Discussions on the British Economic Policy to the European Union after Brexit

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Abstract: It is arguable that to what extent has the British economy suffered from Brexit and what is the British further economic policy to the European Union after Brexit. This paper firstly answers that why Britain joined the European Union and why leaves. Then, many parameter of the Current British Economy indicate that the British economy is preferable in long term and recent fluctuation of the British economy is solvable and technical. Lastly, the paper examines that the economy relation of UK-France and UK-Germany, the result shows that traditional economic area of them is stable and emerging economic area of them has a tight cooperation.

1. Introduction

Britain, as a geographical northwest European unit, is the second largest economy entity in Europe and she has the third largest population size in Europe as well. It is destined that Britain is a vital stakeholder in European affairs with such capacities. However, Britain never identifies herself as a European unit. Historically, she has great enthusiasm on European affairs, but has no even a single aspiration to involve in theses affairs. Britain has a dismissive attitude to ally with Benelux countries after the Second World War, she believes that Britain as a world leading power, can be a bridge between the United States and continental Europe [1], in addition, she should also undertake responsibility of the Commonwealth and the empire and will not transfer her sovereignty to a continental supranational authority. Thereafter, with fall of empire and collapse of the Commonwealth, together with dramatic increment among Britain and members of the European Economic Community, Macmillan’s Conservative Government, Harold’s Labor Government and Heath’s Conservative Government successively applied for a member of the European Economic Community in 1961, 1967 and 1970. Finally, Britain jointed the European Economic Community in 1973.

In 2013, Cameron raised a proposal of Brexit Referendum and the following result of Brexit Referendum revealed that 51.9% of votes leave and started the process of Brexit in 2017. What are driving forces of Brexit? Stuart concluded current immigration and all along austerity issues are chief culprit [2]. He further pointed out that Britain has a relatively high fertility rate compared to European units and she is also absorbing massive manpower from the Commonwealth so that Britain is not short of manpower meanwhile Germany are managing to accept refuges in European Unit, such decision will shock the stability of Britain society and Britain social welfare. As to austerity issues, in a nutshell, benefits are far less than costs in the European Union. First, Britain is the fourth largest contributor to budget of the European Union but has no corresponding decision power and fiscal subsidies, such as agricultural sector. Second, complex administrative procedure and uncoordinated opinion make the British economy weaker. Third, non-European units offer wide expanding economic market which lowers the trade dependence to European market. Fourth, there is competitive relation between the British independent monetary system and the European monetary system, which means Britain could not benefit from Euro.

Although many institutions foresee that the British economy will deteriorate after Brexit, motivation of Brexit is still economy. According to World Bank Data, GDP growth rate of Britain in 2015, 2016, 2017 and 2018 is 2.3%, 1.9%, 1.8% and 1.4% [3], such growth are just slightly better than prediction of International Monetary Fund. However, the British economy is apparently
encumbered by Brexit. It is better to have short sharp pains than long dull pains, on the other side, Britain can get rid of heavy economy burden, possess more flexible economy policy and maintain stability of social and economic development. The core of Brexit, no matter causes or influences, all concentrated on economy.

2. The Current British Economy

Firstly, on the macro level, it is widely believed that the British economy will be getting worse after Brexit. World Bank Data [4] indicates that GDP of Britain was 3.02 trillion, 2.89 trillion, 2.65 trillion and 2.62 trillion in 2014, 2015, 2016 and 2017, respectively. Distinctly, there is a drop on the British GDP after Brexit started. However, considering trend of the British GDP in three decades, the British GDP has not decreased until subprime crisis in 2008, and soon it has had an uptrend since 2014. In other words, the British economy indeed has a preferable performance in the long term. As the growth rates of GDP, except a dramatic declination in 2009, -4.12%, the majority of years have approximate 2.5%. These shows that the British economy is macroscopically stable and it can better overcome economic hardship. It is too early that ensuring there is an adverse result on the British economy of Brexit influences from such aspect.

Secondly, besides, in social economy, unemployment rate has two periods of continuous reduction, 1993-2004 and 2011-2018, unemployment rate in 2018 is the lowest level since 1991. Proportion of the British Government education expenditure on to total expenditure rose from 4% to 5.5% in recent ten years. Also, expense percentage of GDP has had a fluctuant rise since 1972. On the other hand, net migration has kept growing since 1987 and arrived the top point in 2007, near annual 2 million. It was then restricted into less than 1 million in 2018. It must bring about impacts on social welfare, for example, hospital beds per 1,000 people have decreased from 10.7 to 2.8 since 1960 and pupil-teacher ratio has decreased from 23 in 1971 to 15 in 2016. In a mass, expenditure of the British government is unable to keep pace with demand of society and such problems are not economic but more institutional.

