% of the UK's GDP in 2014. This means that the EU is too significant for the UK because almost half of its exports of goods and services went specifically to the EU ("United Kingdom" 11). The result of such contribution was highly successful for the EU and the UK itself and promoted the successive integration and trade relations between them.

By going back with time, particularly, since the UK's entrance to the EEC in 1973, the GDP of all the states were growing up through the coming years. In only ten years, the gained income was increased to 4.8 % in 1978 then to 8.6 % in 1983 and after the creation of the Single Market and adopting it, the UK reached 23.7 % of the GDP (Crafts 5-22). Recently, in 2014, the UK's GDP is presenting four-times its size in the 1970s ("United Kingdom" 13). So, due to the EU membership at first and ,then , the adoption of the Single Market policy, the UK enjoyed an increased growth and development of its GDP over years since the EU countries provided the UK with a big market with international standards that could fulfill all its economic needs.

2.2.1.1.2. The Services Industry

Services industry is an important source for revenue and growth for any country's economy (Schmitz et al.). It can be defined as " an organized system of appliances, products, personal and other resources to supply activities needed to satisfy a public or private needs [including] insurance, banking, catering, lodging, travel and entertainment activities are traditionally considered as service industries" (V. Ramamoorthy 885).

The UK's trade within the EU was noticeably developed especially after being part of the Single Market which was among the major steps that define the importance of the UK in the world of economy and trade. In addition, the EU membership opened for the UK numerous trade markets through its several enlargements and it took 48% of the total goods and services exports of the UK (Booth and Howarth 8). Moreover, "about 33% of the UK's total trade surplus in financial services in 2012 came from trade with other EU member-states" ("UK and Europe: Costs, Benefits, Options, the Regent's…" 56). Thus, the eurozone gave the UK a great opportunity to empower its trade in services within the EU Member States through their open markets for each other.

2.2.1.1.2.1. The Financial Services Industry

The Financial services refer to the services that are provided by the finance industry which encompasses a broad range of organization that deal with management of money. These organizations include: banking, insurance companies, investments, credit card companies, finance consumer companies and even dealing with the different types of financial transactions (Asmundson 46).

In financial services which are the UK's largest services industry, the UK is considered as the world leader of this sector. It accounts for 8.6% of the UK GDP which is higher than all the economically strong countries which are: the USA with 7.7%, Japan 4.9%, France 4.8% and Germany with 4.0% ("UK and Europe: Costs, Benefits, Options, the Regent's …" 57).

While, UK's services' exports that went to the EU only reached £20.4 billion in 2012 (57). Nevertheless, one third (1/3) of the UK's financial and insurance services were directed to the EU ("United Kingdom" 14). This shows the national and the international strength of the UK in the financial services which highly affected the EU development in a positive way.

The transformation in the UK's economy structure after the accession from manufacturing towards services, including the financial services, had a great impact on the UK's growth. Hence, the UK's GDP increased from 15% in 1992 to 22% in 2008, while there was a considerable decrease in the manufacturing from 21% to 12% (Booth and Howarth 11). Here, the adoption of the Single Market and its four freedoms facilitated the way for the UK towards strengthening its trade and economy through the services since it is considered among its most important sectors.

Accordingly, the financial services are considered to be crucial and highly important for the UK economical or financial success. The UK exports around 33% of its financial, insurance and pension services exports to the EU and the percentage of the financial services exports have increased almost three times more from 1.6% in 1991 to 3.5% of the EU GDP in 2015 ("HM Treasury Analysis: the Long-Term …" 42). So, the EU financial integration boosted the UK financial growth in both size and breadth of the services they offer, (see Fig. 1.). The figure presents the UK's services exports within the EU.

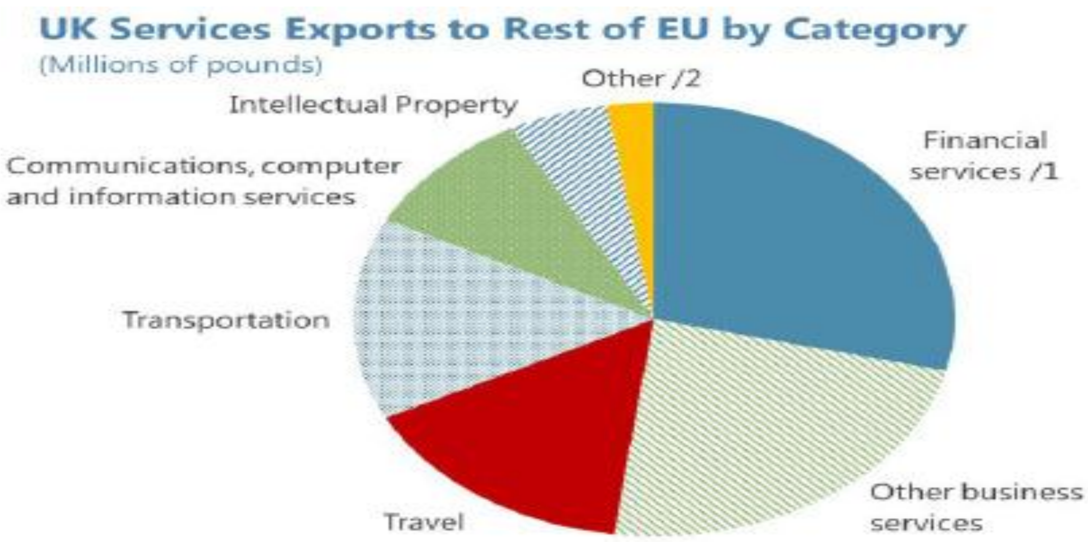

Fig. 1. "United Kingdom." International Monetary Fund, Washington, D.C: 1 June 2016. Web. 28 Mar. 2017.

This figure which presents "the UK services exports to the rest of EU by category," illustrates how much the financial services are important for both the EU and the UK, since the majority of the UK's exports of services are financial ones. Nonetheless, it shows the variety of the services the UK contributed within the EU, which in turn had a huge benefit for their trade.

Accordingly, as mentioned before that the Single Market was too important for the financial services industry, which through this policy, the "UK accounts for 36% of the EU's wholesale finance industry and a 61% share of the EU's net exports of international transactions in financial services" (Booth and Howarth 20). Also, due to the Single Market, the percentage of the UK's GDP of trade in financial services was increased much faster and grew more rapidly than the impact of the Organization for Economic Cooperation and Development (OECD) [2] that is based on dealing with the free market, (see Fig. 2.).

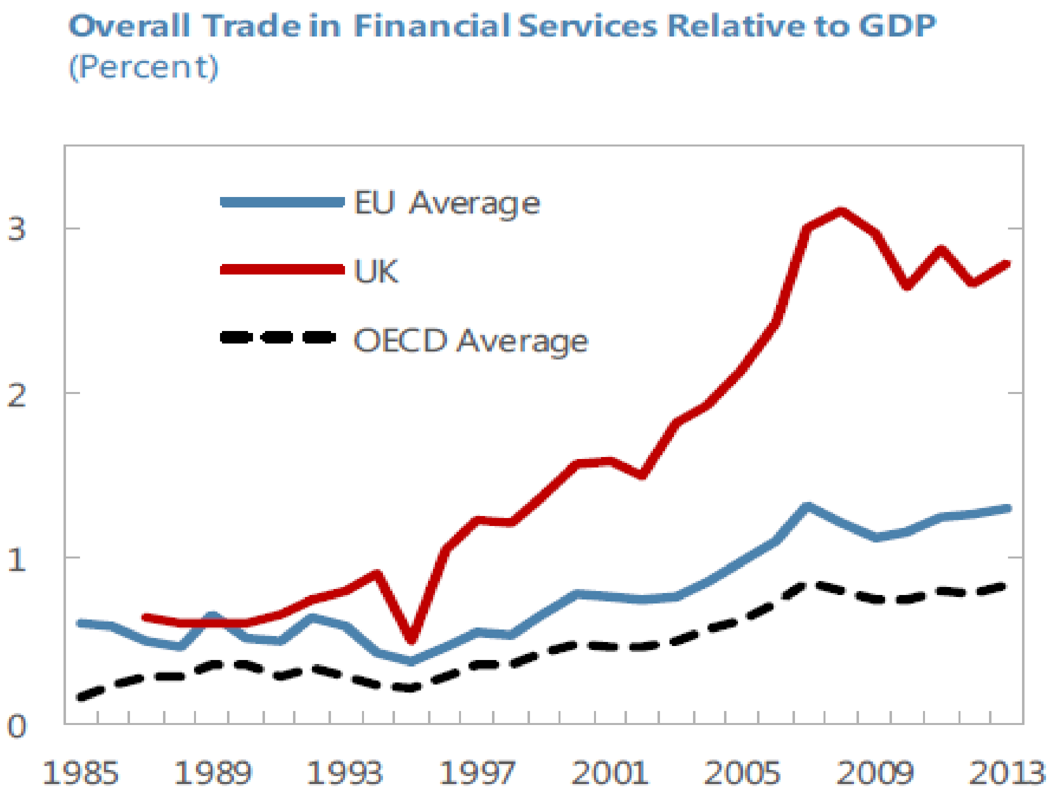

Fig. 2. “United Kingdom.” International Monetary Fund, Washington, D.C: 1 June 2016. Web. 28 Mar. 2018.

This figure above which introduces the “overall trade in financial services relatives to GDP by Percent” shows clearly how the Single Market affected positively the growth and the development of the UK’s GDP since its adoption in the late 1980s to 2013. Also, the increase of the UK’s GDP was quick and high especially in the two last decades especially after the launching of the Single Market.

2.2.1.1.2.2. The Professional Services Industry

After the financial services sector that ranks as the highest contribution in the UK’s trade surplus in the EU, then comes the professional services sector that consists of the high value-added services industries including management consultancy, architecture, marketing, legal, accounting, engineering and other scientific and technical activities (“HM Treasury Analysis: the Long-Term …” 77).

This field of industry employs almost 2 million people and contributes with 6.9% of the UK economy, while 32% of the professional services’ total exports go to the EU (“HM Treasury Analysis: the Long-Term …” 77). Due to the Single Market, the UK‘s professional services was successful since it opened the opportunity for the UK’s trade companies to be flourished in the other EU Member States without any cross-border barriers, and this had a great revenue for all of them.

2.2.2. The Impact of the Membership on the Foreign Direct Investment (FDI)

In simple words, the Foreign Direct Investment (FDI) [3] is dealing with the investment of a foreign company in whatever business in a country that is not related to. This field of industry is too important for both of UK and EU’s economy since the flow of the FDI towards the UK is huge and which in turn affects the EU GDP growth as well (“UK and Europe: Costs, Benefits, Options, Abridged…” 18).

In 2013, the FDI flows towards the UK reached almost 800 projects with more than £37 billion which, as a result, "created 66,000 new jobs and safeguarded a further 45,000. Over 400 of those projects and nearly 40,000 jobs were in advanced manufacturing" ("UK and Europe: Costs…2015" 18). This means that the FDI has great contribution to the progress and the financial increase of the UK and influences the other sectors either directly or indirectly like creating further jobs.

