

## Political and Economic Impacts of Brexit on European Union

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### Abstract

The Brexit is a term used to explain about the withdrawal of Great Britain from the European Union. Brexit is an important political development in the recent political scenario of Europe. It has its impacts on the economic and political future of the UK and the EU. In mid of 2016, a referendum was held in the UK to decide whether they should remain in the EU or exit. The British decided in favour of exit. In this study, descriptive analysis study covers the impacts of Brexit on the EU, possible post-Brexit challenges, and way forward for the EU. The post-Brexit challenges for the EU such as rise of anti-EU political forces spreading anti-migrants' sentiments in member states and economic challenges such as Budgetary gap, impact of Brexit on the structures of the EU institutions have been observed. It has also been observed that the EU will remain stable despite of the challenges. If it deals the situation with unity and harmony among its member states, the challenges can be turned into opportunities.

**Keywords:** Eurozone Crises, Immigration Crises, Free Movement, Institutional Structure, Integration, Enlargement.

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### 1. Introduction

The Brexit is a very important political development in the history of the UK and European Union. It will have its impacts on both the UK and the EU. It will affect the politics and economy of the Europe. The UK is a very important member state of the EU. The EU will be reduced and will lose a very important member and a very close neighbour. The EU has suffered from the Eurozone crises in the early period of this decade and then by the immigration crises. The heavy bailout packages were given to the Greece. Then immigrants in large numbers entered into the EU as they escaped from violence in the Middle East. In these challenging circumstances, the Brexit referendum was held in the UK, which is one of very powerful member state of the EU. It was another challenge for the EU. European officials negotiated a withdrawal agreement with the UK; the EU officials remained firm in their stance that they will not re-negotiate a withdrawal agreement with the UK. They made it clear that the UK can leave with this withdrawal agreement or without any deal.

The EU will have to review the Multi-annual Financial Framework (MFF) to fill the EU's budgetary gap caused by the Brexit. The spending cuts and increase in revenue could be the most possible options for the EU-27. Brexit will adversely affect the EU's integration, because the UK is a main supporter of European integration in the EU's single market, social policy, and justice policies. The enlargement process of the EU is also likely to be slowed down. Brexit

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will have potential impacts on the EU's institutional structures. After Brexit, the UK's representatives in the EU's institutions such as European Commission, European Council and European Parliament will not represent the UK any more. Where it will deprive the UK from its effective position, it will also require the EU to re-allocate the seats and representation in these institutions. The allocation has to be divided between the EU-27. It will change the balance of power in the EU. Position of groups in the European Parliament will also be changed after Brexit.

Another challenge for the EU is the rise of Eurosceptic anti-EU political forces in its member states. These political forces are a potential threat that may lead to further withdrawal of member states from the EU. The Eurosceptic political parties in the Austria, France, Germany, and Italy are against foreigners and immigration processes of the EU. There was a wave of terrorism in the EU because of the terrorist groups like ISIS and others targeted European countries that heightened the security risks in Europe. The Eurosceptic political forces are of the view that the immigrants and foreigners are responsible for those tragic incidents. They also consider them as a burden on their economies. They also support strict border controls within the EU. The problem discussed in this article is whether the EU will remain stable even after Brexit and the challenges for the EU in this process.

This research aimed to discuss the political and economic impacts of the Brexit on the EU. The Brexit will also affect the EU, its politics and its economy. So by reviewing the available literature and political and economic developments, the impacts on the EU have been analyzed. The main objective of the research is to assess as to what extent the EU will be affected by the Brexit. There are certain challenges for the EU caused by the Brexit. It has been assessed and observed that the EU will remain stable despite the challenges without being further dis-integrated. The EU should deal with the challenges with unity and harmony among its member states to turn the challenges into opportunities. The EU should also integrate the migrants by improving their skills that would be very helpful in replacing the old workforce with youth and it will have a positive impact on the economy.

