A balanced approach: Brexit from political and business perspectives

Răzvan HOINARU

Queen Mary University of London, London, United Kingdom
r.hoinaru@qmul.ac.uk

PICBE | 804

Mihnea NĂSTASE

National University of Political Studies and Public Administration, Bucharest, Romania
mihnea.nastase@gmail.com

Abstract. *There is a considerable amount of publications written on rolling back the EU supra state, national sovereignty regain, and strategic (mis)conceptions for analysing Brexit scenarios for both the UK and the EU. Many articles present a unilateral point of view with a tendency to be normative. The presentation of only one-sided political, historical, and business perspectives can be very dangerous, limiting understanding and constructive approaches. This also happens with macro-economic analyses that are used fit for purpose. David Cameron's political calculation to call for a referendum regarding the UK's withdrawal from the European Union has had complex ramifications. With causes that have led to the British citizens' decision that range from multiple crises in the European Union, member states' inability for burden and risk sharing, to the lack of trust portrayed by European institutions and a confusing internal rhetoric. With a City of London remaining undecided and continuously evaluating the value at risk of Brexit, and in the absence of a new European financial center, it is important to make sense of the arguments of both in and out supporters. Thus, this article attempts to present a more integrated approach, spanning across politics, trade, private businesses and social attitudes. This paper looks beyond international relations between nations and takes into consideration the international relations between corporations and their business strategies.*

Keywords: Brexit, Trade, European Union, Referendum, Euroscepticism.

Introduction

The European Union and Euroscepticism

The Treaty of Rome forged an utmost unique institution, the European Economic Community (EEC). The Community was a regional organization set about to bring the economic integration of the Inner Six through a customs union and a single common market. Following the accession of Denmark, Ireland and the UK to the Community in 1973, debates were triggered within the Inner Six regarding the effects of enlargement. In the mid-1980s, opposition to the European integration process was weak. Strong economic development translated into win-win arrangements for all member states.

The United Kingdom is a prime example of a member state that has brought long-term opposition to the European integration process and the European project in general. In a speech against UK membership of the Common Market from 1962, years before British accession to the EU, Gaitskell (1962) - then leader of the Labour Party - warned that British integration would be "the end of Britain as an independent European state. [...] the end of a thousand years of history." Out of fear of losing out economically and politically, the UK agreed to join the European Economic Community, although opposition to the European

project did not die out. Margaret Thatcher, in an address in Bruges in 1988 spoke against the EU's desire to "suppress nationhood and concentrate power at the centre of a European conglomerate" (Thatcher, 1988). British politicians have managed to cultivate the electorate's Eurosceptic and even Eurocynic attitudes towards the Community from a moment that preceded their entry.

The following waves of accession to the European Community caused further unrest with citizens who started debating the usefulness of the project in terms of benefits and its future. The tendency of national governments to consult the population through referenda grew in order for parties to dissociate themselves from decision-making responsibility. The European Union's attempt to engage in open communication with the public seemed to be making great progress until the emergence of the economic crisis resulted in citizens focusing on the prevalent and salient economic downsides which were present in public discourse at a national level (Bargaoanu, 2011: 8). Subsequent crises that were caused by the unwillingness for burden-sharing between member states and by the inefficient safety nets created for emergency financial situations, as well as by late bail-out schemes agreed upon by using power-based negotiations, caused the systematic division of the European Union. Although being rooted deeply in British politics and society, the Eurosceptic phenomenon emerged throughout Europe. It is not an isolated attitude and it has spread across member states for various, different and sometimes even contradictory reasons. Traditionally, very few British distinguished themselves as having a European identity (Curtice, 2012). Historically, the UK has been the most Eurosceptic country in the EU (Curtice, 2012). Denmark has followed in the UK's footsteps with a common belief among its citizens that Brussels has consistently attempted to impose its interests, while splintering notions of national independence and autonomy (Durach, 2015). Southern Europe has had some of the most enthusiastic member states regarding the European Union since they stood to benefit greatly from the project (Lubbers & Scheepers, 2010). Another reason for high levels of EU support in Southern countries is their histories of authoritarianism (Diez Medrano, 2003). As Diez Medrano (2003) puts it: "It is because of these histories that Southern European publics have established strong associations between democratic stability, economic modernization, and EU integration." Studies have also shown that post-communist states from Eastern Europe show above-average support for the EU (Euractiv, 2013; Guerra, 2013). The limitations exerted upon the citizens during the communist regimes by authorities have created a fundamentally supportive attitude of the West. As such, the relatively high poverty levels have created Euro-enthusiasts due to 'expected collective benefits' (Durach, 2015:17). France and Germany have been long standing Euro-enthusiasts, however, lately citizens have expressed other attitudes such as lack of interest, Euroscepticism and Eurocynism due to the recent developments with refugees and immigrants, which have been fuelled by populist movements – Front National in France and Pegida, as well as Alternative für Deutschland in Germany.