Though Britain ranked as the second biggest worldwide in attracting the FDI after the US which is its first investor with 28% ("UK and Europe: Costs, Benefits, Options, Abridged…" 18), it received almost of its FDI from the other EU's State Members through which they provide the UK with nearly the half of its total FDI ("United Kingdom" 16). The largest contributions from the EU members were received from the Netherlands with 15%, France with 8% and Germany with 7%, also the UK had £975 billion stock of FDI and the EU Member States alone contributed with £566 billion ("UK and Europe: Costs, Benefits, Options, Abridged…" 18). Accordingly, more than half of the EU's FDIs are directed towards the UK and this results a positive outcome for the UK's economical success.

Till 2011, the UK attracted foreign investors from all over the world, especially the US and Europe. Concerning Europe and precisely the EU, the UK contributes with 19% of the total FDI stock of the EU ("UK and Europe: Costs, Benefits, Options, Abridged…" 18). This is considered as a huge percentage for one country among 28 other Member States i.e. nearly one fifth of the UK's foreign investments are directed towards the EU (28). In addition, the UK with this contribution ranked on the top of the EU's FDI, before France with 13% and Germany with 10% (18), (see Fig. 3.). Through this, the UK gained a considerable economic power and strength since it was considered among the countries that attracted heavily the FDI investors from all over the world.

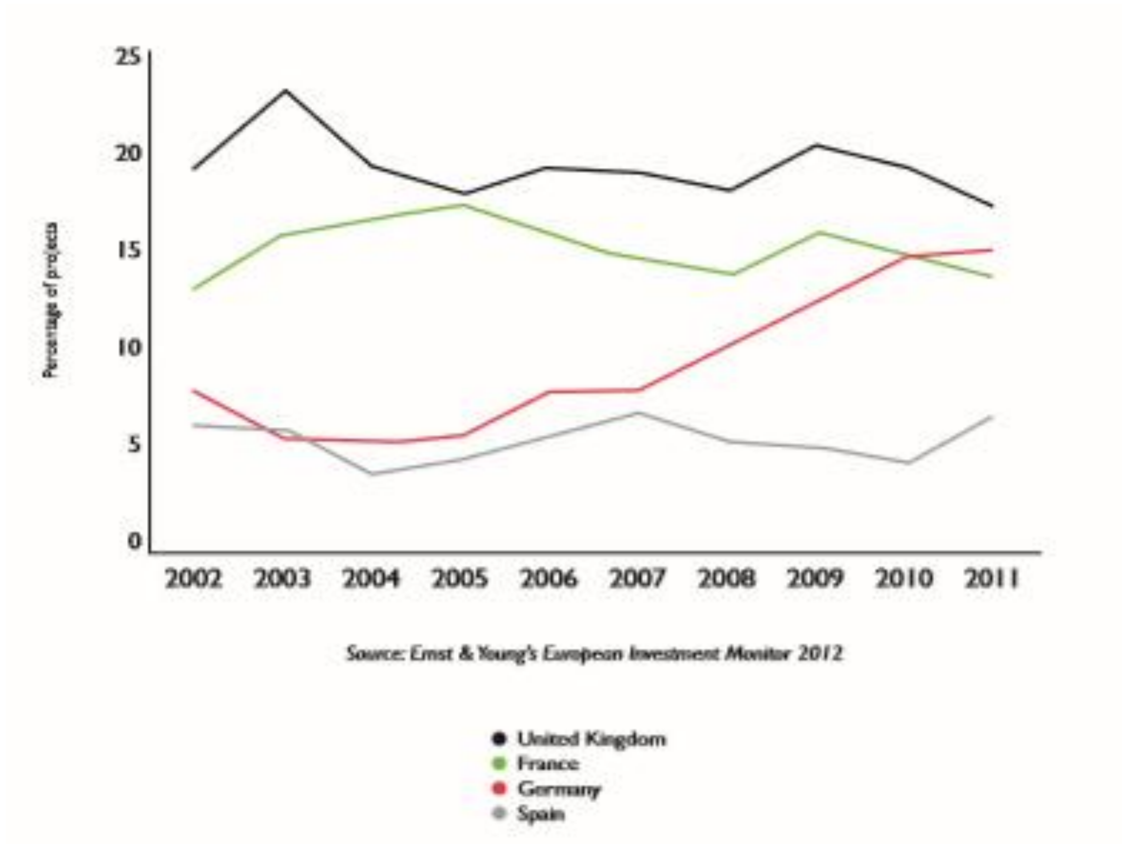

Fig. 3. "The UK and Europe: Costs, Benefits, Options, the Regent's Report 2013." Regent's University London, 2013. Web. 2 Oct. 2017.

The above figure which presents "the European FDI market share of the top of four recipients from 2002 to 2011" shows the percentage of contribution of the UK's FDI into the EU in comparison with the other major powers in Europe like: France, Germany and Spain. The UK ranked at the top of these countries and then followed by France, Germany then Spain.

After only three years, in 2014, on the one hand, the UK's FDI contribution in the EU raised to reach 48%, while it is only 24% within the US and 28% with the rest of the world (Emmerson et al. 20). Precisely, the UK's contribution in the EU FDI was more than doubled from 19% to 48% in a short period of time which means that the UK has a great benefit for the EU economic thrive.

On the other hand, the UK "had the third highest stock of inward FDI in the world in 2014, behind the US and China... EU countries accounted for just under half the stock of FDI in the UK (£496 billion out of a total of £1,034 billion, 48%)" (Webb and Keep 10). Accordingly, the UK's foreign investment is mainly linked to the EU which shows how important the UK is for the EU since it is the EU's economical booster. Also, since the UK attracted more FDI projects than the other EU countries, it generated in turn more jobs for about 30,000 people which are a great contribution from the UK (10).

Moreover, due to the high rate of the UK's national GDP from the FDI stock, it gave the UK a strong position among the other EU's Member States, since it had 63.3% of the UK's national GDP in comparison with the other strong European nations in EU which are Spain with 52.7%, France with 39.5% and Germany with 23.4% ("UK and Europe: Costs, Benefits, Options, Abridged…" 19). Accordingly, these percentages are indicating "how strongly the UK leads other EU states in opening and internationalizing its economy, bringing in added value with new skills, technologies and management" (19).

2.2.3. The Impact of the Membership on Labor Market and Immigration

Due to the UK's accession to the EU, more jobs were created for both, where over than three million jobs were related to the EU. Precisely, the UK treasury estimated recently that around 3.5 million jobs in the UK are linked to the exports of goods and services to the EU, and more than 1 million employee in the financial services only (Webb and Keep 9; "The economic and financial costs…" 14-42). As a result, it is noticeably a considerable contribution of the UK in the whole percentage of employment in the EU, (see table 2.). Besides, this contribution has, in turn, a positive economic impact on the UK itself since it reduces the problem of unemployment and develops trade between the EU Member States more and more.

Table 2

The number of UK jobs related to exports to the EU

Sector	Number of jobs related to EU exports from sectors (rounded to nearest 50,000)
Manufacturing	1,050,000
Other production	150,000
Services	2,050,000
Totals	3,300,000

Source: "HM Treasury Analysis: the Long-Term Economic Impact of EU Membership and the Alternatives." HM Government, April 2016. Web. 1 Feb. 2018.

b. This table above shows the number of UK jobs that are directly related to the exports to the EU in different fields of industry, manufacturing, services and other production, in which it is noticeable that around 3.3 million jobs are linked to the UK exports to the EU Member States only. This is a great number of jobs that are created because of being an active member in the EU and among what made the UK as the EU's biggest trading partner over years.

Accordingly, in 2000 the Labor Party of the UK claimed that 1 out of 10 of British jobs depends on UK membership of the EU ("Economic and Financial Costs…" 14). This claim was reinforced in 2014 by the British Government which stated that the UK is associated directly with exportation of goods and services within the EU's members with 3.3 million employees. This in turn shows the amount of UK share of trade related to the EU and which is dependent on the EU membership as well (14-5). Also, the British government claimed that since the joining of the Single Market the income of the workers was raised up 6% higher than before (Lawyers-In for Britain 13).

In addition, thanks to the dynamic and advanced economy of the UK, its labor productivity and output was significantly raised since the accession to the EU, and it exceeded that of the US because the UK mainly has "a very high levels of labor market engagement [and] the proportion of working age adults in employment is 4 percentage points higher than in the US" ("EU Membership and the Bank of England" 3). Nevertheless, the principle of the free movement of people which includes both the workers and the citizens facilitated more the movement of workers outside the UK to the other EU Members States without any problems or difficulties.

Moreover, the UK treasury stated in its paper in 2016 that "the UK's membership of the EU has also not prevented it from having a highly flexible labor market, with low unemployment, record employment and close to record self-employment" ("HM Treasury Analysis: the Long-Term …" 10). This means that the UK's contribution within the EU added several benefits for the country, since it promoted and boosted its productivity, enhanced more its economy, helped in the increasing and development of the UK's living standards, created more jobs for both of them and was significant for the reduction of the unemployment.

Further, due to the EU law, the workers can enjoy an equal treatment of enjoying the same rights and practicing duties wherever they go or work and they can get access to the different employments' opportunities as the native residents ("EU Membership and the Bank of England" 29; Lawyers-In for Britain 19). Nonetheless, the EU law is protecting the workers against all kinds of discrimination that may encounter them where they work for instance the discrimination of gender, race, disability, religion or belief… etc (Lawyers-In for Britain 19). So, the UK workers' rights are guaranteed and protected with the EU law which reflects a high level of responsibility and disciplinary and that in turn, also, promotes and boosts economy.

2.2.3.1. Immigration

The adoption of the Single Market was of multi-benefits for the whole EU and the UK as a specific body. Therefore, the free movement of people between the EU Member States was raised over years and it is estimated that between 1.4 and 2.2 million British people live in the EU countries (Lawyers-In for Britain 20). Whereas, on the one hand, the annual net migration from EU countries has more than doubled since 2012 and it reached 183,000 in March 2015 (Thomas). While, on the other hand, this immigration from the EU countries boosted the UK's workforce by around 0.5% a year which indirectly helping in the UK economic thrive.

Moreover, since the EU expansion of 2004, the net of migration inflows was raised much more than before and it is estimated that 1.5 million EU immigrants work in the UK with 5% of the total employment, presenting 29.7 million immigrants (Thompson and Harari 16). Besides, the EU immigrants had a small positive impact on the UK's living standards which was measured in 2008 by the Lords Economic Affairs Committee and they founded it to be 0.15% per year on the GDP (17). The UK employs a higher share of EU immigrants in its workforce in comparison to with the number of the UK national working in other EU countries (19).