## **2. Theoretical Framework**

UK plays an important role in the integration of the EU's single market, social and justice policies. So the EU's integration in certain areas will be affected by the Brexit (Oliver et al., 2018). The leave campaigners campaigned that the immigrants are a potential threat to the UK. They wanted to take back control of their borders, so the foreigners could not enter into the UK by benefitting from the EU laws (Outhwaite, 2018). The impact of migration crises on the British people reflected in leave campaign, as they were afraid of receiving a large influx of refugees after their settlement in the EU (Poddar, 2016). The Rise of anti-EU political party in Austria and that political party campaigned based on anti-immigrant slogans and hatred towards foreigners (Withnall, 2016). Brexit will negatively affect EU's economy, as there would be a budgetary gap caused by the Brexit (Becker, 2019). The Brexit will slow down the enlargement process of the EU, as the UK was a strong supporter of such enlargement of Western Balkan states, which were closer to accession (Florian, 2016).

Review of the literature indicates that there is appreciable work done by many authors on different specific issues regarding Brexit, but there are certain gaps, as the issue of the Brexit is a current affair, so no research or study can be comprehensively conclusive. There are many dimensions and implications of the Brexit, so it is also difficult to integrate all of them in one

or few more studies. Therefore, to address these issues, the inter-disciplinary approach has been applied in this study as it involves different disciplines of social sciences such as Political Science and International Relations, Law, History, Economics and Psychology to interpret the relevant aspects of this study. Theoretical approaches of Euroscepticism, Nationalism, and Xenophobia are also applied; these approaches have rarely been observed in the literature review. The perspective of the EU's stability after the Brexit needs more research to find the best ways forward for the EU to tackle the challenges posed by the Brexit.

### **2.1. Euroscepticism**

Euroscepticism is a political doctrine in the EU, that anti-EU, the populist political parties are generally anti-EU, and they favour strict immigration controls, the Euro-sceptics are also against the increasing of powers of the EU (EAVI, 2018). This theory is also much relevant to the psychological element of Xenophobia. It is also applicable to the Brexit. Euroscepticism is found in British politics since its membership of the union, as it was an imperial state. It has also its impacts on the British media and civil society. After the Second World War, the attitudes of the British political elite are fundamental towards the EU.

A referendum over the membership of the EU was also held in the UK in 1975. It showed the existence of Euroscepticism in the UK long ago. The UK did not even jump into the second wave of European integration in the 1990s era. The crises in the EU such as Eurozone crises and the EU's response to these crises strengthened the Euro-sceptics in the UK. These circumstances led the British Government to conduct a referendum over the membership of the EU. British PM David Cameron, who was in favour of remaining in the EU while having a special status in the union, called for Brexit referendum. Euroscepticism has caused the emergence of the populist Euro-sceptic political party in the British political party system in the form of United Kingdom Independence party (Walraed, 2016).

### **2.2. Nationalism**

Theory of nationalism was developed by Ernest Gellner. Nationalism means that it is a desire of a nation to be politically independent and make their decisions by themselves. Therefore, in this case this theory of nationalism applies because English people have decided through a referendum that they want to exit from the EU. Because they think, they should make their decisions without any intervention of the union. Therefore, the nationalist desire is one of the main factors, which caused the Brexit. In the last three years, the English nationalism has risen and liberal forces have been pushed back. The leave voters in 2016's referendum have preferred their English identity. The English people want to take back control of their borders, their economy, and their welfare system (Denham, 2019). The Brexit is a phenomenon, which is English-centric; it does not address the concerns of Northern Ireland and Scotland. However, the Issue of Northern Ireland had become complicated afterwards. The whole process is seemed to be dominated by English nationalism and nationalists (Meadwell, 2019).

### **2.3. Xenophobia**

Xenophobia means fear and hatred of strangers or foreigners or of anything that is strange or foreign. It is also applicable to the Brexit. The fear of foreigners or the immigrants was one of the main factors which driven voters to vote for leave in the Brexit referendum. It is a psychological factor, which had its impacts on the political circumstances. The increased

support to leave the EU is associated with this psychological factor.

