BREXIT: WHAT NEXT? A CRITICAL ANALYSIS

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CASE DESCRIPTION

This is a secondary research-based case study that designates the recent global financial issue of Brexit. Hence the primary subject matter of this study involves an analysis and critical review of United Kingdom (UK) exit from European Union (EU). At one strand, we analyze that Brexit is likely to reduce excessive immigration from European Economic Area (EEA) countries to UK and might reduce the possible challenges for UK unemployment and living standard. At another stand, we forecast that Brexit might degrade the UK's real per capita income, create greater uncertainty and thereby decline consumer confidence. Hence the referendum might present a notable reduction in GDP, trade and investment, as well as household losses from hyper-inflation. Therefore, as of March 2019, the so called "Divorce bill"- the UK's inheritance of exiting EU trade agreements, relations with Ireland, and other EU member states still remains uncertain. The precise impact on UK might depend on whether the process would be ultimately a" Hard" or "Soft" Brexit. Therefore, there is a global curiosity and debate if UK should be a member or leave the EU with or without a further deal, though UK is now due to leave the EU at 23:00 GMT on 31 October 2019. All in all, the significance of the study is that it deeply reviews the challenges and opportunities in the global landscape; what possible problems it might encounter; and what strategies it should adopt to sustain economic growth due to Brexit.

Keywords: Brexit, European Union, Referendum, Global Economy.

BREXIT: AN OVERVIEW

In general, '*Brexit*' is a term that is now widely used as a shorthand way of expressing the UK leaving the EU-a portmanteau of the words "*Britain*" and "*Exit*". In fact, it is in the same way as Greek's exit from the euro which is dubbed as Grexit in the past. So, Brexit is shorthand for Britain's split from the EU, changing its relationship to the bloc on trade, security and migration. It is, *prima facie*, evident that Brexit resembles a simple word, but the effect of that word is not so simple in the current global economy. Its effect could be huge and long-lasting. Hence it is important to review and critically evaluate about what, when & why of Brexit is going to be taken place. As of now, Britain has been debating the pros and cons of membership in a European community of nations almost from the moment the idea is raised. It held its first referendum on membership in what was then called the European Economic Community in 1975, less than three years after it joined, when 67 percent of voters supported staying in the bloc. Later on, in 2013, the Prime Minister David Cameron promised a national referendum on European Union membership with the idea of settling the question once and for all. Consequently, the options it offered are broad and vague- '*Remain or Leave*'. At that time, Mr. Cameron was convinced that the remain would win handily. In this respect, British voted on June 23, 2016, as a refugee crisis made migration a subject of political rage across Europe and amid allegations that the Leave campaign had relied on lies and broken election laws. Overall, an ill-defined Brexit won approximately 52 percent of the vote. However, it not only resolve the debate, but also saved for another day the tangled question of what should come next (Zaidi et al., 2017). After nearly three years of debate and negotiation, it still remains unanswered and quite puzzle. Hence Brexit has become the most recent debatable financial issue that could be a paradigm shift particularly in UK's economy.

EUROPEAN UNION: AN OVERVIEW

We know that EU is a group of a European country that participates as one unit in the global economy. Hence, we state that EU is a political and economic union of 28 member states that are located primarily in Europe. It consists of a group of countries that acts as single economic unit in the world economy. In particular, it has an area of 4,475,757 km^2 (1,728,099 sq. mi) and an estimated population of about 513 million. Its approved currency is the Euro, 19 of its 28 members now-a-days adopt the currency. Fundamentally, the EU has been inaugurated as the European Coal & Steel Community, initially founded in 1952 by the countries of - Italy; France; Luxembourg; West Germany and Belgium (refer to appendix- 1). The European Coal & Steel Community had named European Economic Community after the Treaty of Rome; and afterward, became the European Community (EC). Later on, in 1973, UK became a member of EC. The EC fundamentally is expanded, and Denmark Ireland, Greece and Spain became the new members. The Maastricht Treaty[2] took effect on 11th November, 1993 and thereby the EU replaced by the European Community. In summary, as of now, the EU countries are: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK. We find that the EU maintains a comparative value against the US Dollar and the EU becomes one of the top producers in the globe. Therefore, we conclude that EU is one of the largest sources and destination for foreign direct investment as well.