Furthermore, there is another research founded that the immigrants affected the employment and the wages, but it depends on whether the skills the immigrants have are competing those of the British people or not (Thompson and Harari 18). Thus, it is estimated that "each 1% increase in the share of migrants in the UK-born working-age population led to a 0.6% decline in the wages of the 5% lowest paid workers, a 0.4% decline for the 10% lowest paid, and to an increase in the wages of higher paid workers" (18). Despite that, the UK employs a high proportion of non-UK born workers in its different fields of industry, (see Fig. 4.).

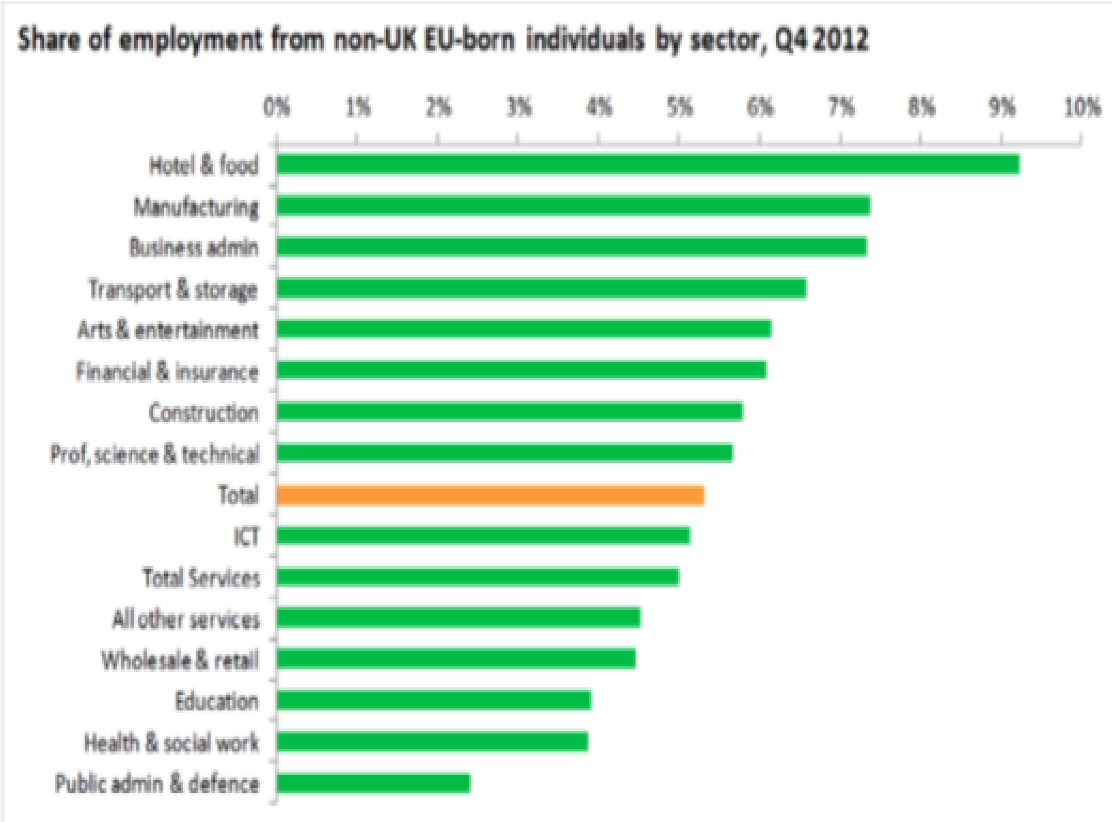

Fig. 4. "HM Treasury Analysis: the Long-Term Economic Impact of EU Membership and the Alternatives." HM Government, April 2016. Web. 1 Feb. 2018.

This figure above which presents "the share of employments from the non-UK EU-born individuals by sector in 2012, shows that the UK employs a high rate of immigrants in several fields especially the food services with more than 9%, both manufacturing and business administration with 7%...etc. Besides, the total of immigrants' employment share in workforce reached 5 %.

To conclude , the UK always had a special status in the EU, it is the EU's strategic partner and one of its strongest and successful Member States whether in the Union or in the world wide. The joining of the EU was beneficial and significant for both parts, since the UK is one of the most flourished and open economies in the world and this openness in trade and investment affected highly the EU's economy and productivity. The EU in turn boosted the UK's economy and growth through the adoption of the Single Market which played a key role in their economic increase and development.

All the economic fields in the UK were based on the Single Market. The latter was the corn stone for the huge success and thrive of the UK and the EU over years. The Single Market helped highly in advancing manufacturing and increasing productivity since it eliminated the obstacles and the cross-borders barriers between the Member States for more growth and improvement. Therefore, the UK's access to the Single Market facilitated more trade for both of them. Accordingly, due to the Single Market's free movement of people whether being citizens or looking for work, the number of immigrants in the UK was raised each year since the EU law allowed the EU citizens to go wherever they want and at any time without any limit whether to reside or to work.

Furthermore, the UK in turn was significant for the EU itself because almost of its industries and services were directed to the EU countries and this results a high level of financial growth and success for the EU as first, then the UK. Also, the UK membership has made it a very attractive place for foreign investments whether within the EU Member States or the world. The foreign investments were too beneficial for the UK because it provided a high level of employment and better quality jobs for the British people and helped in raising their living standards. Besides, the EU did not prevent the UK from having a very active and competitive economy with the rest of the world, rather it maintained a special economic place that compete all the other advanced countries.

Endnotes

[1] Pompidou three ideas of completion, deepening and enlargement, for further reading see: (Bindi 18). 25 February

[2] Organization for Economic Cooperation and Development (OECD) is a unique forum where the governments of 30 market democracies work together to address the economic, social and governance challenges of globalization as well as to exploit its opportunities. For further reading see: ("The OECD: Organization for Economic Co-operation and Development" 7). 16 March

Chapter Three

UK's Withdrawal from the EU and its Further Implication

After two unsuccessful applications to join the European Economic Community (EEC) in 1963 and 1967, because of the French President Charles de Gaulle's veto the UK finally entered the EEC in 1973 but after de Gaulle's retirement. The accession was too beneficial for the UK since the first years of its entry especially the economic sector which have seen a huge development and expansion and the UK was always the EU biggest economic partner. Thus, the EU would not welcome easily the idea of the UK is leaving the EU because of the reciprocal gain from the membership for more than 4 decades.

Although, in January 2013, the UK Prime Minister David Cameron declared his intention to examine the UK's membership and relationship within the EU through holding a referendum and deciding either to stay or to leave the Union. This declaration brought a wave of shock for the EU Member States and the whole World, because they know how important the UK for the EU and vice versa. Besides, it was not the first time where the UK held a referendum on staying or leaving the EU. The call for the referendum was voiced out since the very beginning of joining the EU, twice before. Yet, this time the call was much louder to shape the exact EU-UK relationship in the future since the UK has never felt to be a European country as the others and this what made the UK integration in the EU always limited.

The referendum result was not expected by the EU Member States and the UK would have to leave officially the EU, yet the UK has to pay the costs. The Implications of the withdrawal are still abstract since the withdrawal would not be fulfilled till March 2019. Despite that, the expected entailments on the Brexit are heavy especially on the economy because the UK's trade is relying more on the EU market since almost of its imports and exports are from and to the EU. Therefore the EU-UK trade relationship would be affected, the state that obliged the UK to look for better agreement within the EU in the negotiations to withdraw from it with the minimum harm.

3.1. Towards the UK's in/out Referendum on EU Membership

The UK was the EU strategic partner throughout more than 40 years since its accession in 1973. This membership was characterized by a huge success and thrives where each part was enjoying its rights and duties. Yet, this fruitful relationship was put under evaluation of the current situation and the future possible alternatives in 2012, due to the Prime Minister David Cameron's veto of the Fiscal Treaty [1] in December 2011 (Miller, "Leaving the EU" 2). So, the fiscal treaty was introduced as a new stricter version to protect the EU currency and all its financial affairs, but the UK refused to ratify it since it goes against what the UK supports, maintaining its pound.

3.1.1. The Fiscal Treaty

The Fiscal Treaty or the Fiscal Compact was introduced by the EU Member States to look for further economic and fiscal policies that would minimize the possible future financial and economic crises that may hinder the EU prosper and integration (Poptcheva and Eatock 6). Hence, in December 2011, the President of the European Council, Herman Van Rompu set up proposals to change the EU Treaties, but the British Prime Minister, David Cameron, put a conditional agreement on certain safeguards concerning the financial services and this reaction was not supported by the other Member States, since they sought behind this treaty a strong European economic integration (6).

So, the EU sought to deepen the European integration through the Fiscal Compact, but this was against the British principles since this integration would not serve the UK's interests and its economic and political strategies. As a result, the Fiscal Treaty was not signed by the UK and this was seen as a watershed in the UK's relationship within the EU, while 25 Member States signed and adopted the Treaty except for the Czech Republic (Besslich 13-4).

3.1.2. The Coalition Government

To avoid the UK's usual political debate about its relationship within the EU, the Coalition Government Agreement of 20 May 2010 entered into force and it was held up from the Conservatives and the Liberal Democrats as one Party in the UK 2010 -2015 general election (Poptcheva and Eatock 2). This new formed government introduced the 'referendum lock' which is an obligatory referendum that would take place in case of extending or any transferring of powers or sovereignty to the EU powers during that five-year parliamentary term and it was adopted by the UK's Parliament and the European Union Act 2011(6). Thus, the Coalition government declared that:

> We will be positive members of the European Union but we are clear that there should be no further extension of the EU's power over the UK without the British people's consent. We will ensure that by law no future government can hand over areas of power to the EU or join the euro without a referendum of the British people. We will work to bring back key powers over legal rights, criminal justice and social and employment legislation to the UK. (8)

3.1.3. The UK's Balance of Competence Review

The word competence was first introduced in the Lisbon Treaty in 2009 and it was used to describe the EU's power to initiate a particular action ("Review of the Balance of Competences between the UK and the EU" 4). The EU's competences are all stated in the EU Treaties but it cannot do any action without a reference to the limits of the competences that are agreed on by the EU Member States in the Treaties, while there are some competences where the Member State can act depending on the type of the competence [2] available, ("Review of the Balance of competences between the United Kingdom…" 13). So, these competences provide the basis for any action that the EU institutions could take.

Accordingly, through the UK's Coalition agreement, the Balance of Competences Review between the UK and the EU was launched on 12 July 2012 (Poptcheva and Eatock 2). This Review was submitted to examine the UK's relationship within the EU in all the areas in which the Treaties gave competences for the EU to act or to analyze and audit what the Union did before and how that influenced or affected the UK (Eatock 1). The Review lasted for two years to be concluded on 18 December 2014 (1).

Moreover, on 12 July 2012 the Foreign Secretary Rt Hon William Hague MP declared in the House of Commons that: "The review will be an audit of what the EU does and how it affects us in the United Kingdom. It will look at where competence lies, how the EU's competences whether exclusive, shared or supporting, are used and what that means for our national interest" (qtd. in "Review of the Balance of Competences between the UK and the EU" 5). Thus, the Balance of Competence is related to all the EU laws mentioned in the Treaties that affect what happens in the UK and it ensures that there is no future transfer of power or sovereignty to the EU during the Coalition government's five years.