The study examined three groups of Brexiteers, right-wing authoritarianism, social dominance orientation and the third group is collective narcissism. There is a belief in the greatness of own country. It was also observed that the Brexit was also supported by the nationalist far-right leaders like Trump and Vladimir Putin. The three personality traits mentioned above have their relation to Xenophobia, which consequently increased support for the Brexit. The study was quantitative and was conducted on two different occasions, the first was conducted just after the referendum and the second was in September 2016 through an online questionnaire, 280 people participated in the first study and 226 in the second (Gabbatiss, 2017).

Chair of the European Commission against Racism and Intolerance Christian Ahlund stated that the anti-foreigner sentiment would rise further after the Brexit referendum. Dr. Golec de Zavala who conducted this study stated that the leave campaign was a new and acceptable way to express Xenophobia. The people have expressed their xenophobic sentiments through leave campaign and the results of referendum show that such people are in the majority even this psychological element was not the sole issue of leave campaign but it was one of the most important issues.

### **3. Research Methodology**

In this study, qualitative research method is applied by collecting, researching, and analyzing secondary data sources (newspapers, books, articles, journals, government records, reports, statements of political leaders and government officials, etc.). The research work is analytical and descriptive and goes through the lens of different schools of thought. It is a current affair and newspapers, articles, reports, governmental records and statements of officials available on the internet have been considered for deduction of facts and reasons supporting this study. Furthermore, the results and concepts have been discussed and explained qualitatively while applying inter-disciplinary approach. There were also some obstacles in this study as it is already mentioned that it is a current affair with continuously changing circumstances. Therefore, this study keep different scenarios in mind and to get some live coverage of the events related to the Brexit, because sometimes it was difficult to find reports or data, which may link the conceptual line of the study.

### **4. Impacts of Brexit on the EU**

In 1999, the Euro currency was officially recognized by the EU, but three of its members Denmark, Sweden and the UK have not joined the Euro currency. However, the Greece joined the currency in 2001, Malta, Cyprus and Slovenia joined in 2008 and Slovakia in 2009. The Euro notes and coins were introduced on January 01, 2002. In December 2008, a 200 Billion Euros stimulus plan was agreed by the EU leaders to help the EU economy from the global crises. The Denmark, Estonia, Latvia and the Lithuania were preparing to join the Euro by joining the Exchange Rate Mechanism in 2009, but in April of the same year the France, Greece, Irish Republic and the Spain were directed by the EU to reduce the budget deficits of their countries. In October 2009, the socialists of the Papandreou won general elections in the Greece and in November, it was admitted by the Greece that its debts have been reached to its highest on 300 Billion Euros, which burdened the Greece as their debts reached 113% of its GDP and it almost doubled the Eurozone limit of 60%.

Initially, the Eurozone agreed with the IMF to help the Greece with 22 Billion Euros as a safety net, but not as a loan and then the Eurozone decided to provide to the Greece an emergency loan of 30 Billion Euros. When the actual economic circumstances were evaluated, it was revealed that the situation is worse and the deficit is more than expected, as it was reaching -13.6% of GDP rather than 12.7%. However, a bailout package for the Greece of 110 Billion Euros was agreed by the Eurozone and the IMF in May 2010. The value of Euro currency was still going down and after reviewing the circumstances of the Republic of Ireland; the Eurozone helped the country with a bailout package of 85 Billion Euros.

The Estonia became 17<sup>th</sup> country who joined the single currency of Euro on January 01, 2011. The Finance ministers of Eurozone agreed on a mechanism for European stability and created a permanent bailout fund of 500 Billion Euros. The Portugal, another member state of the EU, asked for the financial help of the EU to overcome its financial crises, a bailout package of 78 Billion Euro was approved for Portugal by the IMF and the Eurozone in April 2011. The Eurozone issued a tranche of 12 Billion Euros to the Greece, when new austerity measures as required by the Eurozone were implemented by the Greece. Another Bailout package of 109 Billion Euros for the Greece was also agreed by the Eurozone to stabilize the Greek economy (BBC News, 2012).