HISTORICAL TIMEFRAME OF BREXIT

As stated earlier, Britain had the membership of EU in 1973. Afterwards, in 1975- the 1st referendum raised if UK should be a member of European Community. Almost 65% responded positively. In 2016-the 2nd referendum is taken place to decide whether the UK should leave or remain in the EU. That time leave won by 52%. In particular, this corresponded to 17,410,742 votes to leave and 16,141,241 to remain, a margin of 1,269,501 votes (*The Independent, November 30, 2017*). Then on 29th March, 2019- UK has been due to leave, two years after it started the exit process. But the withdrawal agreement between the EU & UK has been rejected for three times by UK MP's. Finally, on 12th April, 2019- having granted an initial extension, EU leaders are now backed by six months extension until 31 October, 2019 (refer to appendix-2). However, analysts suggest that the UK might leave before this date if the withdrawal agreement is ratified by the UK and the EU before then. The new UK Prime Minister Boris Johnson opines that he plans to renegotiate the Brexit deal agreed with the EU by his predecessor Theresa May. The PM has recently warned that UK MPs are damaging his chances of getting a deal with the EU by trying to block a no-deal Brexit in the name of Hard Brexit (Hunt et al., 2017) (*BBC News, August 30, 2019*). So, as things stand now, the UK is scheduled to leave the EU at 23:00 GMT on 31 October 2019. If the UK and EU approve the withdrawal agreement before then, the UK might leave on the first day of the following month.

STATISTICS OF BREXIT VOTE: A SUMMARY

Figure 1 shows the summary of Brexit vote which is the principal determinant for the future existence of Brexit. We find that England voted for Brexit, by 53.4% to 46.6%. Wales also voted for Brexit, with Leave getting 52.5% of the vote and Remain 47.5%. Scotland and Northern Ireland both backed staying in the EU. Scotland backed Remain by 62% to 38%, while 55.8% in Northern Ireland voted Remain and 44.2%.

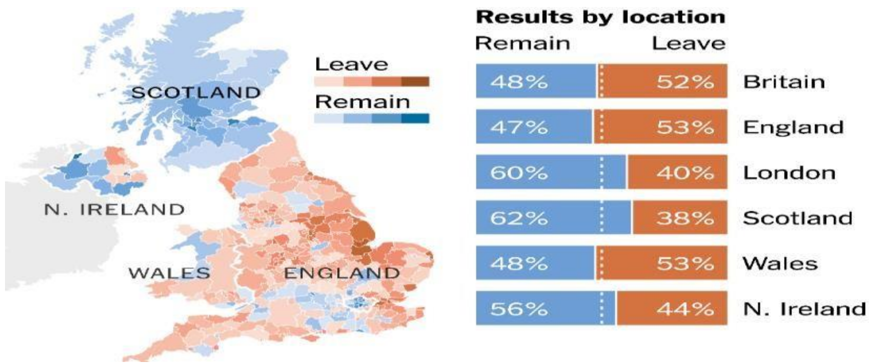


FIGURE 1

WHY UK WANTED BREXIT?

We find that the EU member countries agree to open their borders to other EU members, share a common market, and abide by various social and political policies. Despite of these facilities, UK wants to exit from EU. Hence it is a general curiosity to clear up why UK is inclined for Brexit. Let us now identify several of the underlying issues that motivated UK for the debatable issue of Brexit.

European Debt Crisis

Since the end of 2009, a multi-year debt crisis has been taking place in the EU. In particular, we find that Greece, Portugal, Ireland, Spain & Cyprus were unable to repay their government debt. They started taking loans from the European Central Bank or the International Monetary Fund. France, Germany, United Kingdom having financially stable economy use to send funds to European Central Bank which then redistributed to various other members states. In this respect, the UK's thought was "*Why should we have to pay for that*"?

Great Recession Effects

The effects of great recession in 2008 are still there in the world. The UK wanted to grow by 3% per year. But they could not do that even the economists from UK predict that on an average a person from UK will borrow 55% of his total expenditure from bank.

European Refugee Crisis and Security Concern

The refugee arriving in EU from across the different part from the world can move anywhere in the EU countries. As they can arrive to UK also, UK feels much concern about the security and privacy.

Legal Quandary

One focal point for alleged European control over UK laws is the influence of the European Court of Human Rights, which in certain high-profile cases has made it harder to deport foreign-born criminals. If UK moves away from the ECHR's influence, it would be in company with isolated Belarus. We find that Belarus is the only European countries not to comply with ECHR.