Furthermore, the aim of the Review was not to shape the future relationship between the UK and the EU through making recommendations and alternatives for them or prejudging the future policy, but rather enhancing the UK-EU relationship and promoting the development of the used UK policy towards the EU (Eatock 2). Besides, the Balance of Competences covered several fields in the EU policy mainly the Single Market since it is integrated in almost all of its sectors and it tackled the development of the EU competence, its impact on the UK national interest and the possible future options and challenges (2-3).

3.1.4. The UK's Political Parties

Generally, the UK was always ambivalent about its relationship with EU and was divided on whether continuing this relation or not. Concerning its political parties, there have been four major Parties which have been considered as the UK political players before the referendum: the Conservatives and Liberal Democrats which were forming together the coalition government and their opponents the Labors and the UKIP.

The Conservatives are mainly opposing the idea of further integration within the EU especially after the noticeable growth of the eurosceptics within the same Party, which deals with the Britons who are opposing the increased power of the EU over the UK (Daley). The Conservatives Party was divided into two views; the first view is representing the eurosceptics who believed that the referendum would reduce the tension in the Party and solve the question on Europe. While the second view considers the referendum as a danger, because it may end up with a withdrawal and they sought to preserve their membership in the EU (Besslich 18).

The Liberal Democrats and the Labor Party are the opponents of the Conservatives in which they were presenting the most pro- European Party through rejecting the referendum and boycotting the debate on the EU referendum in the Parliament (Besslich 18). The Liberal Democrats considers the EU to be useful for the UK since it deals with all the EU issues (Daley), while the Labor Party was divided like the Conservatives on question of holding an in/out referendum (Besslich 19).

The United Kingdom Independence Party (UKID) was an anti-European party, which supported and advocated a complete withdrawal from the EU (Daley). It totally rejected the European integration and immigration to the UK and fully supported the referendum because it was its main objective (Besslich 19). Besides, it sought to replace the EU with a free trade arrangement without political union (Daley). Thus, it was the responsible for holding a referendum in 2016.

3.1.5. The Debate on the EU Membership

At the beginning, the Fiscal Treaty was the base where the British Prime Minister, David Cameron, showed his first intention to cut any further integration within the EU, reclaiming that this Treaty would be against the UK's interests and policies, while the remaining States implemented it, except for the Czech. On the contrary, Cameron was always against holding a referendum despite the increasing voice of the Eurosceptic backbenchers to make legislation in Parliament to hold a referendum since 2010 (Besslich 14).

As a result, Cameron found himself in an increased pressure from two sides: the domestic policy and the internal politics (Besslich 14). Moreover, there was a growing importance of the UKIP, which is among the strongest parties in the UK and constituted a threat for the Conservative party because of its principals (14-5). This party aimed at leaving the EU and fix regulations on immigration in the UK (15) and it would play a vital role in the Prime Minister's decision on the referendum.

Accordingly, it is clear that David Cameron's strategy would fit his interests and would not harm his political position. Through holding a referendum, on the one hand, Cameron would win some support of the public in the next general elections, but on the other hand, he would indirectly put pressure on his party since the Labor party was opposing the referendum (Besslich 15). Consequently, through gaining the support of his electorate since they support the referendum, Cameron minimized pressure on his party, while, on the same time, he limited the internal pressure of the Eurosceptic backbenchers in his party through bringing to reality their wish of holding a referendum (15).

3.1.6. The Bloomberg Speech and other Outlines

On 23 January 2013 at London headquarters of Bloomberg, the British Prime Minister, David Cameron, announced in his Bloomberg Speech his intention to hold a national referendum on continuing or leaving the EU membership between 2015 and 2017, if his Conservative Party would be elected to power in the next general election of 2015 (Miller, "Leaving the EU" 2; Besslish 14). Though, it was not the first time when the UK decided to hold a referendum on the in/out the EU membership, but Cameron's decision was surprising and not expected by the European countries (Miller, "Leaving the EU" 2).

His announcement was influenced at first by the EU financial crisis, then the position of the UK political parties about the EU as mentioned before. So, Cameron was afraid about more European integration and deeper effect in the future of the EU power on the UK. However, even if the UK would leave the EU, this would never mean that it is going to leave Europe. The UK will remain always a crucial member of Europe and none can deny that truth. Besides, the EU has been for years the UK's partner and the referendum result would have a profound effect on the UK and even after the departure (Miller, "Leaving the EU" 2). So, the referendum would not happen without negative outcomes on UK in the different fields.

Therefore, David Cameron stated in his speech further arguments and alternatives to support his announcement and he said that: "If we leave the EU, we cannot of course leave Europe. It will remain for many years our biggest market, and forever our geographical neighborhood. We are tied by a complex web of legal commitments (…) we would need to weigh up very carefully the consequences of no longer being inside the EU and its single market, as a full member" (qtd. in Miller, "Leaving the EU" 3).

Moreover, in his speech, the Prime Minister introduced three areas for renegotiation, through which he wanted to hold a referendum under a revised settlement not that current circumstances and making his threefold motives as a threat before the EU (Poptcheva and Eatock 10). These areas for reform were consolidated in an article in the Daily Telegraph on 15 March 2014 (Miller, "EU Reform negotiations…" 5). So, David Cameron wanted to hold a referendum after renegotiating a new settlement of the UK to create a more flexible EU that fits the principles or the conditions that are mentioned below.

Therefore, Cameron mentioned firstly the safeguards in which he aimed to empower the economic integration through the Single Market by a full integration in the services and energy sectors and opted for a free trade area (Besslich 16; Poptcheva and Eatock 10). [3] Secondly, he wanted to regain the competences which were transferred to the EU level before to stop further transfer of power and sovereignty to the EU over the UK and cutting the red tape for business (Poptcheva and Eatock 10). Thirdly, he sought to guarantee the democratic legitimacy and accountability for the UK (Miller, "Leaving the EU" 3).

Meanwhile, the Balance of Competences Review was already conducted through which they would decide the exact impact of the EU legislation on the UK, the costs and benefits (Poptcheva and Eatock 10). Seemingly, the result of the Review has to be used to identify the areas that the UK wanted to renegotiate precisely in order to reach what David Cameron mentioned in his Speech. Then, since the Review would not be completed till 18 December 2014 and when the renegotiations would be concluded (10), the British electorate would then vote in the referendum under a revised settlement as David Cameron wished to achieve.

Moreover, apparently through what was proposed in David Cameron's Bloomberg Speech, he sought, on the one hand, to make the EU membership suiting more the UK's policies and conditions, where it can be involved in the EU decision-making that are concerned with the Single Market since the latter is vital for the UK's economy. While, on the other hand, to stay away from what is not appropriate for what the county needs like what was proposed in the Fiscal Treaty and the social or economical regulations that are transferred under the EU sovereignty.

Furthermore, the Conservative Party drafted the European Union (Referendum) Bill on 14 May 2013 which contains mainly that the referendum would take place before the end of 2017 and providing the "details of the date and the conduct of the election to be contained in orders to be laid before both Houses", the House of Commons and the House of Lords (Uberoi, "European Union Referendum Bill 2015-16" 3-4). Subsequently, two Bills were introduced on the basis of the first Bill by two Private Members, James Wharton on 16 May 2013 then Bob Neil in the 2014,but they failed to be amended by both Houses (4).

3.1.7. Cameron's Demands in 2015

The Prime Minister specified before that his Conservative Party would ask for a mandate for the Conservative government to negotiate a new settlement with the EU in the next Conservative election manifesto (Gay, Miller 4). For that reason, in 14 April 2015, the Conservative Party voiced out the Party's manifesto for the general election and stated that: "We will negotiate a new settlement for Britain in Europe, and then ask the British people whether they want to stay in the EU on this reformed basis or leave. We will hold that in/out referendum before the end of 2017 and respect the outcome" (qtd. in Poptcheva and Eatock 2-9).

Consequently, on 8 May 2015, the Conservative government was elected and David Cameron returned to office as the Prime Minister (Poptcheva and Eatock 2). Following their success, on 28 May 2015, the UK's Secretary of States for foreign affairs, Phillip Hammond, introduced the European Union Referendum Act 2015 to the House of Lords and it received a Royal Assent on 17 December 2015 (Miller, "EU Reform negotiations…" 5; Nicolaides et al. 2). The Bill was talking specifically about the UK in/out referendum following successful reform negotiations. Through this step, Hammond formally paved the way for the referendum to be held before the end of 2017 and introduced the EU referendum Bill.

3.1.8. A Letter to Donald Tusk in November 2015

After several bilateral conversations in the early autumn of 2015 within the EU leaders, David Cameron sent a letter to the European Council President, Donald Tusk, in the early November 2015 and it was made public on 10 November 2015 (Miller, "EU Reform negotiations…" 5). The letter was entitled "A new settlement for the United Kingdom in a reformed European Union"; it set out more detailed reform proposals for the UK which were divided into four broad sections: economic governance, competitiveness, sovereignty and immigration (Miller, "EU Reform negotiations…" 5; Poptcheva and Eatock 10). [4]

Through this step, the Prime Minister was confident that the proposed reforms would be workable for everyone and not only for the UK. Therefore, he reclaimed that if the EU would accept the reforms, he will campaign to stay within the EU, while if not, the Conservative government might campaign to leave it and he has clarified his argument in a clear statement to the House of Commons on 3 February 2016 (Miller, "UK's EU Reform…" 7). So, Cameron wished to make fundamental changes in the UK's relationship with the EU and he declared that:

> First, I am not arguing, and I will never argue, that Britain could not survive outside the European Union. We are the fifth largest economy in the world and the biggest defense player in Europe (…) the question is not could Britain succeed outside the European Union; it is how will we be most successful? How will Britain be most prosperous (…) how we will be most secure? I have always said that the best answers to those questions can be found within a reformed European Union. But let me say again that if we cannot secure these changes, I rule nothing out (qtd. in Miller, "UK's EU Reform…" 7).

3.1.8.1. Donald Tusk's Response: Tusk Package

After nearly 3 months, on 7 December 2015, the European Council President, Donald Tusk, replied to the Prime Minister's letter through setting out his first assessment of the Cameron's proposals. Tusk addressed the four areas that were mentioned on 10 November: relations between the euro 'ins' and 'outs', competitiveness, sovereignty and social benefits for EU citizens living in another Member State and he declared that: "the latter was the most delicate and would require a substantive political debate at the European Council's December 2015 meeting" (Poptcheva and Eatock 16). So, Tusk considered Cameron's proposal fragile and must be strengthened by a political negotiations, whereas Cameron was confident by his letter and it was seen as feasible for everyone.

Donald Tusk sent a draft letter entitled the 'New Settlement for the United Kingdom in the European Union' to the Heads of States or Governments of all the EU Member States on 2 February 2016 (Poptcheva and Eatock 16). The day after, on 3 February, Tusk published six draft documents, [5] known as the Tusk package, containing draft decisions and declarations for addressing all the four areas in David Cameron's letter (Miller, "UK's EU Reform…" 12). So, Donald Tusk published the six drafts based on Cameron's proposal in November 2015 to decide whether to be accepted by all the EU members or not.