Literature review

The United Kingdom's withdrawal from the EU

In January 2013, David Cameron, Britain's Prime Minister committed to organizing a referendum regarding the future of the UK within the European Union if the Conservative Party would win the May 2015 general elections. President of the European Council, Donald

Tusk, in a new documentary entitled “Inside Europe: Ten Years of Turmoil”, argues that Cameron did not believe that the Conservative Party could have gained a majority and counted on his future coalition partners, the Liberals, to block the referendum (BBC, 2019). With a disastrous political calculation, David Cameron’s Conservatives gained a solid majority in the general election. Populist political actors, predominantly from the UK Independence Party (UKIP), strongly pressured the prime minister to act on his word. With fear of losing political capital, Cameron was forced to call the referendum for June 23rd 2016, after initial negotiations with the EU fell through (Riley-Smith, 2016).

The referendum’s announcement created an internal crevasse between those supporting the “in” and “out” options. Debates were ignited on various topics such as immigration, trade, laws, jobs, sovereignty, defence and identity (Riley-Smith, 2016). Cameron became an alienated political figure, attracting harsh criticism from fellow conational political actors, as well as from EU political figures. Donald Tusk, the President of the European Council, warned that “uncertainty about the future of the UK in the European Union is a destabilizing factor” (Tusk, 2015).

The unforeseen results from June 23rd, 2016 required a UK withdrawal from the European Union and an invocation of Article 50 of the Treaty on European Union. Following parliamentary approval, a two-year period was set for the negotiation of a withdrawal agreement from March 2017 to March 29th 2019. Following the withdrawal agreement, a transitional period would ensue until the end of 2020. During this transition, the UK would not be represented in EU institutions, but would still have the obligations of an EU member state in terms of the customs union, single market, following EU law and contributing to the European Union’s budget.

One of the most sensitive issues of Brexit is the “Irish backstop,” which is designed as a last resort solution in case no deal can be reached between the UK and EU in order to ensure that the Irish border continues with business as usual and remains open. Many British MPs criticize the Irish backstop and characterize it as a means to a soft exit. Following Theresa May’s “heaviest parliamentary defeat of any British prime minister in the democratic era” in a vote regarding the Brexit deal negotiated by the current government, the possibility of an Irish backstop remains an important element of Brexit (Stewart, 2019). Furthermore, debates in the UK parliament have shown that an extension of Article 50 is not the solution, but rather having a decision on having “no deal, a deal or no Brexit” (Hughes, 2019).

From a European perspective, Tim Oliver (2017) explains the extent of Brexit: “Brexit is not an event but a process, and one that will involve numerous debates and negotiations, each of which will take place to varying degrees of intensity and at different levels in the United Kingdom, all 27 other EU member states, the EU’s institutions, non-EU European states and some allies such as the United States.”

To be more precise, Brexit is a European process. It not only initiates internal debates within the UK but also in every EU member state, generating a dangerous precedent for other countries - such as France, Finland or Hungary (Busch and Matthes 2016: 6). Britain’s withdrawal from the European Union results in complex negotiations and challenges, as well as the necessity of settling new agreements and treaties - more importantly a new trade agreement with the UK.

Even after the UK’s withdrawal, Brexit will be a central theme that will be debated in the upcoming years in both national and European elections - an issue that Eurosceptic

parties will gladly exploit. With tremendous polarizations within the EU Community emerging from various crises discussed above and Brexit, Britain, Russia, and the United States, among other players, will increase zero-sum games with a less united, but still powerful, European Union (Krastev & Leonard, 2010).

Results and discussions

The causes of Brexit

Crises in the European Union

The EU has had to propel through major crises, just to name a few: the 2008 financial crisis and its blowout into a Eurozone crisis; rising Russian influence in the European energy market; Russian investments in the Balkans as an alternative to the European project; security challenges - regarding both terrorism and the failure of intelligence services to share information in order to prevent disasters; as well as a tremendous wave of refugees and immigrants. These crises have created profound anti-establishment attitudes and the rise of a new wave of Euroscepticism in member states such as Italy, Poland, France and Hungary.

The Eurozone timeframe can be split in two intervals. A decade of win-win logic that started in 1999 until 2009 and a Eurozone crisis and post-Eurozone crisis period where the European Union has degenerated into using zero-sum logic and power-rule negotiations. France and Italy have stagnated economically and Germany has become the new European Superpower (Ulatowski, 2016: 142). The financial crisis has managed to create a void between the northern 'saviour' nations - Germany, Austria, Finland and Benelux- and 'reckless' southern countries that engaged in loose fiscal policies - Italy, Spain, Portugal, Cyprus, Greece and possibly even France, all this while the east-west divisions still tear deeply into the fabric of the European project.

European institutions

The last comprehensive EU treaty reform was done through the 2007 Lisbon Treaty. The EU has faced many challenges since then and voter confidence in the EU and its institutions has diminished. Ironically, the necessary efforts to reform European institutions and to advance European integration are discouraged by lack of trust, not of citizens but rather between countries themselves and between member states and the European institutions. In an era of zero-sum negotiations and a splintered European Union on many levels - from north against south, east against west and with different economic levels of integration, it is very difficult to have aligned interests concerning the future of Europe.