Membership Fee

Brexiteers argued that leaving the EU would result in an immediate cost saving, as the country would no longer contribute to the EU budget. To note that in 2016, Britain paid in £13.1bn, but it also received £4.5bn worth of spending. Hence in a simple understanding the UK's net contribution was £8.5bn.

Trade

The EU is a single market in which imports and exports between member states are exempt from tariffs and other barriers. Services, including financial services, can also be offered without restriction across the continent. The consequences of Brexit for businesses that took advantage of these freedoms were always a matter of debate and conjecture.

Immigration

Under EU law, Britain could not prevent a citizen of another member state from coming to live in the UK. The result is a huge increase in immigration into Britain, particularly from eastern and southern Europe.

Sovereignty

Another important issue for Brexit is the rise of nationalism across the world. There's a growing distrust of multinational financial, trade, and defense organizations created after World War II., EU, IMF, and NATO, among others.

Political Elitism

Finally, the political leadership of Britain faced a profound loss. The "leave" voters rejected both the Conservative and Labor parties. Both parties had endorsed remaining with the EU and notice that many of their members go into opposition on the issue (Petrescu & Bhatli, 2017). Hence, we notice that it turned into a sensible financial issue and part of recent global political landscape.

ECONOMIC EFFECTS OF BREXIT

Economists expect that Brexit might have notable immediate and longer-term effects on the economies of the UK and at least part of the 27 other EU member states. In particular, there is a broad consensus among the economists and in the economic literature that Brexit might likely reduce the UK's economic growth in the medium and long term, and that the Brexit referendum itself might damage the economy. Studies on effects since the referendum is also indicating a negative momentum in GDP, trade and investment, as well as household losses from increased inflation.

Immediate Effect

Short-term macroeconomic forecasts by the Bank of England and other banks of what would happen immediately after the Brexit referendum are too pessimistic. The assessments assumed that the referendum results would create greater uncertainty in markets and reduce consumer confidence particularly by a negative signaling effect. According to one study, the referendum result had pushed up UK inflation by percentage points in 2017, leading to an annual cost of £404 for the average British household. In this respect, it is also estimated that the economic costs of the Brexit vote were approximately 2.1% of GDP (The Guardian, 11th Sept. 2018). According to Financial Times (December 21, 2017), the Brexit referendum results has reduced national British income by between 0.6% and 1.3%. A 2018 analysis by Stanford University and Nottingham University economists estimated that uncertainty around Brexit has reduced investment (Berden et al., 2009) by businesses by approximately 6 percentage points and caused an employment reduction by 1.5 percentage points. A number of studies identified that Brexit-induced uncertainty about the UK's future trade policy and also reduced British international trade since June 2016 onwards. Further, a recent 2019 analysis found that British firms substantially increased offshoring to the European Union after the Brexit referendum, whereas European firms reduced new investments in the UK (BBC News, 15th March 2019).

Medium & Long-term Effect

There is overwhelming or near-unanimous agreement among economists that leaving the EU might adversely affect the British economy in the medium- and long-term. Surveys of economists in 2016 showed overwhelming agreement that Brexit would likely to reduce the UK's real per-capita income level. In addition, 2018 and 2017 surveys of existing academic research found that the credible estimates ranged between GDP losses of 1.2–4.5% for the UK, and a cost of between 1–10% of the UK's income per capita. These estimates differ depending on whether the UK exits the EU with a hard or soft Brexit (The Independent, 25 March 2019). In January 2018, the UK government's own Brexit analysis was leaked, which showed that UK economic growth would be stunted by 2–8% for at least 15 years following Brexit, depending on the leave scenario. According to most economists, EU membership has a strong positive effect on trade and as a result the UK's trade would be worse off if it leaves the EU (Zaidi et al. 2017). According to a study conducted by University of Cambridge economists, under a "hard Brexit" whereby the UK reverts to WTO rules, one-third of UK exports to the EU would be tariff-free, one-quarter would face high trade barriers and other exports risk tariffs in the range of 1–10%. A 2017 study found that almost all UK regions are systematically more vulnerable to Brexit than regions in any other country. In addition, the same study examining the economic impact of Brexit-induced reductions in migration recommended that there would likely be a significant negative impact on UK GDP per capita, with marginal positive impacts on wages in the low-skill service sector (Baldwin 2016 & Krasaesuk 2017). Nonetheless, it is unclear how changes in trade and foreign investment might interact with immigration, but these changes are likely to be important for global economy. Further, with Brexit, the EU would lose its second-largest economy in terms of financial capital of the world, the country with the third-largest population (German Münchner Merkur, 12th September. 2018). We estimate that the EU would lose its second-largest net contributor to the EU budget 2015 (Germany €14.3 billion, UK €11.5 billion, France €5.5 billion). Thus, the departure of Britain would result in an additional financial burden for the remaining net contributors, unless the budget is reduced accordingly. Germany, for example, would have to pay an additional €4.5 billion for 2019. Again for 2020, UK would no longer be a shareholder in the European Investment Bank, in which only EU members can participate. Britain's share amounts to 16%, €39.2 billion (2013), which Britain would withdraw unless there is an EU treaty change (The Institute for Fiscal Studies, 2015). All the remaining EU members (as well as Switzerland, Norway and Iceland) might also likely experience adverse effects (albeit smaller effects than the UK), in particular Ireland, the Netherlands and Belgium. Let us now discuss in detail about the issue:

Trade within Europe

Post-Brexit outcomes which reduce trade or increase the cost of trade between the UK and the rest of Europe might be damaging for both sides. The EU is a more important trade partner for the UK than the UK is for the EU. Hence UK demand is very important in macro terms for many EU countries. To note that UK right now runs large bilateral deficits against several member states.

Foreign Direct Investment

The UK is the largest recipient of FDI in the EU. Brexit could reduce the attractiveness of the UK as a gateway to Europe. It could also lead to a reduction in investment from the rest of the EU, which is the biggest source of FDI in the UK. It may become harder to attract corporate HQs. The EU was the source of around 46% of the stock of FDI in the UK in 2013. This dependence has started to fall somewhat in recent years, with the EU share down from 53% in 2009. The UK has many advantages that would be unaffected by Brexit such as language, light regulation and deep capital markets. Even so, the UK may struggle to attract as much new investment following Brexit. Other locations inside the EU are likely to be more attractive for marginal investment decisions.

Liberalization and Regulation

The UK has championed the single market, but outside the EU would no longer be an effective advocate of further liberalization. UK critics often complain about EU regulatory excesses, but many regulations are intended to create the level playing field the single market requires. A paradox of UK Euroscepticism is that following Brexit the UK would lose influence over EU regulation without gaining much freedom to regulate independently.

Industrial Policy

UK industry benefits from research collaboration in Europe and researchers have done well in EU competitions. While the UK would gain flexibility over industrial policy outside the EU, it would lose the benefits from scale and influence over policy in areas such as energy.

Immigration

Immigration is a troubled political issue in the UK both because the costs and benefits are not distributed evenly and as perceptions have become disconnected with reality. This could be partly due to the hostile media coverage. The scope to tighten immigration depends on the Brexit model. This risk is damaging competitiveness, particularly of London, and being economically costly.

Financial Services

Established advantages and agglomeration effects mean the UK has a strong competitive edge that would be hard to dislodge. However, existing EU regulations would make it harder for London to serve European markets, particularly for retail products and in euro trading. Financial inclusion might be jeopardized and business could decline.

Trade Policy

The UK would be free to set its own trade policy priorities under some Brexit models, but these are unlikely to be much different from the EU's. The UK would have less leverage and be a lower priority trade partner than the EU for the major economies. The UK would lose the strength in numbers at the WTO when settling disputes with countries like China (Lagarade, 2018).

International Influence

The UK currently enjoys considerable influence both in and through the EU. This would be diminished if the UK leaves the EU. There are, however, risks to the UK's influence even if the UK stays inside the EU. This is both because of a generational change of staff in key institutions and the risk that the Eurozone assemblies against the UK.

Budget

The direct financial cost of EU membership is relatively easy to quantify. However, the financial benefit from leaving the EU depends on the Brexit model and the outcome of the negotiation between the UK and the rest of the EU. There would be significant variation in the impact across the UK, with some parts gaining, while others lose.

Uncertainty

Brexit would be a protracted process, lasting around ten years. The endpoint for the UK-EU relationship would be subject to a negotiation. Business would face high and increasing levels of uncertainty during this process, impacting on investment decisions and with macroeconomic consequences. The referendum could be held in 2016 or 2017 following a renegotiation of the terms of the UK's membership. The outcome is uncertain because the outcome of the renegotiation is uncertain and plebiscites can often end up being about something else, particularly if the government loses popularity. Based on the existing literature of finance, we find that the highly geared firms will jeopardize the economic growth of the country, make an unstable and quite vulnerable. (Hossain et al., 2018; Brikend & Nedelea 2018).