Consequently, the six texts met some difficulties, therefore, Donald Tusk stated on 2 February 2016 that it was "a difficult process and there are still challenging negotiations ahead. Nothing is agreed until everything is agreed. I am convinced that the proposal is a good basis for a compromise. It could not have been drafted without the close and good cooperation of the European Commission" (qtd. in Miller, "UK's EU Reform…" 13).

The clear aim behind the published six drafts is to achieve an agreement of all the 28 Member States at the European Council meeting on 18-9 February 2016 through adopting the drafts by them all (Poptcheva and Eatock 16). Concerning Tusk, he had seen the package as a good basis for compromise, yet there still some challenging points that must be agreed on by all (Miller, "UK's EU Reform…" 12). Hence, the meeting would be an occasion to deal with any gaps or forgotten details in the text.

3.1.9. The UK's New Settlement in the EU

As mentioned before, the Heads of States agreed to have a meeting of the European Council on 18-9 February 2016 (Lang et al. 5). Although reaching an agreement between the UK and the EU was difficult because of the intense discussions and hard bargaining, the meeting achieved an accord on 19 February and called the 'New Settlement for the United Kingdom within the European Union' (5). According to Tusk, the negotiations were expected to be easy and quickly adopted by the Heads of States, yet the negotiations were not that easy to be concluded.

Moreover, the Settlement that was achieved in the meeting was fully compatible within the EU Treaties and consisted of seven texts (Lang et al. 5). Then, it took a form of a Decision and Statement of the Heads of States or Governments and followed by five Declarations (Nicolaides et al. 3). [6] Accordingly, the five Declarations were: economic governance, competitiveness, sovereignty, the social benefits and free movement and the last one is about the coming into force of the Decision (Lang et al. 5).

When David Cameron sent his letter in November 2015 to the European Council President, Donald Tusk, he put a condition on his demands. Precisely, he insisted on the necessity of making the New Settlement of the United Kingdom within the European Union as legally Binding and irreversible (Lang et al. 7). So, the British Prime Minister sought to make the decision binding in the EU laws and Treaties and irreversible in order not to be changed or modified in the coming future.

Thereof, Tusk accepted Cameron's request by making the Decision of the Heads of States or Governments clearly legally binding and irreversible on 19 February (Nicolaides et al. 3). So, David Cameron was satisfied with the meeting outcomes and he announced that: "the Government's position will be to recommend that Britain remains in a reformed European Union" (qtd. in Lang at al. 5) as he pledged before if the EU would accept his proposal. Even though, the referendum would take place and its result was unpredictable since it would depend only on the British people's choice.

3.2. The Referendum Path

After the EU referendum Bill received a Royal Assent on 17 December 2015, the Prime Minister, David Cameron, was waiting only for an agreement to be achieved for what he proposed as reforms in the EU in November 2015. Consequently, the Decision that was made by the European Council's President, Donald Tusk, on 19 February 2016 paved the way for David Cameron to declare when the British people would go to choose whether they want to stay within the EU or to leave.

Two days after announcing the UK's New Settlement in the EU, David Cameron set out his Government's intention in a brief statement on 20 February 2016 in the Cabinet meeting, in which he declared that the Government recommended that Britain would remain in a reformed EU (Kerry 12-3). He said "I believe that Britain will be stronger, safer and better off by remaining in a reformed European Union" (qtd. in Kerry 13). Also, Cameron's demand was agreed on by the Cabinet in the same day, he confirmed the date of the referendum to be held on Thursday 23June 2016(13).

Moreover, the Referendum period was set out to start on 15 April 2016 till 23 June 2016 i.e. 10 weeks until the date of the poll ("The 2016 EU Referendum…" 29; Uberoi and White 6). Besides, the referendum framework and campaign was regulated under a legislation by the UK Parliament, then set out in both of the Political Parties, Elections and Referendum Act 2000 (PPERA) [7] and the European Union Referendum Act 2015 ("The 2016 EU Referendum…" 22; Uberoi and White 7).

For David Cameron the withdrawal from the EU is the last thing that would benefit the British economy whether immediately or after a long period since he considered the departure choice would result only the prices increase, reduction in employment and slowing of growth (Deloy 3). Although, the Prime Minister was the one who asked for holding a referendum on the UK's membership within the EU if his Conservative party would win the General elections of 2015, but later, after reaching a new settlement for the UK that suits all what Cameron asked in his letter. He changed his mind and he pledged to make his Government compete to remain within the reformed EU because the negotiations result was satisfying for Britain according to his view.

3.2.1. The Referendum Day and Outcome

On Thursday 23 June 2016, the British people all over the UK and Gibraltar voted in the referendum day on whether the UK should remain as a member in the EU or leave it (Uberoi, "European Union Referendum 2016" 4). Therefore, a total of 46,500,001 people were registered to vote, but only 33,577,342 votes were cast in the referendum and representing 72.2 % of the total qualified electorate. This means that not all of the British people were supporting the idea of holding a referendum since 28.8 % of the population did not even vote which is a considerable percentage of citizens ("The 2016 EU Referendum…" 6-17).

The referendum outcome was: 16,141,241 people voted to remain as a member of the European Union representing 48.1% of all voters, while 17,410,742 people voted to leave the European Union representing 51.9% of all voters, whereas 25,359 people rejected the ballot papers ("The 2016 EU Referendum…" 17). As a result, the British people voted to leave the EU with a slight difference between the two percentages of 3.8% (Uberoi, "European Union Referendum 2016" 5). This means that not all the UK people wanted the British exit or what is known as the 'Brexit', but rather they were divided.

3. 3. The Withdrawal process and the Article 50

After the referendum result of the 23 June, the withdrawal was the electorates' final decision. For the Government, its duty was to fulfill what was pledged by David Cameron and to make the electorates' decision effective. Precisely, the Prime Minister stated clearly in the House of Commons that: "if the British people vote to leave, there is only one way to bring that about, namely to trigger Article 50 of the Treaties and begin the process of exit" (qtd. in "The Process for Withdrawing…" 7). Thus, the negotiations about the UK withdrawal should be started but through specific procedures to be followed by the UK and the EU as well.

The Article 50 is mentioned in the Treaty of the European Union (TEU), the Lisbon Treaty, setting out the process that the EU Member States have to follow when deciding to leave since it is the only lawful way to withdraw from the EU and it was never tested before ("Process for Withdrawing…" 7-13), for further details about the Article's content see (Appendix 3). The negotiations last for two years as the Article 50 identifies and it should follow particular stages to reach an argument.

Accordingly, even the referendum result was clear but the UK Prime Minister should trigger the Article 50 by first notifying the European Council about the country's intention to withdraw from the EU to start the negotiations which must conclude in no more than two years (Bowers et al. 6). Meanwhile, the UK could participate freely in the other EU businesses and decision- making, since it is yet a Member State (6).

The two years negotiations can be extended if all the remaining States agreed on (Bowers et al. 6), yet in that period the UK should reach an agreement with the EU or it would leave the Union with no protection under the EU law for its rights ("Process for Withdrawing…" 7). Although, many analysts think that taking two years for negotiating not only one field but rather a complex relationship for reaching a solution would not be long enough (Miller and Lang, "Brexit: How Does the Article…" 20). So, the UK must achieve an agreement before the end of the two years period or the outcomes won't be good.

3.3. 1. The Process of Triggering the Article 50

Following the referendum day, on 24 June 2016 the Prime Minister David Cameron announced his intention in Downing Street to resign though he stayed in office until replacing him with another leader from the Conservative Party Conference in October 2016 (Honeyman). After that, Cameron resigned officially on 13 July 2016 to be appointed as a Secretary of State for Exiting the European Union, while Theresa May replaced him as the new Prime Minister for the UK (Walker 7).

On the 2 October 2016, in her speech to the Conservative Party Conference, the new Prime Minister Theresa May confirmed that she had to notify the European Council to trigger the Article 50 for starting the withdrawal negotiations before the end of March of the next year, 2017 (Boswell 1). Accordingly, she stated that "it is not up to the House of Commons to invoke Article 50, and it is not up to the House of Lords. It is up to the Government to trigger Article 50 and the Government alone" (qtd. in Walker 8). So, Therese May was preparing for what might suit the UK's situation to withdraw.

On 26 January 2017, the UK Government published a draft Bill that would allow the UK to start the negotiation' process within the EU and entitled as "The European Union (Notification of Withdrawal) Bill" (Walker 10-1). This Bill includes one clause through which the Prime Minister could notify the UK's intention to withdraw from the EU under the Article 50 rules and it was sent to the House of Commons for a Second Reading on 1 February 2017 (11).

After a Third Reading for the Bill on 8 February, the Bill moved to the House of Lords. Then, the Prime Minister met the EU leader at the European Council in Brussels on 9-10 March and three days after on 13 March, the Parliament passed "The European Union (Notification of Withdrawal) Bill" (Walker 12). The Bill received a Royal assent on 16 March and gave the Government the legal power to notify the European Council about the UK's intention to leave the EU (12).

Finally, on 29 March 2017, Theresa May invoked the Article 50 through notifying the European Council President Donald Tusk in order to officially starting negotiations under the guidance of the Article 50 ("Brexit: Article 50 Triggered"). After a month, on 29 April, the European Council, without the UK presence, agreed on the EU's guideline for the negotiation which would continue till October 2018 to be concluded, then the European Parliament could approve the deal in March 2019 and the Council, after that, could conclude the Withdrawal Agreement along with the UK's Parliament consent ("Brexit: Article 50 Triggered").

As a result, the negotiations would take two years to reach an agreement about the withdrawal and the UK-EU future relationship, while the UK is expected to formally leave the EU on 29 March 2019 (Walker 27). So, through all the previous Steps the Article 50 of the Lisbon Treaty was triggered to start the exit negotiations and ending up a relationship that lasted for more than 40 years. Even though, the outcome of the negotiation would stay in the hands of the EU leaders to achieve what would shape their future relations.

3.4. The Brexit's Possible Implications for the UK

After triggering the Article 50 and starting the withdrawal negotiations in March 2017, the UK is having two years to negotiate its future situation within the EU. Hence, the Brexit would leave the UK with several implications, either good or bad ones or during the time of negotiations or after the official withdrawal. Consequently, the UK has to consume the result of its decision especially those which are related to economy and trade specifically, the financial services, the foreign investments and also immigration …etc.

The implications of the Brexit are not yet clear enough since the UK would not leave officially till 2019. The analysts and researchers voiced out their expectations about what would happen to the UK during the two years negotiations and after the official departure. Yet, generally speaking, it is estimated that the Brexit outcome would lead to a recession (Gostyńska-Jakubowska 1) i.e. the state where the economy declines through a widespread decline in the GDP, employment and trade for about six months to a years. Besides, the British people are not aware and not convinced yet of the real impact of the Brexit on them, thinking that it would affect the economy but not the citizens themselves directly (1).