The UK has refused to be any part of the Eurozone crises or to bailout in the Eurozone and it had also refused to sign European Stability Mechanism. The Brexit is expected to be a good omen for the Eurozone reforms and integration. It could mount pressure on the EU member states, which have not adopted the Euro to adopt it or to leave the union. However, the Brexit is having the potential to cause the Eurozone crises once again like the previous crises. The rise of anti-EU parties in Europe and other political dynamics in member states of the EU such as Germany, Italy, Portugal, and Spain, along with the uncertainty caused by the Brexit could be the factors, which may have implications for the Eurozone.

“Taking back control” was a slogan, which was raised by the Brexiteers, and it was one of the main issues of their campaign to convince people to leave the EU. Brexiteers wanted to take back control of the UK’s borders and to end the free movement between the UK and the EU27. In Germany, the anti-immigrant party ‘Alternative for Germany’ became popular suddenly for its anti-immigrant policies, as it criticized the German Chancellor Angela Merkel for receiving a huge number of refugees. They argued that the refugees are a burden on the German welfare system. In the general elections of 2016, they got significant votes and entered into German Parliament for the first time after the Second World War. Anti-refugee and neo-fascist party ‘Golden Dawn in the Nation’ also became popular in the Greece in wake of the refugee crises.

There are political challenges in the EU associated with the refugee crises. The United Kingdom Independence Party (UKIP) is an anti-EU far right political party of the UK. Under the leadership of Nigel Farage, UKIP received the highest number of votes after Labour and Conservative parties. UKIP’s anti-EU campaign led the UK to vote for leaving the EU with a simple majority in Brexit referendum. The British people were already concerned about the free movement of people from Italy, Portugal, and Spain during economic crises and free movement from Eastern and central member states of the EU. The refugee crises in Europe also affected British people as they thought that these refugees could eventually migrate to the UK after their settlement in the EU member states, as they will also be entitled to free movement rights in the future. Therefore, the immigration was the main factor behind the successful leave campaign in the UK (Poddar, 2016).

There are two aspects of migration, one is the free movement of the EU citizens within member states of the EU, and the other is the refugees. The refugee crises of 2015 in Europe were caused by one of the biggest migrations in the history. There were more than a million refugees entered Europe through land and sea routes and almost 3700 died or missing while travelling on these routes. Most of these refugees were fleeing from the war zones of Syria, Afghanistan, and Iraq. The sharing plan of asylum seekers among the EU states was criticized by member states of the union (BBC News, 2015).

The far-right Freedom Party in Austria under the leadership of Norbert Hofer received 49.7% votes in the Presidential elections in 2016 and lost to Green Party by only a small margin of 0.6% (Yasmeh, 2016). The Far Right Freedom party became popular because of their anti-immigration and anti-refugee policies. The extreme of the far-right freedom party can be observed through the behaviour of Hofer who urged the people to keep guns with them for their protection from refugees and he also kept with him a 9mm Glock Pistol during the election campaign (Withnall, 2016).

The terrorist attacks in Belgium in 2016 raised concerns of the people, as they thought that ISIS is sending their terrorists to the EU as refugees. It led to strict border controls in Belgium with France to restrict refugees coming from Calais. The far-right National Front in France suddenly became popular with its anti-immigrant and anti-refugee policies. Marine Le Penn is the leader of National Front and she was of the view that the migrants should be sent back to their countries regardless of the circumstances of their countries. Her party got significant votes in the regional elections of 2015 and other parties formed a coalition to keep National Front out of power. However, the terrorist attacks in Paris in 2016 led the Marine Le Penn to contest the Presidential elections of France in 2017 and she secured 34% votes against Emmanuel Macron in the second round of French presidential elections (Murdoch, 2017).

The migration crises have potential long-term economic opportunities for the EU countries. The refugees can be integrated into their workforce and could provide a substitute for the aging workforce. There are different aspects of migrants, such as the Greece is the main host country of a huge number of refugees and it is a primary gateway to Europe for the refugees, but the Greece was struggling with its economy and trying to overcome its economic crises and to fulfil the requirements of the bailout package. To attain the long-term benefits it has to go through the difficult process of bearing costs to settle the refugees. The estimated costs vary between 8000 to 12000 Euros/year for each asylum seeker. A large number of the EU citizens thought that the refugees are a burden on their economies.