A very important factor in the discussion regarding the future of Europe is that of different speeds of integration within the European Union. The five scenarios proposed in Juncker's White Paper argued for further fractures in European integration, with these 'multiple speeds' being accessed voluntarily and bilaterally between member states (White Paper On The Future Of Europe, 2017). Deepening integration only among certain member states already raises serious questions concerning the cohesion of the European project. Fracturing integration further - that is already done through the Eurozone and Schengen area - would only create more fissures within the European project. Rather, what is needed is convergence of government and institutional standards throughout the EU's member states - that can lead to further economic convergence (Demertzis, 2018).

The 2008 crisis has produced sizeable frictions between states. The lack of trust between these regions has caused fiscal integration to come to an almost stand still and the

EU's goal for a common single market is far from the top of policy agendas. One of the core pillars of the European Union is deemed to fail without the trust and solidarity needed to establish further fiscal risk-sharing between member states.

Table 1. Trust in European institutions

QA15 And please tell me if you tend to trust or tend not to trust these European institutions.
(%)

PICBE | 808

		The European Parliament					The European Commission					The European Central Bank				
		Tend to trust	Sp.2016 - Aut.2015	Tend not to trust	Sp.2016 - Aut.2015	Don't know	Tend to trust	Sp.2016 - Aut.2015	Tend not to trust	Sp.2016 - Aut.2015	Don't know	Tend to trust	Sp.2016 - Aut.2015	Tend not to trust	Sp.2016 - Aut.2015	Don't know
EU28		40	▲ 2	46	▼ 1	14	37	▲ 2	45	▼ 1	18	34	▲ 1	48	▲ 1	18
EURO AREA		40	▲ 3	47	▼ 2	13	36	▲ 2	47	▼ 1	17	33	=	52	▲ 1	15
NON-EURO AREA		41	▲ 1	44	=	15	39	▲ 2	41	=	20	36	▲ 1	40	=	24
BE		53	▲ 1	39	▼ 2	8	50	▲ 1	41	▼ 1	9	47	▲ 1	40	▼ 3	13
BG		49	▲ 4	32	▼ 3	19	44	▲ 3	30	▼ 3	26	44	▲ 5	30	▼ 5	26
CZ		30	▼ 1	54	▼ 2	16	28	▲ 1	51	▼ 1	21	33	▲ 2	43	▼ 4	24
DK		55	▼ 3	33	▲ 3	12	52	▼ 1	31	▲ 1	17	60	=	22	▼ 1	18
DE		41	▲ 5	46	▼ 5	13	35	=	46	▼ 2	19	30	▼ 5	58	▲ 6	12
EE		47	▲ 2	25	▲ 1	28	44	▲ 2	24	▲ 3	32	43	▲ 2	24	▲ 2	33
IE		51	▲ 6	32	▼ 6	17	45	▲ 5	35	▼ 5	20	40	▲ 6	45	▼ 3	15
EL		25	▼ 1	72	▲ 1	3	19	▼ 1	76	▲ 1	5	15	▼ 2	81	▲ 3	4
ES		32	▲ 5	56	▼ 3	12	28	▲ 2	56	▼ 3	16	24	▲ 2	62	▼ 1	14
FR		38	▲ 5	46	▼ 1	16	35	▲ 5	47	▼ 1	18	33	▲ 5	47	▼ 3	20
HR		49	▼ 4	38	▲ 4	13	41	▼ 7	42	▲ 6	17	38	▼ 5	44	▲ 3	18
IT		38	▼ 2	47	▲ 3	15	35	▲ 2	45	▲ 1	20	29	▼ 1	51	▲ 4	20
CY		29	=	57	=	14	28	▲ 7	58	▼ 4	14	22	▲ 3	64	▼ 2	14
LV		45	▲ 4	37	▼ 3	18	43	▲ 6	37	▼ 4	20	43	▲ 8	34	▼ 5	23
LT		56	▼ 4	23	=	21	55	▼ 1	21	▼ 1	24	51	▼ 3	24	▲ 2	25
LU		57	▼ 3	29	=	14	53	▼ 5	31	▲ 2	16	53	▼ 1	30	=	17
HU		49	▼ 2	42	▲ 1	9	46	▼ 3	41	▲ 1	13	38	▼ 2	46	▲ 3	16
MT		55	=	26	▲ 2	19	51	▲ 1	27	▲ 4	22	53	▲ 4	23	▲ 2	24
NL		50	=	39	▼ 2	11	50	=	33	▲ 1	17	51	▼ 4	34	▲ 4	15
AT		40	▲ 5	51	▼ 7	9	38	▲ 4	48	▼ 8	14	41	=	49	▼ 1	10
PL		46	▲ 3	36	▲ 4	18	45	▲ 3	34	▲ 2	21	35	▲ 1	35	▲ 2	30
PT		41	▼ 2	49	=	10	39	▼ 3	50	▲ 1	11	36	▼ 2	53	▲ 1	11
RO		52	▼ 7	38	▲ 9	10	51	▼ 5	37	▲ 8	12	44	▼ 7	40	▲ 9	16
SI		34	▲ 4	56	▼ 4	10	33	▼ 3	55	▼ 3	12	28	=	59	▲ 1	13
SK		39	▼ 2	51	=	10	37	▼ 3	47	▼ 1	16	40	▼ 2	43	▼ 2	17
FI		60	▲ 6	29	▲ 1	11	56	▲ 5	31	▲ 3	13	61	▲ 3	28	▲ 3	11
SE		58	▼ 1	32	▲ 5	10	53	▲ 3	26	▲ 1	21	56	▲ 1	31	▲ 3	13
UK		29	▲ 3	54	▼ 5	17	28	▲ 4	49	▼ 4	23	27	▲ 4	45	▼ 6	28

Source: Standard Eurobarometer 85, 2016

Table 1 measures the levels of trust in the European institutions for all 28 EU member states. In the spring of 2016, the UK ranked second out of 28 with fewer than 30 per cent of British citizens trusting even one of the EU institutions.