3.4.1. Short Term Effects

The short term effects are talking about the implications that may happen during the two years of negotiations for the UK future in the EU since it would be a step into the unknown for it and may cause a significant economic shock. When the UK relationship within the EU is under negotiations, this period is explained as the uncertainty of the UK's future ("Economic and Financial Costs…" 23), but in fact it is a double edged weapon.

On the one hand, the UK-EU relationship was always bound with rights and obligations under the EU Treaties, thus nothing would be changed in an overnight without a clear negotiation that protect their rights ("Leaving the EU: Implications…" 6). While, on the other hand, the uncertainty that is surrounding the UK's future affects its financial markets and economy which may fall down during this period ("Economic and Financial Costs…" 23).

Precisely, the value of the UK currency, the Sterling pound, had fallen on 14 May 2016 by 9% to 10% from its peak in November 2015 and this decline was explained by the influence of the referendum risk ("Economic and Financial Costs…" 23). This significant fall in pound was measured to a seven year low in comparison to the dollar, just one day after the referendum was announced and its value may fall further in that period of uncertainty ("Two Futures: What the EU…"15).

From another view, it is seen that the UK negotiations for the withdrawal may take more than two years for about 10 to 15 years (Irwin 7-28, "Two Futures: What the EU…" 2), since the process is complex and cannot be finished in that small period of time. So, it is not easy for the UK to decide its future path outside the EU in that short time, but that in turn adds the uncertainty that surrounds the UK's future in a bad way.

The business also would face an increasing level of uncertainty which influenced directly the investments' decisions with very large consequences and the main factor behind that is the political instability, since the political stability is the most important factor that makes the UK's investment attractive, according to business surveys (Irwin 28). Since the declaration of the referendum and its uncertainty, the UK witnessed a decline in the attraction of investments in which "businesses have started to defer investment projects, with UK business investment declining by 2% in the last quarter of 2015" (Kierzenkowski et al. 12).

Yet, the uncertainty period effect would not touch only the UK side, the EU also would have that impact and maybe with the same extent as the UK. Precisely, the Brexit may have political implications on the EU. Though, on the one hand, the EU might be strengthened by the departure of that awkward partner, but, on the other hand, if the UK would leave the EU after a successful negotiation, this would be the biggest risk to the rest of the EU since it may suffer from global challenges such as another financial crisis, a security crisis or even further Global immigration because of the UK's departure (Irwin 29; "Two Futures: What the EU…" 2). Accordingly, the EU would be under pressure of ending the negotiation term with what suits the UK, and this would raise the costs of Brexit for the EU especially if it would keep the Single Market for the UK.

3.4.2. Long Term Effects

The long term effects depend on the agreement that will be reached after concluding the two years negotiations of the Article 50 and the effect may touch all the UK fields and even the EU itself, since both of them always had a reciprocal relationship. Thus, the long term impact would result in considerably greater costs especially in the economical fields and trade like the foreign direct investments, the financial services, and also immigration… etc.

3.4.2.1. The Brexit's Possible Impact on Economy

The UK is more dependent on the EU since 12.6% of the UK GDP is linked to exports to the EU, while on the contrary, only 3.1% of GDP among all the other 27 Member States is linked to the UK exports, also the EU is the destination of 44% of the UK exports and 60% of the UK's trade ("Consequences of a British Exit…"). So, by leaving the EU, the UK would face difficult challenges to maintain the changes in its economy and trade since it may suffer from economic shock. Besides, the loss of access to the Single Market could have also negative impact because the UK would be obliged to pay for the imposed tariffs and quotas when dealing within the EU in economic affairs.

Several formal searches stated that the UK's economy would be worst after the Brexit, it would face a permanent loss in the level of output and incomes and the barriers that the EU would apply, may lead to lowering the UK exports to the EU ("United Kingdom" 24-5). The reduction in trade within the EU could be justified by the impact of the non access to the Single Market and the loss of the provided EU markets which may result a negative outcome for the UK. Also, leaving the EU would make the UK's economy less open to trade and investment which affects its productivity and the economical thrives.

In addition, the UK was always the EU's largest trading partner by a significant influence and contribution. Therefore, it is said that regardless of the referendum result, the EU will continue to be the UK's most important trading partner for the coming time ("Economic and Financial Costs…" 39). But in fact, it is clear that UK-EU's trade relationship would change after the Brexit, but the extent of that change would depend on the reached argument in the negotiations.

3.4.2.1.1. The Impact on Trade

The vote to leave the EU could have a significant impact on the UK's prosperity which may cause an economic shock for it. Therefore, the UK has to look for further solutions and alternatives to fill the gaps and secure its position. Concerning trade, following the two years negotiations and assuming that the UK would leave the EU with no agreement or expansion of the period, the UK would automatically choose between two main choices: joining the European Economic Area, [8] or what is known as the Norwegian Model (EEA) or trading under the World Trade Organization's (WTO) [9] rules (Miller, "Brexit: Impact across…" 24).

Accordingly, if the UK would join the EEA, this option is close to the EU membership (Miller, "Brexit: Impact across…" 24). Through joining the EEA, the UK can get access to the Single Market with its four freedoms of the free movement of goods, services, capitals and the free movement of workers especially as well ("Two Futures: What the EU…" 12). While, if the UK would choose to trade under the WTO regulations, this would be the biggest break from the EU and the UK would have to pay a tariff to export goods to the EU which are already subject to the quantity restrictions (11).

In comparison between the two options and the situation for the UK, joining the WTO could be more difficult choice for the UK's economy since it is estimated that: "In 2025 UK GDP could still be 4.1% lower if operating under WTO rules than if we remained a member of the EU (…) [and] by 2030, the UK economy begins to recover but is still 3.5% smaller in 2030 than if the UK was a member of the EU" ("Two Futures: What the EU…" 15).

Consequently, because of the imposed tariffs on the exported or imported goods, the UK could face higher prices; therefore the WTO could be harmful for the UK. Whereas, the Norwegian option, the EEA, would make the UK enjoying an access to the Single Market through joining the European Free Trade Argument (EFTA) [10] within the EU where there are no tariffs on trade and allows for getting a comprehensive access to the Single Market (Dhingra et al. 3) and this is exactly what the UK would seek to obtain. The EEA is an optimistic choice for the UK, but it still depends on the result of the negotiations. The most affected sectors in trade are the financial services and the foreign direct investments.

3.4.2.1.1.1. The Foreign Direct Investment (FDI)

As mentioned in the second chapter, the UK was too successful in attracting the Foreign Direct Investment (FDI) and it was the largest recipient of FDI in the EU. Therefore, the Brexit would make the UK less attractive for the FDIs because of losing the Single Market which may result unavoidable lowering of the investments' inflows (Kierzenkowski et al. 25). So, being a member in the EU and especially the adoption of the Single Market, which does not restrict the movement of capitals made it easier to invest in the UK, promoted more the attraction of the FDIs and the exit would result the opposite and damage the field.

The UK had many advantages that would be unaffected by the Brexit like: the UK's flexible labor market, the skills of the UK labor force, the language, the political stability and the UK's open economy (Miller, "Brexit: Impact Across…" 32). But, the exact implications of the Brexit on the FDI would depend on what the UK would choose to adopt instead of the EU. If the UK would opt for the EEA membership, the impact on the FDI might be limited (Springford et al. 46), since this membership would allow for applying the Single Market rules which is too important for the UK FDI's success. Yet, the FDI would be worst if the UK would opt to trade under the WTO rules and may result considerable damages in this field of industry (46-7). So, after the Brexit, the UK may struggle to attract new FDI since its future depends on what is appropriate for the country.

3.4.2.1.1.2. The Financial Services

The financial services are an important and critical part in UK's economy and the UK is Europe's heart of the financial services since London is the "leading global international financial and related professional services centre" (Edmonds 4). It is viewed that the impact on the internationally-traded services would be more severe because it is mainly based on employing the highly skilled people who are expensive to register and cannot move easily (Springford et al. 46). This would be easy with the presence of the Single Market; hence the outcome of leaving the EU would trace an immense harm and implications for the financial services since the future status of the country's access to it still unknown (47).

The influence of the Brexit on the financial services can be noticeable in three main areas. The First one is the regulatory impact, it deals with the financial and banking rules and standards that are considered to be of higher level in the UK and better than those of the EU (Fleming and W Young 2). Despite that, the Brexit would decrease the overall baking stability if any crisis may happen and could also present hard legislative challenges in the UK's law

(2). Therefore, the UK's first priority in the negotiations is to preserve the Single Market since it is the corn stone for almost all the UK's regulations and services.

Another outcome in this area is the ability of the "UK based institutions to export financial services into the EU and may impact future decisions by global institutions on where best to locate" (Fleming and W Young 2). Here, it means that Brexit may result a gradual relocation or shifting from the UK to other EU States according to what seems to be more beneficial for the institutions and on whether the financial services are still attractive or not.

The second area is the economic impact on the City and it refers to the City of London (Fleming and W Young 2). Concerning London as a Global Financial Center, it is the responsible for the financial stability of the UK and the financial services' booster (Edmonds 5). Notwithstanding, the opponents of the withdrawal believe that leaving the EU would be catastrophic for the City since the City's business in not regional but rather global and it is the world's largest centre for foreign exchange trading (Springford et al. 79). Therefore, the absence of the free movement of capitals would harm the UK financial services.

The third area is the implication for the cross borders trade which is related to the firms that are based in the UK and working on selling services into the other EU Member States without getting authorization from each one (Miller, "Brexit: Impact Across…" 40). The danger that would surround this category is the potential loss of their passporting rights in the UK (Fleming and W Young 2), because of the Brexit and the elimination of the free movement of capitals. So, these firms would choose to adopt the Swiss Banking model which operates through subsidiaries without passporting rights (2), as an alternative for their businesses after the Brexit and to be able to operate in other EU countries.

3.4.2.2. The Brexit's Possible Impact on Immigration and the Labor Market

The given right to the EU citizens to move wherever they want has resulted in huge rate of immigration than what the UK can absorb, (see Appendix 4), ("LSE Commission on the

Future…" 8). It was clearly declared by the previous Prime Minister David Cameron that when the UK would leave the Single Market by leaving the EU, it would control its immigration rules and the EU's freedom of movement would end simultaneously ("A New Model for Migration…"). Thus, the Brexit was an opportunity to restrict immigration.

According to one of the EU fundamental principles of the free movement of people, including labor, through which all the EU citizens and their families can move or settle and work wherever they want in the EU (Miller, "Brexit: Impact Across…" 34). Thus, the UK could not stop this process or impose limits on immigration because it is a part of the Single Market rules. Yet, after the Brexit, the situation would change, but it is still depending on the UK-EU negotiations' outcome.

Following the UK withdrawal, the possible changes in immigrations' rules would be likely to have heavy impact over businesses and economy (Miller, "Brexit: Impact Across…" 34), because the Brexit's effect on this category including, at the same time, the impact over labor force in the UK. Hence, it is estimated that the EU immigrants had higher employment rates than the British people or other groups from the non- EU countries have (Kierzenkowski 25). So, the Brexit may result long effect.