There are certain factors to be examined to evaluate the possible economic benefits of refugees in Europe. First, the market has to be expanded with the influx of the refugees, so the more products can be sold to the refugees, as the demand will be increased. The production of goods will be increased to fill the gap of demand and supply and it will create more job opportunities. Consequently, the GDP of host member states will also certainly expand. The public spending will be increased and additional money will have to circulate in the market. There is another long-term potential benefit after the integration of the refugees in the societies; their existing skills can be useful and boosted through training programs keeping in view their previous qualifications and skills. Therefore, the young refugees can be a part of the labour market after their integration as the most refugees are young and skilled people. These people can contribute to the welfare system and they can replace the aging workforce.

The UK has enjoyed the benefits of the single market and it supported the integration in the EU's single market. The UK had also supported the services directive 2006/123, and wanted to reduce the regulations on the provisions of services to other member states. The services sector played a very important role in the UK's domestic economy, as it is 79% of its domestic economic activity and its average is 9% above from the EU. It proved quantitatively beneficial for the UK as it adds 4-6 Billion GBP/annum and provides the opportunity to create 81000 jobs in the UK. The UK is one of the leading financial services exporters of the world, which is a very important aspect of its economy. That is why UK has played a very important role in legislation of the directives regarding financial services. The UK also supported the Directive 2010/13, which regulates the audio-visual media services in the EU. The UK has benefitted from it, as it allows the broadcasters to register in any one-member state of the EU. More than half of the channels were licensed in the UK out of all channels in the EU.

UK's withdrawal from the membership of the EU will also withdraw its membership of the single market, which means that the single market will lose a strong supporter of it. The freedom of services will also be adversely affected after the Brexit. Although, the situation regarding entry of professional services into market has been improved in Germany since 1998 to 2013, however, there are still regulatory barriers which limit the professional services (Oliver et al., 2018). The European integration in terms of social policy has remained controversial in member states. Denmark, Ireland, and the UK joined the union in 1973, when social policy of the EU was already in place. On the other hand, the UK does not fully support the free movement of people, which is a part of the EU's single market. The UK has also attempted to change it as ex-Prime Minister of the UK David Cameron tried to re-negotiate the free movement of people. However, it was strongly opposed by the EU, as it is one of the four indivisible freedoms (freedom of movement of persons, goods, capital, and services) of the EU and none of them can be enjoyed separately. The UK also opted out from the Schengen and Ireland did the same, as Ireland and the UK shares Common Travel Area.

The UK's role is of high importance in terms of foreign affairs, defence and international position, as it is a permanent member of the Security Council of the UN. It has a high capacity of intelligence gathering and it is well known to the world, its defence spending is almost 25% of the EU's defence budget. The UK has multiple capabilities in terms of defence such as research, defence industries, and its soft power. There is a framework of the EU through which the UK uses these capabilities. The UK has realized that it is in the interest of the UK in terms of foreign policy by using the EU's platform. Therefore, the UK has played supportive role in the integration in these areas, as it had supported the EU's missions such as in DR Congo in 2004. The first security strategy of the EU was also one of those things, which have been strongly supported by the UK, so the withdrawal will somehow adversely affect the integration in these areas (Whitman, 2016).

In 2004, the EU was enlarged historically and 10 new member states were included in the union. The UK was one of the most supporting members of this enlargement of the union. Migration crises in the EU had a very strong impact on public opinion about enlargement, as almost 47% Germans think that the enlargement was a mistake. There were also other very important factors including Russia-Ukraine tensions, which are regionally very closer to the EU. It was important because newly joined states were formerly a part of the Soviet Union. There are certain challenges faced by the EU in its expansion and inclusion of western Balkan into it. The Brexit has added more challenges to enlargement of the EU, as the Russia's influence will be increased in the Western Balkan. The results of the Brexit referendum and its

aftermath as the resignation of British government, delayed the accession process of Serbia and the opening of Chapter 23, which is about fundamental rights, and the judiciary was delayed. The consequent uncertainties in the EU after Brexit referendum have potential to further delay the enlargement process.