Contributions to the EU

Supporters of withdrawal argued that ending net contributions to the EU would allow for tax cuts or government spending increases. According to the study of The Institute for Fiscal Studies (2016), on the basis of Treasury figures, in 2014 the United Kingdom's gross national contribution (ignoring the rebate) was £18.8 billion, about 1% of GDP. Because the UK receives (per capita) less EU spending than other member states. We notice that a rebate was negotiated that contributed £14.4 billion, approximately 0.8% of GDP. If EU spending in Britain is also taken into account, the average net contribution for the next five years is estimated at about £8 billion a year, which is about 0.4% of national income. The Institute for Fiscal Studies (2018) argued that the majority of forecasts of the impact of Brexit on the UK economy indicated that the government would have less money to spend even if it no longer had to pay into the EU.

Financial Institutions

We find that the share prices of the five largest British banks fell an average of 21% on the morning after the referendum. Shares in many other non-UK banks also fell by more than 10% (CNBC report, 2017). We notice that both HSBC and Standard Chartered had fully recovered, while Lloyds, RBS Group and Barclays remained more than 10% down. All of the Big Three credit rating agencies reacted negatively to the vote: Standard & Poor's cut the UK credit rating from AAA to AA, Fitch Group cut from AA$^+$ to AA, and Moody's cut the UK's outlook to "*Negative*".

International Monetary Fund

In July 2016, the IMF released a report warning that Brexit' marks the materialization of an important downside risk to global growth. Considering the current uncertainty as to how the UK would leave the EU, there is still very much unfolding, more negative outcomes are a distinct possibility. In September 2018, the IMF stated that Brexit would probably, *"Entail costs"*, but a disorderly leaving could result in, "A *significantly worse outcome*". In this respect, Lagarde (2018) said that any deal might not be as good as the smooth process under which goods, services, people and capital move around between the EU and the UK without impediments and obstacles. Overall, our projections assume a timely agreement with the EU on a broad free-trade pact and a relatively smooth Brexit process after that. A more disruptive departure would have a much worse outcome.

FINANCIAL EFFECT OF BREXIT ON GLOBAL LANDSCAPE

1. The vote's result of referendum defied expectations and roiled global markets, causing the British pound to fall to its lowest level against the dollar in 30 years (The Telegraph, 28th December, 2018).
2. Brexit fears and slow global growth have hit output in manufacturing sector (The Guardian, 10th October, 2018). A double whammy of Brexit uncertainty and a slowdown in global trade has seen order books in Britain's factories shrink at their fastest pace since the financial crisis (Smith, 2018). The CBI's industrial trends survey[7] showed that business optimism has notably fallen, investment intentions has worsened, and firms has run down the stocks built up ahead of the original Brexit deadline. According to the survey, manufacturers believe an improvement in the political outlook over the coming months might lead to a pickup in orders and output. In addition, (Smith, 2018) stated that as the tailwind from stockpiling weakens, clouds are gathering above the manufacturing sector. It is being hit by the double blow of Brexit uncertainty and slower global growth.