Citizens' Eurosceptic attitudes in member states had not emerged only due to anti-establishment and anti-EU discourses or due to the wave of over 1 million refugees that have settled on EU territory, but also because of zero-sum games and double standards that have been promoted by the EU institutions themselves. Trust in these EU institutions, that do not

promote a cohesive front and that lack the adequate transparency in their decision-making processes have led to a fundamental distrust of the European Union by British citizens.

Internal political discourse

The referendum's result also has a national, internal aspect that is deeply rooted historically within the United Kingdom's political discourse. There are also other internal causes that have fueled the leave vote that range the effects of the government's fiscal austerity policies, to a largely Eurosceptic press, and to a misleading "Leave" campaign. Throughout Britain's forty-two year membership, political and mass media actors have painted a negative image of the European Union - always finding it as a convenient scapegoat.

A distinctive example is that of the decision taken by the Blair government to sign the European Union Act of 2003 through which the UK permitted full freedom of movement rights to all member states that joined the EU in 2004. The UK, Ireland and Sweden were the only three states that allowed full free movement of workers to the 10 accession states, all other member states kept their Treaty rights to suspend this act for seven years. After the economic crisis of 2008, with the ability to self-regulate both in terms of fiscal and monetary policies, the UK managed to rapidly find solutions to stabilize its economy. The UK's economic situation attracted many workers from debtor countries. As such, as Alan Riley states "it was not difficult for the Leave campaigners to pin the surge of workers into the UK, on the EU, and not the British government" (Riley and Ghiles 2016).

In terms of political discourse, one of the later revealed elements that led to the Brexit vote is that of a data analytics company that played an important role in both the Trump and the "Leave" campaigns (Cadwalladr, 2017). After managing to data mine information about British citizens from Facebook, Cambridge Analytica used the data to psychologically profile target audiences and identify what predispositions social media users had towards policy. This was done by gathering information from surveys and social media user behaviours - in the form of likes, comments and shares - into a model with 253 algorithms (Hern, 2018). Then, susceptible or neurotic users were primed with specific advertisements and information that would persuade them politically and in the end generate the desired vote.

In terms of a discourse from a historical, geographic and business perspective, it is possible that the UK's choice to withdraw from the EU did not only stem from the above-mentioned crises or from the passivity of European institutions. Instead, as it will be explained at a further point, Brexit could have been motivated by different business perceptions and calculations, whereas the City of London remains undecided and continuously evaluating the value at risk of Brexit. In this respect, the dichotomy between the discourses of Sir Radcliffe, pro-Brexit, and Lord Bilimoria, anti-Brexit, will be discussed. In this game, there is a world of confusion where companies such as Sainsbury and Tesco need to adapt to a rapidly changing environment and continue business as usual.

Macro-economic data on the EU - UK relationship

Over the past few years trade between the European Union and the United Kingdom has been almost at the same level with trade between the EU and the United States. At this moment in time, financial reporting numbers show the trade of goods between the UK and EU 27 at €306 bn in exports and €184 bn in imports from the UK to the continent. In services disclosed numbers read €94 bn of European exports and €122 bn of intakes from the UK (European Parliament, 2017).

The European Parliament's Directorate General computed an impact study assessing the economic impact of Brexit on the EU 27. Their research discovered that, *ceteris paribus*, potential losses on trade in both goods and services for the EU represent about 0.5 percent of the EU's cumulated GDP, in a worst case scenario. For the UK losses would increase to approximately 4.2 percent of its GDP, though more optimistic scenarios do exist. Therefore, a negative impact, in terms of a financial loss, can be observed to occur on both sides. However, even the sombre layouts show a rather inconsequential impact in macro-economic terms. It is worth mentioning that the EU is caught in the middle, in between Brexit and TTIP. Some analysts have argued that without the UK, chances for a transatlantic deal will take a solid blow, making losses more significant on both sides of the Channel, due to the leverage effect (Reuters, 2016).