To understand the enlargement process, the example of Bosnia, a Balkan country can be considered relevant. The society of Bosnia is divided ethnically. It is a candidate for the membership of the European Union and is going through the process of fulfilment of the requirements for it. It has entered into an agreement (Stabilization and Association Agreement) with the union. This agreement was an essential requirement for Bosnia to get the status of a candidate for the membership (Poznatov, 2016). UK is one of the main supporters of enlargement of the EU and could play a leading role in this regard, but its exit from the union means there would be an absence of a strong voice in favour of the enlargement. Although, the UK can still urge for enlargement while staying out of the EU, but its impact could never be the same. The Brexit will affect the enlargement processes in different ways. It will attract the attention of the union and its bureaucracy to manage the EU's relations with the UK after its withdrawal from the union.

As the UK is a main contributor to the EU's budget, so its exit will certainly adversely affect the EU's budget. These impacts have been observed soon after the results of referendum as it affected the EU's annual budget of 2016. The British pound was depreciated against Euro and it affected its contribution in the EU's budget, which forced the EU commission to look for ways to overcome such situation and compensation of the loss. These are just the primary affects, which could be more significant when the Brexit will finally happen. In such circumstances, the question arises about the value of the EU's budgetary gap caused by Brexit. Where the EU will receive less in its budget, it will also have to spend less, because with the exit of the UK and without UK's contributions the EU can save 7 Billion Euros/year which it spends in the UK.

The collection of the EU from Traditional Own Resources would also reduce and it will lose 3 Billion Euros. It will further lose 14 Billion Euros, which it receives as contributions from the UK. Therefore, in the end, there is a gap of 10 Billion Euros/year, which is associated with Brexit particularly. This gap could increase to 17 Billion Euros/year if the EU decides to spend the saved 7 Billion Euros which it had to spend in the UK, will spend on other projects in the EU. These figures show the budgetary gap caused by the Brexit and its impacts on the EU. However, the EC has presented its proposal to the European Parliament on May 02, 2018. The negotiation process on the MFF 2021-2027 had begun officially. A consensus is required for the final approval of MFF. The outcome of negotiations is difficult to predict, because of the traditional conflict between net recipients and net contributors. The negotiation process is more complex because of the departure of the UK (Becker, 2019).

The EU reacted to the Brexit and showed unity and commitment to the structures and values of the EU and committed to move forward after the Brexit. On 16 September 2016, the EU issued its first major official statement called Bratislava Declaration. Through this statement, the message was conveyed that the EU would continue successfully with remaining 27 member states. It was conceded by the leaders of the EU that the citizens are needed to be communicated effectively through making clear decisions using honest and clear language. The EU also focused to find new solutions to the right wing populist political forces in the EU (The Bratislava Declaration, 2016).

The EU further communicated its basic principles through the Rome Declaration in March 2017. The EU leaders reiterated their commitment towards the EU and stated that they are proud of the achievements of the EU and their resolve to remain united through the EU in future. They were committed in their resolve to make this union stronger and resilient. This declaration emphasized the importance of unity among the member states of the union. Through this declaration the EU leaders decided to work together to make the EU safer, secure, prosperous, social and stronger in the world (The Rome Declaration, 2017).

The European Commission is a very important institution of the EU. It was a regular negotiator with the UK and it negotiated in the light of the guidelines of the European Council. The commission has also worked to assess the scenarios, which may be possible after Brexit, and it issued a white paper in which the EU's future scenarios have been described and how the EU could be in 2025. This white paper is not only based on the Brexit, but it involves different challenges faced by the EU-27.

It has been summarized in the white paper that which are the main drivers that will drive the future of Europe. It includes that the world population share of the EU is falling, it is now 6%, and it was 11% in 1960 and 25% in 1900. Therefore, it has fallen significantly since last century. It also includes its falling share of world GDP, which has fallen from 26 to 22% between "2014-15". It further includes that its expenditure in defence sector has fallen as compared to the world. However, its share in providing of humanitarian aid and development is 56% that is overriding. It also discussed the transformation in European society having oldest people, but the European society is equal in the world. It discussed the employment and unemployment issues. It also includes the challenges of migration and terrorism, which put a question mark on the EU's model of open borders.