3. After analyzing the Brexit effect pre-Brexit and post-Brexit referendum periods on the co-movements between the British pound (GBP), the euro (EUR) and the yen (JPY) against the US dollar (USD), findings indicate a negative impact of the pre-Brexit referendum period on the correlation between GBP and EUR, while there is no significant effect on GBP–JPY and EUR–JPY pairs (Alvarez-Diez et al. 2019). The loss of correlation in the GBP–EUR pairing has not been recovered during the post-Brexit referendum period. This situation could be attributed to the uncertainty about the final impact of Brexit on British and Eurozone economies. The loss of correlation in the GBP–EUR pair has important implications for individual investors, portfolio managers and traders with respect to hedging activities, international trading and investment strategies.
4. We also notice that Post-Brexit referendum, both the London Stock Exchange FTSE100 index (5% decline) and US Dow Jones Industrial Average (450 points decline) indicates violent fluctuations in daily trading described as world-wide stock market crash by the experts (CNBC Report, March 15; 2017). Hence Brexit might have a systematic cascading effect on the global capital market.
5. According to Olekseyuk et al. (2019) developing countries with close ties to the UK might suffer from Brexit as import duties are once again imposed. In particular, 49 of the world's poorest countries presently benefit from preferential treatment that covers 99% of all products under the EBA agreement. According to UN Comtrade data for 2016-2017, although countries under EBA agreement account for only 1.15% of the UK's imports, the share of their exports to the UK exceeds 35% in apparel, 21% in textiles and 9% in sugar. The findings show that losing these preferences together with the UK's withdrawal from the EU may cause EBA countries' GDPs to fall by -0.01% to -1.08%. The simulations also indicate that the highest losses is occurred in Cambodia and Malawi, where dependence on the UK market is strong. Moreover, Brexit may cause the number of those living in extreme poverty (PPP $1.90 a day) to rise by nearly 1.7 million in all EBA countries. These are conservative estimates of Brexit's negative impacts; they do not take into account the additional implications of uncertainty, depreciation of the pound sterling, reduced aid spending, remittances and investments.
6. The global stock markets lost trillions of capitalizations the day after Britain's surprise vote to withdraw from the EU (Liaw 2018 & Morphet 2014). The government bond yields dropped to record lows in countries where investors sought flight-to-safety. The British Sterling depreciated to a low level. Consequently, the stock markets rebounded to higher than the pre-referendum levels with the passage of time, government bond yields went lower, and the British Sterling continued to slide. The results also show the evidence of contagion from Brexit vote to the Japanese and US stock markets at a bearish performance.

SOFT OR HARD BREXIT? A DILEMA

Soft Brexit

When people talk about Soft Brexit, they are referring to a scenario where the UK stays either within the EU's Single Market by becoming a member of the European Economic Area (like Norway), or in the European Customs Union, or both. If this happened, the short-term economic impact of leaving the EU would likely to be small. However, if it remained in the Single Market, the UK would have to maintain free movement of EU citizens, it would remain subject to judgments of the European Court of Justice and it would have to contribute to the EU budget. If the UK remained in the Customs Union, it would be unable to strike its own trade deals with other countries. It would benefit from all trade deals signed by the EU. However, those EU deals signed after Brexit would be negotiated without any UK input.

Most recently, Boris Johnson said that UK would leave the bloc *"Do or die"* on 31 October 2019 - prompting some UK MPs to act to stop the UK leaving without an agreement (*BBC News, August 30, 2019*). In addition, according to BBC news (19th Sept, 2019), confidential documents that reflect the ideas the UK has put forward on Brexit have been shared with the EU. Here we understand that more interesting and live discussions are taking place between the EU and UK about ruling out another delay to Brexit if a deal is agreed. Most recently, we find that Brexit Secretary Stephen Barclay holds optimistic talks with the EU's chief negotiator, Michel Barnier.

The discussion follows that a new Brexit deal could still be reached before 31 October. For that purpose, we also notice that Mr Johnson is going to continue more talks with European leaders at a UN summit in New York soon.

Hard Brexit

Hard Brexit means UK would leave not only the EU but also the EU's Single Market (of which non-EU countries are also members) and the EU Customs Union (of which non-EU countries are also members). Hence UK would instead aim to secure a free trade deal with the EU, ideally covering both goods and services. In a hard Brexit situation, the UK would not have to sign up to free movement of EU nationals, or be subject to the European Court of Justice. It would probably not to contribute to the EU budget. It would also be able to sign free trade deals with other countries. However, the UK is unlikely to be able to sign a free trade deal with the EU or other countries before it leaves the EU in 2019 (Benjamin Mueller, 2019). Unless a transitional deal with the EU is reached, it is quite likely that for a period of a few years, the UK would have to trade with the EU and other countries under the rules of World Trade Organization (WTO). Overall, this is expected to have a long-lasting adverse impact on the UK economy.