More than money as such, there are strong messages that can affect market prices, creating a vicious cycle out of the entire situation. The City of London is ranked as the No.1 most important financial centre and professional related services. According to the Global Financial Centres Index, London is followed from rather far behind by Luxemburg (No. 12), Frankfurt (No.19), Paris (No. 29) and Amsterdam (No. 33) (European Parliament, 2017). With Britain's withdrawal from the Euronext, not only will Euronext's capitalisation decrease drastically, but so will the EU's credibility to lead international financial services (European Parliament, 2017b). The reverse is also valid, as there are a series of disadvantages for the UK as well. The City of London's esteemed position is interlinked with the euro-denominated trade. For example, 69% of the OTC exchange is produced and cleared in the UK, the interest being mutual. There are also other British dependencies on EU economic demands such as foreign exchange needs (78%), hedge funds services (85%), equity market capitalisation (30%) and even bank lending (26%) (House of Commons, 2016).

These macro-economic data shows that the two economies are adequately capitalised, trade exists, there is a certain level of liquidity on the markets and there is a level of potential volatility as well as the possibility for market adjustments in the future. Such data leads to confusing conclusions that points to complex advantages and disadvantages of Brexit that exist on both sides. At most, educated opinions for various basis for conclusion for potential future trade costs, barriers and a lot of speculation and misconception can be deducted. It is far more interesting to analyse, for instance, the winners and the losers of these zero-sum games. Why two similar businesses such as Tesco and Sainsbury's, in spite of the fact they have the same business (super/hypermarkets) have divergent opinions on Brexit. Why would for instance top business people like Sir Jim Ratcliffe, Britain's richest person, or Anthony Bamford JCB's chairman, Tim Martin from JD Wetherspoon, and Simon Wolfson, chairman of Next are pro Brexit (The Guardian, 2018b). while others business leaders like Alex Chesterman, founder of Zoopla, Arnaud Massenet, founder of Net-a-Porter, and Cobra Beer founder Lord Bilimoria, are against Brexit, or at least leaning in this direction (The Guardian, 2018). Next, this paper looks at the challenges that various corporations might face in terms of a new business environment, what new opportunities may rise and how this affects their business models- as well as in terms of international cooperation.

Situation of UK Companies - an example

Tesco vs Sainsbury's vs the world of confusion

Tesco is the third largest retailer in the world measured by its gross revenues. Its CEO, David Lewis, does not trust that Brexit would generate a poorer quality or less choice for

products, remarks that other businessmen in the industry make. Business Insider presented Lewis as being rather happy with his supermarket's midterm results for 2017, which disclosed an operating profit of about 27% and increased sales by slightly more than 3%. Lewis declared that Tesco is strong in its competitive set. More recently, Tesco has been seen to adapt to potential Brexit effects. In one article on Bloomberg the title reads that "Tesco finally says it's in talks to stockpile goods for Brexit" (Bloomberg, 2019).

Sainsbury's on the other hand, is the second largest hypermarket in the UK and Tesco's direct competitor. Its CEO, Mike Coup is confident about Sainsbury's consolidated position on the market, especially after the Arcos deal, but argues on the consequences of supply chain disruption, which are not currently recognized by the Brexit negotiators and Westminster (The Independent, 2017). In Coup's own words, "food cannot be stockpiled for no Brexit deal", though only 30% of the food comes from the EU (BBC, 2018). The same position is shared by Sainsbury's former CEO Justin King, who has a pessimistic perception concerning Brexit. King believes that less trade with the EU may affect the GBP exchange rate and in effect not only choice, but also prices will be affected in supermarkets (Business Insider, 2017).

There are similarities between Tesco and Sainsbury, but there are also differences, which may explain the juxtaposed attitudes. Many of the differences come from variations in the business models (Weill, 2005). Both of them are food retailers that diversified themselves into banking services, petrol selling, even toys and furniture, with some exceptions. There is a difference of size between Tesco and Sainsbury's. At a certain point Tesco has been present in 14 countries. The London Stock Exchange data shows that in between TSCO.L and SBRY.L there is also a difference of stock price and of revenues. For 2017 Tesco had greater revenues, of 2.3 bn US dollars against its competitors 1.6 bn US dollars. More accounting data analyzed shows that recently Sainsbury's has had a drop in operating income. There are also differences in terms of timing in between the two, considering products' speed at sale and location-strategic positioning within a city. Therefore, Brexit affects the two businesses in a curiously different way, the one with less diversification and more EU ties being the most affected. In this sense, strong messages are given out, some of them meant to calm the markets, or show an adaptation strategy, or ignite and speculate fears. For instance Tesco is in talks to increase its canned foods storage from the EU and acquire larger refrigerators. While Lewis does not seem to worry about the monetary side of the business, Sainsbury's seems to be more sensitive to it. This shows different business models and a different perspective from which the businesses are being run from.

UK companies in Europe

Together with the two EU Agencies, European Banking Authority and the European Medicines Agency that will move out of London for obvious reasons, there are also many private companies that have begun doing the same, in a post-Brexit scenario (ReadyforBrexit, 2018). The preferred places for relocation seem to be Dublin, Frankfurt, Brussels, Amsterdam but also countries like Slovakia. Other companies like Dyson seem to prefer to go overseas, in Singapore. Lloyds for instance has completed its deal with the National Bank of Belgium to create an insurance company in the EU's capital. A report from the company reads: "This milestone moves us closer to our objective of being fully operational in Brussels by 1 January 2019 to ensure we can continue to work closely with our EU27 partners post-Brexit" (Lloyds, 2018). Panasonic and Sony are Japanese manufactures that signalled to move away from the

UK in search of stability, but also a specific tax regime, which can be found in the Netherlands. This list of corporations that might establish their headquarters on the continent is topped up by Nissan, Jaguar, Airbus and others. Furthermore, approximately 40% of the companies in the gaming industry are considering relocation (The Guardian, 2017). Due to these potential changes, BIG 4 staffers and companies dealing with related professional services are likely to follow (The Independent, 2019).