There were five different scenarios, which were discussed in this white paper. The first scenario is "Carrying on" it means that a status quo scenario, focused on systematic and ad hoc development based on the current policies of the EU. The second scenario is "Nothing but the Single Market". In this scenario, some competences have to be repatriated. The emphasis on proportionality and subsidiarity will be narrower and without any shared commitment to deal with the issues regarding asylum policy, migration, defence and security policies and foreign policy, these issues to be dealt on bilateral basis. The Juncker Commission has opposed this second scenario very clearly (White Paper, 2017). Both of the above declarations and white paper indicate that the EU is not only aware of the Brexit challenges but also other challenges and its counter strategy towards the serious challenges of different natures.

The impact of Brexit on voting within the European Council will be formal but its potential impacts will be on relationships in terms of power. Normally the decisions are made by consensus in the EU. The Qualified Majority Voting (QMV) has been rarely used for decisions. QMV is a procedure of voting in which member states are entitled with votes according to their population and size, such as Germany being the largest has 10 votes and Finland being the smallest has three votes. Total number of votes is 345 for all the member states in the council, but to make a decision through this procedure the simple majority of 173 is not enough but 255 votes are required. It is a population based voting method and 62% of population votes are needed which are equivalent to 255.

Therefore, the Brexit will certainly have its impact on the QMV. The UK was outvoted many times by QMV and it was one of the reasons due to which the decisions were not being made

on the consensus. To a limited extent, it would facilitate the decision-making in the EU in future. Its potential impact would be on the actual mechanism of QMV. The provisions of the new Lisbon Treaty are in force since March 31, 2017. These provisions have introduced a new mechanism to QMV, now it requires 55% members of the Council, which means 16 out of 28 and 65% of the population of the EU represented by their member states, are required. Therefore, after the Brexit, the first change will be, as there will remain 27 members and subsequently 15 votes will be required for 55% majority, it is subject to amendment in the Treaty. The second impact of Brexit is even more important as the UK is 3<sup>rd</sup> largest member state in the EU by population (Besselink, 2019).

The European Commission will be less affected by the Brexit, as it would reduce the number of Commissioners from 28 to 27. There would be only a few portfolios to be re-allocated. There are also calls for a reduction in the size of the Commission, so that its effectiveness could be increased. Austrian Chancellor has also called for it. However, Ireland has resisted such proposals in accordance with the debates of Lisbon Treaty (Jacobs, 2017).

Brexit will have its potential implications on the European Parliament. These implications would be very important with significant affects. Brexit will directly affect its composition and it would be challenging. Then it would also change the composition of the political groups in EP, which will also have its impact on the political balance. The role of MEPs from the UK will be very important until Brexit. They will have to suggest on continuing channels of communication and cooperation between the UK and the EU after Brexit. There are 73 MEPs of the UK in the EP out of total 751 MEPs of the entire EU. It was decided by the EC decision (EU) 2018/937 of June 28, 2018, that the EP shall be consisted of not more than 750 MEPs plus its President. Maximum 96 seats can be allocated to a member state and minimum six seats as a threshold.

The distribution of seats has to be made as per population. The more populous member state shall be allocated with more seats than a less populous state. This decision has settled the issue for the EP term of 2019-2024 and it provided the formula of distribution of seats among member states in post-Brexit scenario or in case of a delay in Brexit (Besselink, 2019). The Brexit will seriously affect the political groups in EP. The UK conservatives have formed a new group European Conservative and Reformist Group (ECR) after leaving the previous group of European People's Party (EPP). It was a main factor, which isolated the UK's conservatives from the European allies. The EPP would be the only group, which will not lose any member after Brexit because they have already left it. However, the number of Socialist and Democratic group (S&D) will be 169 after losing 20 MEPs after Brexit.