KEY FINDINGS

1. Exit from EU is expected to take place at a longer time. In this respect, Article 50 of the Lisbon Treaty provides rules that it takes 2 years to exit form EU. Within this period the investors might be very indeterminate about the pound rate, about the new policies of trade with the countries of EU. For this reason, it is assumed that by 2020, the investment could fall by 16% to 20%. By 2030, when all the policies are settled, the economy might grow again (The Telegraph, 21st November, 2018).
2. According to PWC report of Sept. 2018, immediately after Brexit the GDP of UK could fall by 2% to 2.5%. However, we forecast that GDP might regain again after the settlement of all policies.
3. As stated earlier that almost 45% of EU market is held by UK. Hence after Brexit the EU can make some harsh decision about the trading policies with EU, they can put more tariff or custom duties on UK companies. The businessman and Investors from UK need to find a new market to invest this can fall the investment directly. In addition, FDI rate could be decrease, because EU gives a significant rate of FDI to UK.
4. We expect that once UK exits EU, UK can autonomously control who can migrate to UK.
5. The member countries of European Union have to pay a certain amount of money to European Central Bank. After Brexit the UK do not have to pay this money.
6. As UK can control their migration procedures, they can control with whom they can trade, or people from which country they might allow and not allow to enter. Thus, UK might uphold their sovereignty control.
7. Due to Brexit, immediately the employment might fall. But eventually it will increase again after the settlement of the various policies of the country.
8. UK is still not ready for Brexit, though UK is possibly come out from EU before 31st October 2019.
9. Brexit might be excellent for those businessmen who run their business only in UK.
10. Because of Brexit, UK might lose a huge market of skilled worker. Hence more job opportunity for UK citizen might be created.
11. Overall, we analyze that the future is uncertain for UK in the global market.

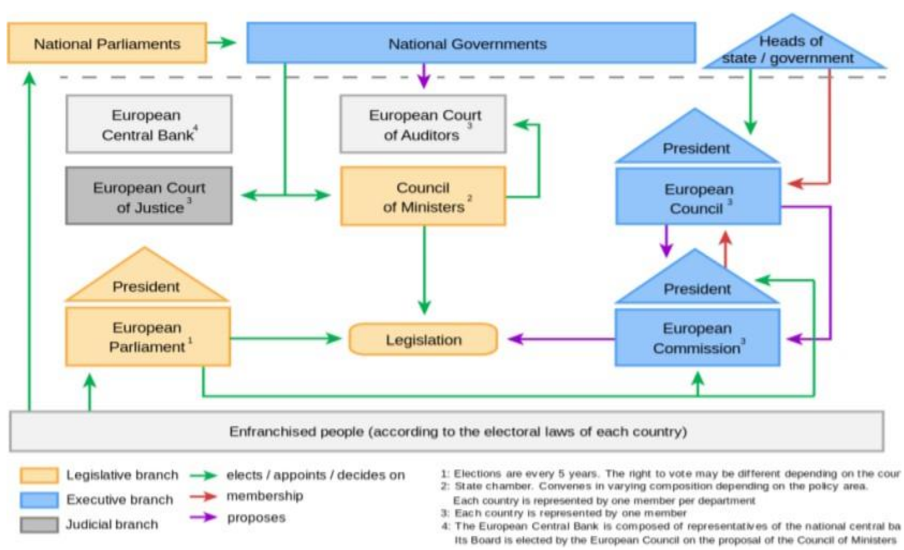
SUGGESTION AND RECOMMENDATION

We observe that the decision of Britain leaving EU has always had a two-sided argument. With stagnation and sovereignty at stake (Borchert, 2016) some might claim that it is a right decision. But on the other hand, the various economic impacts ranging from effect on trade, labor and industries might be a contention for discourse. We estimate that the future of the Britain's economy is uncertain, but not looking bright. They might no longer be in relation with the 27 other countries that can boost their economy, and lend them money whenever it is needed. As of now, the UK could most likely try to negotiate an agreement that allows them access to the EU's single market without tariff and market barriers. In fact, we call this the Norway option, because it is the same deal that Norway has with the Union, even though they were never a part of it. In summary, Brexit might be highly risky decision on economic aspects for Britain. Finally, for greater interest of Great Britain, UK shouldn't leave the EU, or they can make a deal with EU and go for a soft exit agreement with the EU. Therefore, we recommend the following suggestions:

1. UK should do some solid deals with EU so that no one is badly affected for long term.
2. There should be a rethink of revised 2nd Referendum.
3. They should carefully think about soft Brexit and take the decision more practically.
4. Northern Ireland border should remain open.
5. Single Market could be continued to compete the global market.
6. UK should give the opportunity to skilled workers for their jobs and business incentives in UK.
7. We suggest that the North-South Ministerial Council (NSMC) could have a role in finding a feasible solution to the deadlock over the Irish border[9]. In fact, the new arrangements to deal with cross-border trade after Brexit could involve the NSMC.