The situation is not that simple as simply relocating, since moving may prove to be very costly. Also in the case of some companies such as Nissan, reversing the plan to build a new factory in Sunderland could be difficult. Other companies like Ford and Jaguar, as well as others, have been receiving funds from the UK government to develop low carbon technologies and technologically advanced features such as self-driving cars. Balancing scenarios in terms of advantages and disadvantages, as well as the corporations' actual decision-making should be observed and carefully studied (The New York Times, 2017).

European and international companies in the UK

It is not a very common approach to consider EU companies may prefer the UK market after Brexit. Regardless of all the legal instability and the GBP volatility that is likely to occur, the UK will still remain one of world's most important financial centers. With a culture mainly based on VCs or market capitalization, British incubators and accelerators for startups and many other factors will present the needed attractiveness for companies. Certain businesses may be intrigued with the UK's low taxes and new potential fiscal advantages in the post-Brexit era (The Telegraph, 2013). Britain's officials are attempting to make deals with US, Australia and the Commonwealth, and also talks have been initiated with the World Trade Organization. Some effects could have been anticipated, such as this year's slower interest rates, in fact the lowest in the past 322 years, which will have a business encouraging effect. As competition leaves to the mainland, local companies and British SME will be established and there will be more space for growth (ForeMostCurrencyGroup, 2016).

Toyota has in plan to invest heavily in their plant at Burnaston, while Amazon will increase the number of jobs that it creates in the UK, followed by other American companies that are to develop further in London, like Wells Fargo. Interesting enough, Crdit Agricole, a French organisation in the banking business has reinforced its commitment to continue activity in the UK, while another French company is supposed to build a nuclear power plant in Britain. Qatar has a 6 bn GBP investment to be done in transportation and property development, while the Chinese show more interest in the British car industry (The New York Times, 2016).

Conclusion

The political and business implications of a European Union without the United Kingdom are severe. This paper has discussed matters regarding the reconstruction of the EU and the future of Europe, the political relationship between the UK and the EU, including citizens' Eurosceptic attitudes and their causes. Britain has brought long-standing opposition to the notion of a stronger Brussels and a deeper integration between member states.

Having called a referendum out of a wrong political calculation, David Cameron has initiated, not only a UK-EU process, but also one that spreads to the four corners of the European Union. Encouraged by the British citizens' decision to withdraw from the European

Union, populist actors from across Europe will further push for a weaker European Union and more 'exits' in upcoming campaigns. Without a clear understanding of whether there will be a Brexit deal or not, it is difficult to analyse the outcome and consequences of this decision. However, the causes of Brexit are complex and interlinked. There have been many crises that have led to unrest and financial difficulties within the Union that range from the 2008 financial crisis that fuelled a further Euro crisis; to vast expansions of Russian influence in the EU energy market and in the EU neighbourhood; and to increasing immigration and security challenges. A further issue that has led to Brexit is the lack of trust in European institutions. In 2016, the British citizens' trust in the European institutions was second to last out of the EU28. Finally, the internal historical, and political discourse was analysed in order to show how media and political actors managed to create and cultivate the anti-EU sentiment.

In an attempt to offer a holistic perspective, this paper has also presented financial aspects of Brexit- such as the winners and losers of the UK-EU trade. Trade between the UK and EU is roughly the same size as that between the EU and US. In macro-economic terms, with the data available as an impact assessment, a loss of less than 5%, in the worst case scenario, is inconsequential for the UK. However, what should also be taken into consideration is the UK's leverage effect. Many mutual dependencies exist, London being the world's number one stock market according to the Global Financial index, while 78% of the foreign exchange needs and 85% of the UK's hedge fund services requests come from the EU.

Many companies fear the uncertainty of future UK legislation and are discouraged by recent business figures. The letter signed and sent in 2016 by executives from Cobra, Zoopla and others to the Prime Minister show a genuine fear of a weaker UK, and a damaged business environment, with severe societal effects. Huge companies like Tesco, Sainsbury's and others acknowledge an impact to come, however they seem to run business as usual, trying to understand the risks involved, adapt and protect themselves.

Other fears have been sparked concerning a future decrease of the GBP's purchasing power, which would lead to an increase in prices. However, this would also mean an increase in revenues due to the elasticity in the prices of certain products. Certain exports may also grow on the same consideration. Furthermore, the business environment in the UK may improve in the post-Brexit era due to low interest rates.

One of the most interesting notions is that the business debate is not truly centred on the deal vs no deal situation, but rather on the confusion of the situation. Some businesses have strong preferences, but they cannot act for good in an uncertain, turbulent environment. While the UK government has been sending out signals of an attempt to obtain the best mutually advantageous deal with the EU, trust in the current government is not substantial and there is a fear of being left in the dark. A conclusion section is required. Conclusions should provide a synthesis of the main contributions of the paper, discussing the importance of the work, and/or suggest possible applications and extensions of the research. Also, the author should indicate some major limitations of the present research.