The Liberal Group (ALDE) is the third largest group in EP and it would lose only one seat. However, the number of MEPs will be 54 for ECR after losing 20 members because of the Brexit, but it will remain the fourth largest group in EP. The European United Left Group will lose one member from Northern Ireland. The Greens/European Free Alliance Group would lose six and its number would be reduced to 45 after Brexit. The Europe of Freedom and Democracy Group (EFDD) is largely composed of UKIP would certainly disappear after Brexit, because of not having enough members and countries which required for the formation of a group in EP. The Europe of Nations and Freedoms (ENF) will survive because it would lose only one member; Marine Le Pen is co-chairperson of this group. Despite its survival, this group would be on the brink of disappearing that if only one more member left it. The populist right within EP has been weakened significantly. The balance of power and structure of these

groups after the Brexit would be very different.

The British MEPs can vote on the withdrawal agreement in EP. The role of British MEPs will be very important until the UK finally leaves the EU. They could express the British perspectives at a very important forum. The Conference of Presidents (political group leaders) will also be very important. The UK has two chairs between them; they could monitor the withdrawal negotiations. Every committee will assess the impacts of the Brexit on their interested policy areas. The British MEPs could also vote on all issues and legislations before the formal Brexit. The British MEPs actively participated in the debate about the resolution of guidelines for Brexit negotiations. The 63 MEPs voted in this process, 23 votes were in favour of it (Labour, SNP, Lib Dem and Green), 33 voted against it (UKIP and Tories) and 7 (P Cymru and six Tories) abstained themselves from the voting (Jacobs, 2017).

These are certain challenges for the EU because of the UK's withdrawal. The rise of anti-EU political parties within member states of the EU is a very serious potential threat to the future stability of the union. To deal with this complex issue, the EU should promote the benefits of the unity of the union, convey, and communicate effectively to the EU citizens. Issue of migrants is also associated with the rise of anti-EU political forces. There are many reasons of this anti-migrant behaviour but the main reasons as theoretically examined are Xenophobia and Islamophobia. The Islamophobia is a serious issue, which needs to be addressed, because most of the migrants came from Muslim countries and citizens of the EU states are of the view that they are terrorists and they will bring disaster to their countries. Such public sentiments are exploited by the anti-EU political forces. The EU should address these issues by showing the real picture to its citizens, as there is no religion of terrorism and it cannot be associated with any specific religion. On the other hand, the refugees have full potential to become a skilful asset for the EU. All of these challenges and others including economy can be dealt with the unity among the member states of the EU as they committed in the Bratislava and Rome declarations, it can be even more stable after the Brexit, as "Unity is strength".

## **5. Conclusion**

The Brexit has significant impacts in various dimensions on the integration of the EU, which are challenging, as it will affect the EU politically and economically. The EU was going through a tough decade as it suffered with Eurozone crises and then immigration crises after unrest in the Middle East. Due to these crises, the anti-EU forces strengthened not only in the UK but also in other countries of the EU, such as Austria, Germany, and Italy. In a series of challenging events then comes Brexit as British people decided through a referendum to leave the EU. The UK as a member state was playing an important role in the European integration. It played its role in the integration in the EU's single market, social policy, and justice policy. The departure of the UK from the EU will have adverse effects on the European integration. The UK was also a strong supporter of enlargement of the EU and it was supporting the membership of Bosnia. The enlargement process will also be slowed down because of the Brexit. The economy of the EU will also be affected as the UK was a very important trading partner and due to its neighbourhood, it played an important role through its imports and exports with the EU. Furthermore, the UK is a main contributor to the EU's budget. Therefore, after the departure of the UK, it would be a big challenge for the EU to fill the gap in the EU's budget caused by the Brexit and it has to review and renew its MFF.

The rise of populist Eurosceptic political forces is another challenge for the EU in the coming

years. However, the EU had responded very well to the Brexit through Bratislava and Rome Declarations and White paper issued by the European Commission. The Brexit will potentially affect the institutional structures of the EU, because the UK has its representation in the institutions of the EU. Therefore, after the departure of the UK from the union, the institutional structures of the European Commission, European Council, and European Parliament will be changed and new allocations in these institutions will change the balance of power in the EU27. There are certain and serious challenges, but the responses of the EU towards Brexit indicate that it will remain stable, while dealing with these challenges.

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