Precisely, the net of immigrants from the EU was doubled since 2012 which reached around 183.000 immigrants in 2015. Besides, the immigration inflow from the EU countries was a key factor behind the UK's strong labor market, in which in 2005-15, around 2.2 out of 2.5 million jobs were added and supplied by the immigrants in the UK and representing nearly 60% of the UK employment rate (Kierzenkowski 26). Also, the immigrants contributed in the UK GDP growth with an average of 0.7% a year and the EU immigrants had higher contribution than the non-EU countries (26). So, the UK had benefited more from the flow of immigrants especially those from the EU Member States.

As mentioned before, the immigration's situation in the UK would depend on the new rules that would be agreed on to fulfill the Brexit process. If the UK would seek to put more limits on immigration, it would extend the current rules for the non-EU immigrants to all the non-UK immigrants, through restricting the economic migration to only the high-skilled immigrants and decreasing the flow of immigrant workers with low-skilled employments (Miller, "Brexit: Impact Across…" 34). If the UK would do so, it would attract and benefit only from the specialized and the field-expert workers.

Moreover, the impact of immigration on UK would vary according to the city's geography or the city's economic importance. Therefore, the effect of the immigration would be high on London since it covers high concentrations of labor force more than elsewhere in the EU (Miller, "Brexit: Impact Across…" 35). Consequently, London would be affected more than any other areas with EU workers.

At the contrary, the UK should think about the British people who have born in elsewhere in the EU, where over than 400.000 Britons are living in other EU countries, for example: there are 400.000 persons live in Spain, 150.000 in Germany, 175.000 in France (Springford et al. 102). By deciding to leave the EU, the UK has to negotiate the settlement of its immigrants with the other EU Member States in order to ensure that these immigrants would keep living there (102).

3.4.2.3. The Impact on EU Budget

The UK is contributing to the EU budget since its accession in 1973 and currently is considered as the second largest net contribution in the EU budget behind Germany (Irwin 27; Springford et al. 103). It is estimated in 2015 that the UK contribution to the EU budget was £8.5 billion, presenting 0.5% of the EU GDP each year (Miller, "Brexit: Impact across…" 33). The EU budget is devoted for paying policies accomplished at the European level as the agriculture via the Common Agriculture Policy (CAP), assisting poorer part in the EU through regional funding and further aids for developing the EU countries (33).

Since its accession and for around 42 years, the UK contributed with £496 billion in the EU budget, but after the UK asked for a rebate in 1985 because of the high proportion of the EU expenditure that was directed to the CAP, it received £116 billion as a total (Miller, "Brexit: Impact across…" 33). So, the UK saw that the money paid to the EU budget is too high than is needed, (see Appendix 5), therefore it asked to return back a percentage of what was paid over years.

Concerning the Brexit, it is seen that EU budget is among the few areas that are easily quantifiable after the withdrawal, though the UK would keep paying its budget till the official day of the departure (Miller and Lang, "Brexit: What Happens Next" 17). As mentioned before, the UK net contribution to the EU budget increased the EU GDP by 0.5%. Therefore, the UK government may save the 0.5% of GDP each year and instead it "could decide to raise consumers' incomes further by reducing tariffs and quotas on agricultural products imported from outside the UK to zero" (Springford 106). So, it is estimated that the money paid to the EU should be used in facilitating the agricultural difficulties in the UK.

To conclude, the always awkward partner has finally to leave the EU and starting new relations and agreements whether within the EU itself or other organizations. Following David Cameron's announcement, Britain was divided between whether advocating or rejecting the in/out referendum on the UK membership in the EU. Although, Cameron pledge to hold a referendum was fulfilled in 2016, the result was welcomed neither by the EU nor by almost half of the British people.

The Brexit would make the future of the UK unknown and would lead to a period of uncertainty where all the UK sectors would be affected with. Yet, on the contrary, it depends only on how the UK would convince the EU leaders to negotiate what suits the UK's position or situation. The Impact of the UK's departure would not be small, but rather effective and long especially on the economic fields. After all, the UK is a strong country in Europe and if it would leave the EU, it will not leave Europe.

Endnotes

[1] The Fiscal Treaty is an intergovernmental treaty and considered to be essential to restore confidence and stability in the European financial and fiscal scene. For further reading, see: (“Information Note on the EU…” 7). 1 April

[2] Types of competence: There are different types of competence: exclusive, shared and supporting and only the EU can act in areas where it has exclusive competence. For Further reading, see: (“The Review of the Balance of Competences between the United Kingdom…” 13). 2 April

[3] The Free trade area deals with no imposed tariffs or taxes or quotas on goods or services from one country entering another, see (“Free trade area, single market…”). 5 April

[4] The four areas for the UK reform are economic governance, competitiveness, sovereignty and immigration. For more details see (Miller, “EU Reform Negotiations…” 6-8). 18 April

[5] The six draft documents see (Miller, “UK's EU reform…” 12). 19April

[6] The Decision and Statement of the Heads of States or Governments followed by five Declarations see (Lang at al. 22-45). 15 May

[7] The Political Parties, Elections and Referendums Act 2000 (PPERA) applies to referendums to be held throughout the United Kingdom. For further reading see (“Lessons learned from the EU Referendum” 15). 26 May

[8] The European Economic Area (EEA): unites the 28 EU Member States and the three EEA EFTA States (Iceland, Liechtenstein and Norway) in an Internal Market governed by the same basic rules which enable goods, services, capital, and persons to move freely about the EEA in an open and competitive environment, see (“The European Economic Area (EEA)” 1). 28 may

[9] The World Trade Organization (WTO) is an organization for liberalizing trade. Trade liberalization is the main approach that the WTO has adopted to help Member countries achieve economic growth and raise living standards, see ("Introduction to the World Trade…" 2). 28 may

[10] The European Free Trade Argument (EFTA) is the intergovernmental organization of Iceland, Liechtenstein, Norway and Switzerland. It was set up by its member states for the promotion of free trade and economic integration between its members, see ("The European Free Trade Association"). 28May

Conclusion

The notion of the European Union did not come to reality in a blink of an eye. For more than 7 decades of a hard work, since 1945, Europe now is more peaceful and prosperous. The main objective of creating the EU was to improve integrity and eliminate all the challenges and obstacles that may stand in front of its Member States' economic growth and innovation. The EU different treaties and arrangements were the only procedure that it should adopt to spread the economic and political integration and unity among Europe nations. These treaties made the EU nations work under one authority as one body, all the cross borders barriers are eliminated and the imposed tariffs and quotas on the imports and exports were vanished as well.

It was not an easy process to govern 28 European countries with different economic and political positions. Yet, the EU's supranational institutions and rules enabled it to stand with the nations' economic circumstances to better conditions. The most important step that was taken by the EU was the establishment of the Single Market within its four freedoms of the free movement of goods, services, capitals and people. Through implementing this strategy, the EU was able to go far with its economic success and proving its strong position for the whole world.

UK was a special Member State for the EU. Its economic openness and productivity gave the UK a strategic position and great importance. Despite the economic deficit the UK suffered from before joining the EEC in 1973, its economic growth performance was considerably increased. This in turn had a significant effect on the UK, taking into consideration that almost of the UK's trade transactions and imports or exports are directed to the EU countries. In other words, the UK relied heavily on the EU as its biggest market; almost half of its trade and services are shared within the EU counties which improved the EU's rate of growth.

The key element behind UK huge success and development was the adoption of the Single market which reduced trade costs and raised the country's level of income and advanced manufacturing. Due to the Single Market, the UK ranked as the first place in attracting foreign investment because of its economic competitiveness, strength and stability.

Also, the free movement of people allowed the EU citizens to move, reside and work freely wherever they need. This aspect provided the UK mainly with a high proportion of a labor force that fulfilled both of the EU and the UK's needs and increased the level of employment with good quality. Not only the EU immigrants in the UK found good conditions to live, the UK immigrants also found better conditions with high quality jobs and increased living standards in the other EU Member States. As a result, the UK accession to the EU was highly successful for both of them.

Although, David Cameron announcement for holding an in/out referendum on the UK membership in the EU was expected by neither the British people nor the EU other Member States, it took place on 23 June 2016. The reason behind this sudden declaration was the increased power of the eurosceptics in the Conservative Party and the United Kingdom Independence Party (UKIP). These two parties were against the UK's further integration within the EU and supported strongly the succession.

The referendum results the UK's withdrawal from the EU, but after triggering the Article 50 of the Lisbon Treaty in March 2017and starting negotiations of the possible UK-EU relationship. These negotiations would take a period of two years without the participation of the UK, if no agreement would be reached and no expansion to the period would be added, the UK would leave the EU with profound damages. Meanwhile, the UK can participate in the EU affairs till its succession would become official in 2019; the EU Treaties would discontinue to be applied on the UK.

While the UK is negotiating its future relationship within the EU it would witness a situation of uncertainty. This latter would affect all the UK economic fields in a negative way because of political instability the UK. The future of UK relationship with the EU and the long term implications of the departure would depend, on the one hand, on the result of the negotiations and how the UK would be able to convince the EU leaders of what it would seek to obtain. On the other hand, the alternatives that the UK would adopt to manage its situations are critical in order to minimize the harm the possible they could and avoid any possible crisis or obstacles.

The economic sector would be highly affected by the Brexit, especially the trade in financial services, the foreign investments because UK is the EU biggest trading partner. This would be mainly caused by the non access to the Single Market after the withdrawal. Yet, the exact extent of damage would depend on the UK-EU negotiations outcome and the alternatives the UK would adopt. The Brexit would have impact also on the flow of immigration in the UK and the labor market. Since the two are interrelated and the free movement of people would be limited or stopped, thus, the results would always depend on the negotiations outcomes in 2019.

Finally, the Brexit is a double edged weapon. Some Britons consider it as an opportunity for the UK to get rid of the EU imposed powers and sovereignty on them. They believe that UK is a strong country and could manage its future situation without the limits of the EU treaties. While the other part which are the opponents of the Brexit, trust the EU and they see that the UK prosper is only related to more integration within the EU. It seems that de Gaulle was right in vetoing twice the UK's accession to the EU, regardless of their economic benefit and the positive influence on each other, yet their story ended with a withdrawal, as if they were rotating in a vicious circle.

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Appendices

Appendix 1.

Churchill's Speech at Bloomberg in 1945.

I wish to speak to you to-day about the tragedy of Europe (…).Yet all the while there is a remedy which, if it were generally and spontaneously adopted, would as if by a miracle transform the whole scene, and would in a few years make all Europe, or the greater part of it, as free and as happy as Switzerland is to-day. What is this sovereign remedy? It is to recreate the European Family, or as much of it as we can, and to provide it with a structure under which it can dwell in peace, in safety and in freedom. We must build a kind of United States of Europe. In this way only will hundreds of millions of toilers be able to regain the simple joys and hopes which make life worth living. The process is simple. All that is needed is the resolve of hundreds of millions of men and women to do right instead of wrong and to gain as their reward blessing instead of cursing.