References

Bârgăoanu, A. and Negrea, E. (2011). Comunicarea în Uniunea Europeană: Modele teoretice și aspecte practice. Bucharest: Comunicare.ro.

- BBC. (2018) "Sainsbury's boss warns food 'can't be stockpiled' for no-deal Brexit". Retrieved from: <https://www.bbc.com/news/av/business-46139486/sainsbury-s-boss-warns-food-can-t-be-stockpiled-for-no-deal-brexite>
- BBC. (January 21 2019). "Brexit: David Cameron warned by Donald Tusk over 'stupid referendum'". Retrieved from: <https://www.bbc.com/news/uk-politics-46951942>
- Bloomberg. (2019). "Tesco Finally Says It's in Talks to Stockpile Goods for Brexit". Retrieved from: <https://www.bloomberg.com/news/articles/2019-01-10/tesco-finally-says-it-s-in-talks-to-stockpile-goods-for-brexite>
- Busch, B. and Matthes, J. (October 2016). Brexit – The Economic Impact A Meta-Analysis. Koln: Institut der deutschen Wirtschaft. Retrieved from: <https://www.iwkoeln.de/studien/iw-reports/beitrag/berthold-busch-juergen-matthes-brexite-the-economic-impact-277405>
- Business Insider. (2017). "Tesco CEO: Ex-Sainsbury boss is wrong on Brexit — but 'no deal' could push up food prices". Retrieved from <https://www.businessinsider.com/tesco-ceo-dave-lewis-brexite-supermarkets-food-prices-2017-10?r=UK&IR=T>
- Cadwalladr, C. (May 07 2017). "The great British Brexit robbery: How our democracy was hijacked." The Guardian. Retrieved from: <https://www.theguardian.com/technology/2017/may/07/the-great-british-brexite-robbery-hijacked-democracy>
- Curtice, J. (2012). In Europe but not of Europe. Public Policy Research, 19(3), pp.199-204.
- Demertzis, M. (February 9 2018). "Trust in the EU? The key obstacle to reform". Bruegel. Retrieved from <http://bruegel.org/2018/02/trust-in-the-eu-the-key-obstacle-to-reform/>
- Díez Medrano, J. (2003). Framing Europe. Princeton, N.J.: Princeton University Press.
- Durach, F. (2015). The Transformations of Euroscepticism: a cross country analysis of Eurobarometer results 2007-2014. In: A. Bărgăoanu, L. Radu and D. Varela, ed., United by or Against Euroscepticism?, 1st ed. Newcastle: Cambridge Scholars Publishing.
- Euractiv. (2013). "Euroscepticism: More than a British Phenomenon". Retrieved from: <http://www.euractiv.com/sections/eu-elections-2014/euroscepticism-more-british-phenomenon-286609>
- European Parliament. (2017a). Directorate General for Internal Policies, Policy department A: An Assessment of the Economic Impact of Brexit on EU 27. Retrieved from: [http://www.europarl.europa.eu/RegData/etudes/STUD/2017/595374/IPOL_STU\(2017\)595374_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/595374/IPOL_STU(2017)595374_EN.pdf)
- European Parliament. (2017b). Directorate General for Internal Policies. Policy department A: Economic and Scientific policy: Implications of Brexit on EU Financial Services: IP/A/ECON/2016-22. PE 602.058.
- ForeMostCurrency Group. (2016). Interest rates are the lowest in the Bank of England's 322 year history. Retrieved from: <https://www.foremostcurrencygroup.co.uk/sterling-canadian-dollar-exchange-rates-taken-tumble/>
- Gaitskell, H. (October 3 1962). Speech by Hugh Gaitskell against UK membership of the Common Market. Retrieved from: https://www.cvce.eu/content/publication/1999/1/1/05f2996b-000b-4576-8b42-8069033a16f9/publishable_en.pdf
- Guerra, S. (2013). Does Familiarity Breed Contempt? Determinants of Public Support for European Integration and Opposition to It Before and After Accession. JCMS 51(1), pp.38-50.
- Hern, A. (May 06 2018). "Cambridge Analytica: How did it turn clicks into votes?". The Guardian. Retrieved from <https://www.theguardian.com/news/2018/may/06/cambridge-analytica-how-turn-clicks-into-votes-christopher-wylie>