Thirdly, net inflows of foreign direct investment in Britain are periodic and stable. Average of net inflows of foreign direct investment in Britain has kept in near 100 billion annually since 1998. Kg of oil equivalent per capita in Energy use is getting down since 2003, meanwhile, KWh per capita of electric power consumption is also getting down after a long-term growth in 1960-2005. But, to a great extent, such phenomenon is synchronous with decrement on percentage of industry value on GDP. Amount of imports of goods and services was stopped growing until 2008, and begun to float on 800 billion annually with no sign on decrement. Also, statistical data of the British government shows that there are 266 billion from EU and 237 billion from non-EU in 2018 goods imports, as well as, 170 billion from EU and 192 billion from non-EU in 2018 goods exports [5]. Amount of Trade in services between Britain and the European Union continues to drive growth in 2017 with 15.5% rate of increase. Actually, Amount of Trade in services between Britain and the European Union, Britain and the Americas has kept growing since 2012 [6]. I.e. the British trade situation is stable. In conclusion, chronically, performance of the British economy is outstanding, and the reason it has been fluctuant and stable, or stagnant since 2008 is subprime crisis and the worldwide economic recession. It is hard to affirm that Brexit brings huge adverse influences on the British economy.

3. The British Economic Policy to the European Union after Brexit

The British policy paper of Budget 2018 set forth policies to answer Brexit. These preparations are investing in public services, supporting businesses and boosting living standards [7]. More precisely, 2018 budget supports setting more efficient procedures of audit, increasing expenditure on social welfare and public investments, tax breaks. Namely, it aims to vastly eliminate the adverse influence on the British people from Brexit via building a new economy (Building a new economy contains social welfare (the National Retraining Scheme), public investment (the National Productivity Investment Fund) and trade.) and a fair and sustainable tax system. Further, it then forecast that higher levels of employment have improved the fiscal outlook in every year of the
forecast. Overall, it believe that higher living standard can benefit consumption, employment, foreign investment, development of productivity and exports, theoretically, avoiding economic deterioration via improving domestic demand. In another world, the British economic policy to the European Union after Brexit will base on such areas.

In 2018, Foreign Secretary Jeremy Hunt had a speech on Paris. He listed a series of data, 57,000 pass every single day in the Channel Tunnel, about 12 million Britons visited France last year - and more French people visited the UK than any other nationality together with common interests on world order, expressing that Franco-British relations is tight. Further he pointed that the European Union’s interest is still most important for Britain, especially in economics. The 35th UK-France Summit underlines two further areas of economic cooperation, one is digital and another is low-carbon economy. Digital technology will be the most pivotal area in further economy, thus two countries will cooperate on internet system, data innovation and digital security. Other areas of cooperative development are the Channel, international economic organization, investment on Africa, the Calais and Dover and innovation industry. Such economic directions mainly landed on new technology with high additional value and low carbon emission except for old sphere of influence and current the world order. Two countries did not discuss more on how economy works after Brexit, but prefer to cooperate for racing to control emerging economic area. As to Germany, Innovation related to new technology is still the core on UK-Germany economy. Germany set a plan named the New High-Tech Strategy in 2014 for taking advantage of digital economy, sustainable economy, energy, innovation and health. Content of cooperation of the UK Science and Innovation Network in Germany are manufacturing, biotechnology, urban planning and new energy. It is inferred that traditional industry between Britain and main units in the European Unit is stable and the burgeoning industry with low-carbon and high additional value is the main direction of economic cooperation with less affected by Brexit.

4. Conclusion

This paper argues that Britain's current economic difficulties are only caused by political problems contrary to popular predictions, that is, they are more technical than structural. In the long run, Britain's economic development is relatively good, which she can also handle well on the influence of the subprime crisis broke out in 2008. Her GDP growth rate has fluctuated just because of the current global economic slowdown and the little impact of Brexit. Thus, in the future, the economic policies of Britain and the major trading partners in Europe will emphasis more on the emerging economic field, that is, the traditional economic cooperation is stable still. Moreover, these policies favor emerging technologies, in other words, cooperation efforts of Britain and Europe for seizing emerging industries remain robust.

References