Source: "The European Message of Winston Churchill".18-9. Web. 20 Feb. 2017

Appendix 2.

UK Trade with EU and non-EU Countries 1999-2016.

UK trade with the EU, 1999 - 2016 Goods and services					
	Exports		Imports		Balance
	£ billion	% of total	£ billion	% of total	£ billion
1999	132.9	54.7%	144.6	55.8%	-11.6
2000	146.9	54.3%	156.5	53.8%	-9.6
2001	152.3	54.7%	168.9	55.4%	-16.5
2002	154.0	54.9%	182.1	58.1%	-28.0
2003	155.6	52.9%	187.9	58.0%	-32.3
2004	159.7	52.0%	194.3	56.9%	-34.6
2005	178.0	52.0%	213.6	56.5%	-35.6
2006	211.7	54.2%	240.4	56.4%	-28.7
2007	194.2	50.8%	227.5	54.1%	-33.3
2008	211.8	50.2%	243.5	52.2%	-31.7
2009	194.5	48.7%	224.1	51.8%	-29.6
2010	217.1	48.7%	246.8	50.7%	-29.7
2011	242.8	48.7%	263.7	50.3%	-20.8
2012	229.1	45.7%	270.5	50.6%	-41.4
2013	229.0	44.0%	283.6	51.1%	-54.6
2014	239.4	46.1%	296.4	53.3%	-57.0
2015	229.4	44.3%	295.3	53.7%	-66.0
2016	235.8	43.1%	318.0	53.9%	-82.2
Source: ONS series L84Y, L864, IKBH, IKBI, L86I					

UK trade with non-EU countries, 1999 - 2016 Goods and services					
	Exports		Imports		Balance
	£ billion	% of total	£ billion	% of total	£ billion
1999	110.1	45.3%	114.5	44.2%	-4.4
2000	123.7	45.7%	134.2	46.2%	-10.5
2001	126.3	45.3%	135.8	44.6%	-9.4
2002	126.5	45.1%	131.4	41.9%	-4.9
2003	138.3	47.1%	135.9	42.0%	2.4
2004	147.4	48.0%	147.2	43.1%	0.2
2005	164.3	48.0%	164.3	43.5%	0.0
2006	179.1	45.8%	185.7	43.6%	-6.6
2007	187.9	49.2%	192.6	45.9%	-4.8
2008	209.7	49.8%	223.0	47.8%	-13.4
2009	205.2	51.3%	209.0	48.2%	-3.8
2010	228.7	51.3%	240.1	49.3%	-11.4
2011	256.0	51.3%	260.4	49.7%	-4.4
2012	272.0	54.3%	264.0	49.4%	8.0
2013	290.9	56.0%	271.7	48.9%	19.3
2014	279.6	53.9%	259.4	46.7%	20.2
2015	287.8	55.7%	254.2	46.3%	33.6
2016	311.6	56.9%	272.5	46.1%	39.2
Source: ONS series L84Z, L865, IKBH, IKBI, L86J					

Source: Ward, Matthew. “Statistics on UK-EU Trade.” House of Commons Library, 19 December 2017. Web. 16 Mar.2018.

Appendix 3.

Article 50 of the Treaty of the European Union.

Article 50

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.
2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that 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.
3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.
4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it.

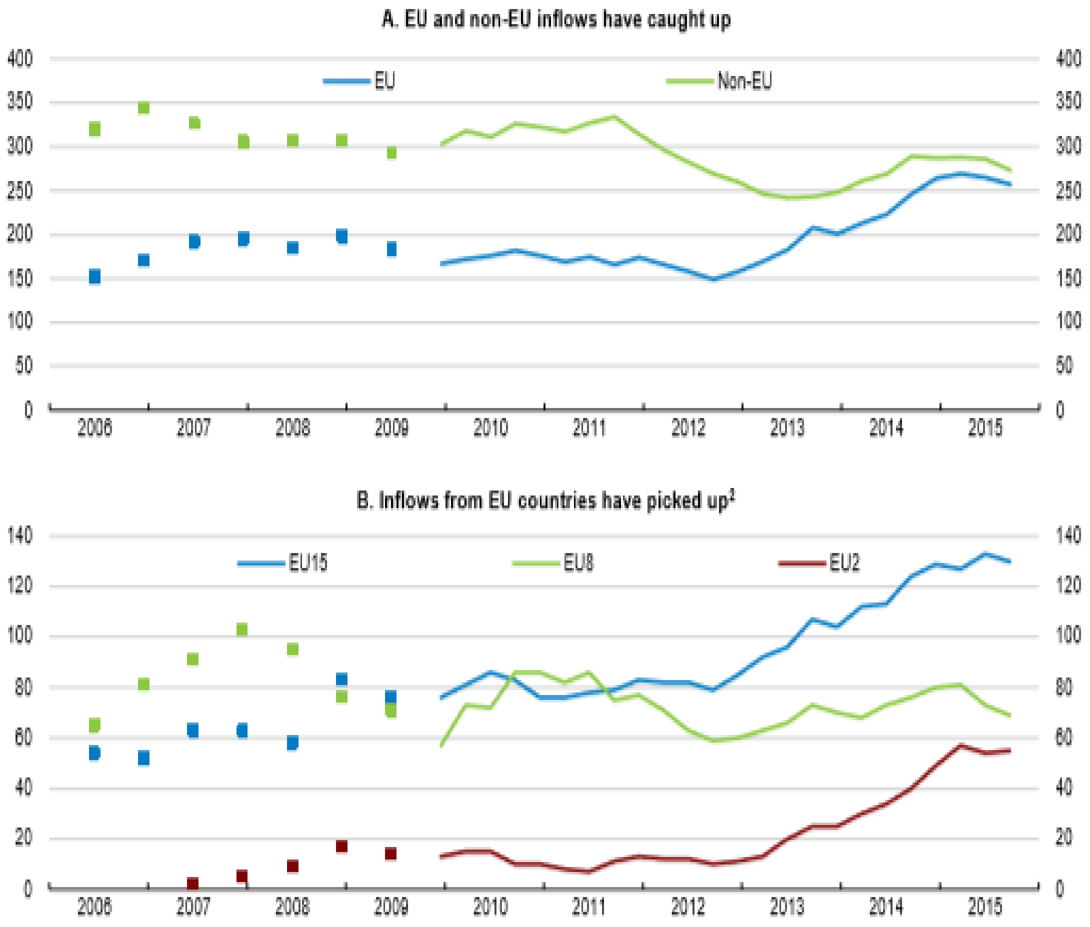
   A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union.
5. If a State which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.

Source: “The Process for Withdrawing from the European Union.” HM Government, February 2016. Web. 12 Apr. 2018.

Appendix 4.

The Immigration Inflows to the UK from the other EU Member States.

Inflows of migrants to the United Kingdom in thousands[1]



StatLink http://dx.doi.org/10.1787/888933351103

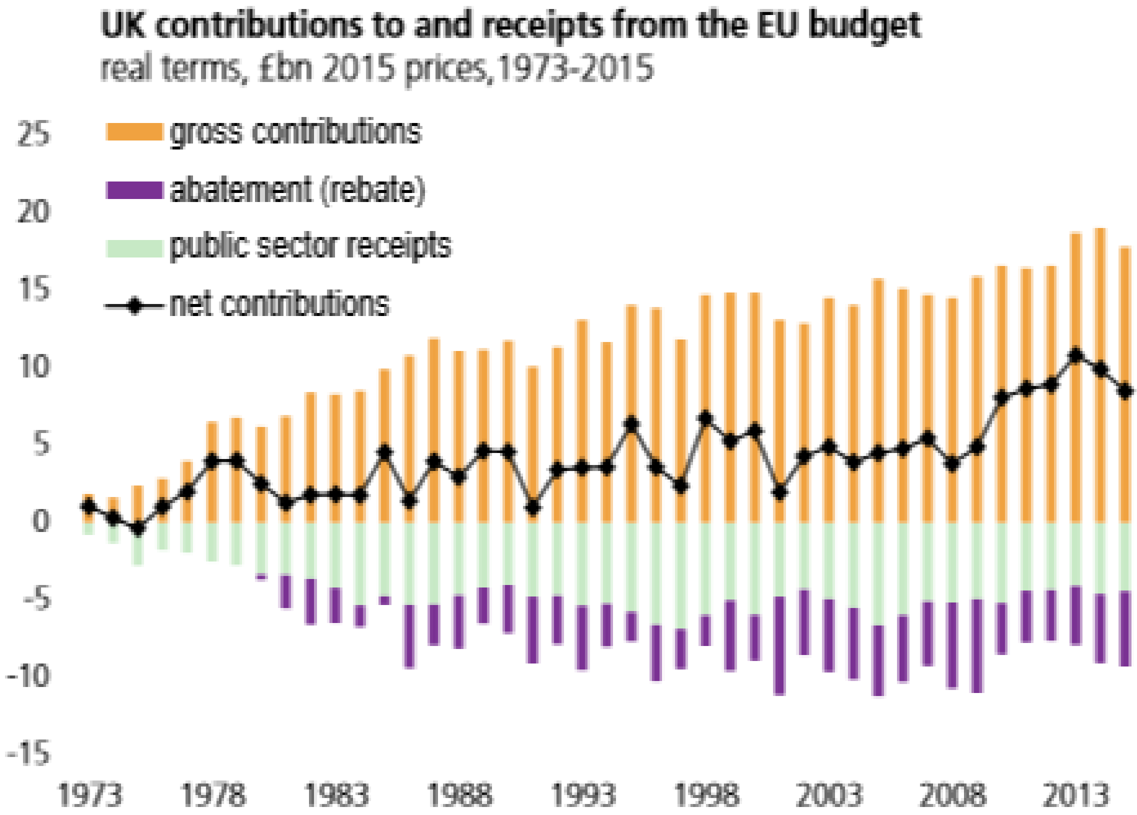
1. Rolling annual data.
2. EU15 estimates are for Austria, Belgium, Denmark, Finland, France, Germany, Greece, Republic of Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden. EU8 estimates are for Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. EU2 estimates are for Bulgaria and Romania. There is a structural break in the data in 2010. The source for the figures for the period prior to 2010 is the International Passenger Survey, while after 2010 it is the Long-Term International Migration Statistics.

Source: ONS (2016), "Migration Statistics Quarterly Report: February 2016", Office for National Statistics.

Source: Kierzenkowski, Rafal, Nigel Pain, Elena Rusticelli, and Sanne Zwart. "The Economic Consequences of Brexit: a Taxing Decision." No.16. OECE Economic Policy Paper, April 2016. Web. 22 Apr. 2018.

Appendix 5.

The UK Contribution to and Receipts from the EU Budget 1973-2015.



Source: Miller, Vaughne, ed. "Brexit: Impact across Policy Areas." House of Commons Library, 26 August 2016. Web. 1 May 2018.