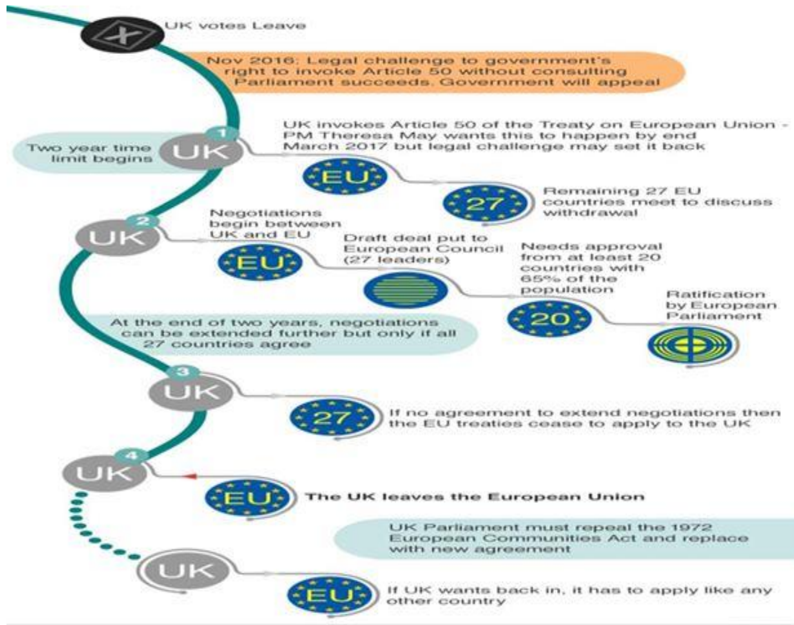
APPENDIX 1

Political Structure of European Union (EU)



APPENDIX 2

Steps to UK leaving the European Union



Source: BBC News, August 25, 2018.

END NOTES

1. The details about EU is available at: https://europa.eu/european-union/index_en
2. The international agreement responsible for the creation of the EU.
3. The details of UK vote to leave EU are available at: https://www.bbc.com/news/politics/eu_ referendum/results.
4. The European Court of Human Rights (ECHR) is a supranational or international court established by the European Convention on Human Rights. The court hears applications alleging that a contracting state has breached one or more of the human rights provisions concerning civil and political rights set out in the Convention and its protocols.
5. We understand that offshoring is the relocation of a business process from one country to another, typically an operational process, such as manufacturing, or supporting processes, such as accounting.
6. Please check for more details about the issue at: https://www.imf.org/external/index.htm, dated 16th June. 2016.
7. https://www.fxstreet.com/economic-calendar/event/8df5f5f7-450c-4ec0-804d-ead18d05050d
8. Comrade Labs is a place to showcase innovative and experimental uses of UN Comtrade data. Explore visualizations of huge volume of data and metadata, cutting-edge data extraction tools, and alternative dissemination platforms. The details are available: https://comtrade.un.org/.
9. The North South Ministerial Council (NSMC) was established under the Belfast/Good Friday Agreement (1998), to develop consultation, co-operation and action within the island of Ireland. It is the main body for cross-border cooperation between the governments of Northern Ireland and the Republic of Ireland.

CONCLUSION

As of now, we notice that a referendum on Brexit is almost certain. While the outcome is far from a foregone conclusion, a vote for Britain to leave the EU is very much possible. The impact of Brexit on British businesses, the UK economy and wider British interests would be severe across multiple channels. Based on the overall analysis and critical review of the study, we analyze that UK might experience particular difficulties after Brexit. But in long term the crack might be filled out. It will depend on how UK would approach the world in various terms. In fact, both the path and the endpoint, in terms of the new relationship between the UK and the rest of the EU, would be uncertain, compounding the costs to the UK. In addition, the direct impact on the rest of the EU would also be significant. The export, supply chain, investment and policy interests of many large corporates would be adversely affected. Nonetheless, perhaps the single biggest impact might be on the cost of raising finance in Europe which is likely to increase. Brexit would have a wider political impact on the EU, by disrupting internal political dynamics and risk of political contagion. Europe would also lose esteem and influence around the globe. Further, member states would be affected in different ways and to different extents. This might most likely influence ways in which states are willing to engage and accommodate the UK during the pre-referendum negotiation. All member states would, however, feel the impact of Brexit, both politically and economically. Therefore, there is still much curiosity about the ultimate consequence of Brexit in global political and business paradigm shift.

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