- House of Commons Library. (2016). Brexit & financial services. Briefing Paper 07628. 6 July 2016.
- Hughes, L. (January 23 2019). "Article 50 extension not a Brexit solution, May tells MPs". Financial Times. Retrieved from <https://www.ft.com/content/7498924e-1f0d-11e9-b126-46fc3ad87c65>
- Krastev, I. and Leonard, M. (2010). The Spectre of a Multipolar Europe. London: European Council on Foreign Relations (ECFR), 2010. Retrieved from: http://www.ecfr.eu/page/-/ECFR25_SECURITY_UPDATE_AW_SINGLE.pdf
- Lloyds. (May 22 2018). On 22 May 2018, Lloyd's was honoured to receive regulatory approval from the National Bank of Belgium to establish an insurance company in Brussels, Retrieved from: <https://www.lloyds.com/news-and-risk-insight/news/lloyds-news/2018/06/lloyds-brussels-our-base-in-the-heart-of-europe>
- Lubbers, M. and Scheepers, P. (2010). Divergent trends of euroscepticism in countries and regions of the European Union. European Journal of Political Research, 49(6), pp.787-817.
- New York Times. (2017). "How 'Brexit' Could Change Business in Britain". Retrieved from: <https://www.nytimes.com/interactive/2016/business/international/brexit-uk-what-happens-business.html>
- Oliver, T. (2017). "Fifty Shades of Brexit: Britain's EU Referendum and its Implications for Europe and Britain", The International Spectator. 52(1). p. 1-11.
- Partington, R. (September 01 2018). "Who are the British business leaders still backing Brexit?". The Guardian. Retrieved from: <https://www.theguardian.com/business/2018/sep/01/uk-business-figures-still-backing-brexit>
- ReadyforBrexit. (2018). "The list of companies setting up headquarters or bases on mainland Europe ahead of Brexit grows". Retrieved from: <https://readyforbrexit.co.uk/the-list-of-companies-setting-up-hqs-or-bases-on-mainland-europe-ahead-of-brexit-grows/>
- Reuters. (2012). "Tesco improving, but outpaced by Sainsbury's". Retrieved from: <https://www.reuters.com/article/us-tesco-sainsbury/tesco-improving-but-outpaced-by-sainsburys-idUSBRE88R0YU20120928>
- Reuters. (2016). "UK 'Leave' vote deflates hopes for U.S.-EU trade deal". Retrieved from: <https://www.reuters.com/article/us-britain-eu-ttip-idUSKCN0ZA2V0>
- Riley, A., and Ghiles, F. (October 2016). BREXIT: Causes and Consequences. Notes Internacionales CIDOB, 159. Retrieved from: https://www.cidob.org/publicaciones/serie_de_publicacion/notes_internacionales/n1_159/brexit_causes_and_consequences.
- Riley-Smith, B. (June 20 2016). "Leave or Remain in the EU? The arguments for and against Brexit". The Telegraph. Retrieved from: <http://www.telegraph.co.uk/news/2016/06/16/leave-or-remain-in-the-eu-the-arguments-for-and-against-brexit/>
- Standard Eurobarometer 85. (Spring 2016). Brussels: European Commission. Retrieved from: <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/yearFrom/2016/yearTo/2016/surveyKy/2130>
- Stewart, H. (January 16 2019). May suffers heaviest parliamentary defeat of a British PM in the democratic era. The Guardian. Retrieved from: <https://www.theguardian.com/politics/2019/jan/15/theresa-may-loses-brexit-deal-vote-by-majority-of-230>
- Thatcher, M. (September 20 1988). Speech to the College of Europe ("The Bruges Speech"). Retrieved from: <https://www.margareththatcher.org/document/107332>
- The Guardian. (2017). "UK games industry: 40% of companies considering relocating after Brexit". Retrieved from:

- <https://www.theguardian.com/technology/2017/mar/30/uk-games-companies-leaving-brexit-vote-eu-workers>
- The Guardian. (2018). "Who are the British business leaders still backing Brexit". Retrieved from: <https://www.theguardian.com/business/2018/sep/01/uk-business-figures-still-backing-brexit>
- The Independent. (2017). "Sainsbury's CEO warns post-Brexit rules could leave food rotting at UK border". Retrieved from: <https://www.independent.co.uk/news/uk/home-news/sainsburys-ceo-mike-coupe-brexit-food-eu-goods-uk-border-a7927606.html>
- The Independent. (2019). "Brexit: Sony to move European headquarters out of UK to avoid customs issues". Retrieved from: <https://www.independent.co.uk/news/business/news/brexit-headquarters-move-uk-netherlands-dyson-hq-singapore-a8742561.html>
- The Telegraph. (2013). "WFirms rush to relocate in low-tax Britain". Retrieved from: <https://www.telegraph.co.uk/finance/newsbysector/banksandfinance/10038014/Firms-rush-to-relocate-in-low-tax-Britain.html>
- Tusk, D. (December 7 2015). "Letter by President Donald Tusk to the European Council on the issue of a UK in/out referendum". European Council. Retrieved from: <http://www.consilium.europa.eu/en/press/press-releases/2015/12/07-tusk-letter-to-28ms-on-uk/>
- Ulatowski, R. (2016). Euro Crisis, German Hegemony and the New Geography of the European Union. In: T. Krieger, B. Neumarker and D. Panke, ed., *Europe's Crisis: The Conflict-Theoretical Perspective*, 1st ed. Baden-Baden: Nomos Verlagsgesellschaft.
- White Paper On The Future Of Europe (2017). Brussels: European Commission, p. 3-29. Retrieved from: https://ec.europa.eu/commission/sites/beta-political/files/white_paper_on_the_future_of_europe_en.pdf