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A Historic Bombshell: Britain Leaves the European Union

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It is still too early to assess the full implications of Britain's vote to leave the European Union, and the various political, economic, and security-related consequences of the decision will be analyzed over time. The over 10 percent drop in value of the pound against the dollar as soon as it became clear which way the wind was blowing, for example, does not reflect the full range of possibilities and consequences. Yet even at this preliminary moment, it is possible to identify some of the decision's principal ramifications.

Direct Significance for Britain

The question here is whether or not the United Kingdom will dissolve. Although England voted to leave the European Union, elsewhere in the UK the vote was unequivocally in favor of remaining in the EU. Thus, Scotland is likely to resume its attempts to gain independence from the UK, and Northern Ireland, which had a decisive majority in favor of remaining in the EU, could demand secession from the UK, at least financially, while preserving ties with the Republic of Ireland, which is a member of the EU.

The results of the vote leave Britain fragmented and in a state of political and economic uncertainty that will persist for years. The leadership of the two major parties – the Conservative party that is currently in power, and the opposition Labour party – essentially suffered the same defeat. The leaders of both parties worked to convince the public to vote for remaining in the EU, even if in the case of Labour this was not a wholehearted effort. Both parties have emerged from the referendum torn and fractured, with their traditional constituencies split by the vote. Since there is no certainty that the parties will retain their traditional position, the upcoming elections are expected to bring significant change to the makeup of the parliament. With the results of the referendum, Prime Minister David Cameron announced immediately that he does not intend to lead his party or the government after this coming September (including the upcoming process of separation from the EU). In the short term, the power of the parties that called for the Brexit will likely grow, but if the economic consequences of the move prove to be severe, those parties will presumably be punished by the same voter who on June 23 voted for leaving the European Union.

The British Treasury has published estimates regarding the negative economic consequences of leaving the EU. Even if these forecasts were exaggerated, since they reflected the desire of the British government to deter the public from voting for leaving the EU, they are still gloomy. At stake are a 6-6.3 percent decline in GDP, a significant increase in unemployment, a decline of 2.8-4 percent in real income, and a decline of 10-15 percent in the pound sterling exchange rate.

In addition, Britain will face severe international consequences. Once it is no longer a member of the EU, Britain will struggle to retain its special status in the international arena, a status that derived from its membership in the EU – notwithstanding its special status given its decision to retain its currency. Its role as a bridge between the United States and the EU will weaken, from the perspectives of both Washington and Brussels. The ability of the UK to influence EU political decisions, for instance the issue of the acceptance of Turkey, which it has supported until now, will weaken and perhaps cease altogether. Moreover, Scotland's exit from the UK, should this occur, will certainly weaken the UK's international status.

International Significance

As a result of the UK decision, the very idea of the European Union sustained a major blow that is liable to intensify during the process of separation. The centrifugal forces that developed over the past decade across Europe gained encouragement from the results of this referendum. If the demands by elements in other EU countries to hold similar referendums gain momentum, there will be further negative consequences. In the short term, the victory in other potential votes of those opposed to the EU, particularly France and Holland – two of the founding countries of the EU – could deal a fatal blow to the EU and its aim of expansion beyond the basic elements of a common market.

There is a special significance to the question of the trilateral relationship between the US, the EU, and Britain, in the context of the future of the Transatlantic Trade and Investment Partnership. Britain's exit from the EU will complicate the ongoing negotiations, and might even make it impossible to reach an agreement. Furthermore, Britain's exit will significantly weaken the EU's international political weight. Without Britain, the EU will lose a significant player, even though Britain tended to maintain its autonomy in political and military issues, and Britain's departure from the EU will not necessarily cancel coordinating and consulting frameworks, which both sides can use to negotiate their future relationship. For example, it is unknown to what extent Britain leaving the European Union will affect the EU's policy regarding Russia's involvement in Europe, or the continuing policy toward the Iranian nuclear program. At first glance, it does not seem that Britain's departure from the EU will affect the policies and related

measures on these matters, yet it still might cause misguided assumptions among the respective actors.

The question of Turkey's accession into the EU remains an important open issue. Britain played a central role (2004) in raising this issue for discussion in the EU and the decision to start negotiations with Turkey regarding the conditions to allow its entry. Today, as negotiations continue, a significant voice calling for Turkey's entry will be lost. The EU is also torn between the need to compensate Turkey for keeping refugees from entering the EU, and the possibility of a Muslim member that, if it joins, will be the single most populous member country in the EU. On the one hand, the EU can breathe a sigh of relief as the side calling for Turkey is significantly weaker, but on the other hand, at least in the short term, this weakening might complicate the already fragile relations between Turkey, the EU, and NATO.

The Exit Mechanism and the Subsequent Negotiations

Article 50 of the EU's constitution is ostensibly straightforward. A country that wishes to leave the EU will enter into negotiations about its future relations with the EU. As long as negotiations continue, for a period no longer than two years, the status quo will remain as if the country is still a member of the EU. In reality, however, there are difficult and weighty dilemmas facing Britain and the EU. The British exit camp that will need to lead the negotiations with the EU will try to show the British people that there is no economic price for leaving. Therefore, they will try to negotiate a status that allows Britain to retain all the advantages of a free trade market between itself and the EU, without the obligation to accept the various European standards and regulations. Britain is also expected to request to remain a member of various EU programs such as the Research and Development Horizon 2020 Program, while paying membership fees, as does Israel.

However, it is likely that the EU leadership and negotiators will seek to set a precedent that there is a price for secession, at least on the financial level, in order to make it more difficult for other European leaders to follow suit, or seek to emulate the model of a country enjoying all the economic benefits without being bound to restrictions entailed by EU membership. At the same time, that policy counters the economic logic that says that Britain's economic contribution to the EU should not change as a result of its exit, except of course the contribution to its budget. In any case, a decision about this depends on the results of the negotiations.

Israel and Brexit

The crisis in Europe will most likely weaken the ability and impulse of EU member countries to deal with Middle East issues, including the Israeli-Palestinian conflict. Europe will be preoccupied with keeping the Union together, blocking the possibility of disintegration, both by internal forces and by Russian attempts to have countries leave

EU. Therefore, Israel need not be perturbed by Britain's secession, though in recent years Britain was a force for moderation with respect to the EU's policy toward the conflict. On the other hand, Israel's concern about the growing support for Muslim fundamentalist forces in Europe and growing anti-Semitism on the continent led it to be more involved in fighting this phenomenon in concert with NATO and the EU. Israel will continue to function in the sub-bodies of the EU, but its influence will be weakened following the British exit.

In terms of economic fallout, Israel will have to wait to form a policy that suits the results of the negotiations between Britain and the EU. A significant adjustment in relations between Britain and the EU, which will cause changes in standards and regulations, customs fees, and more, will obligate Israel to negotiate with Britain about their bilateral economic relationship.

The results of the British-European negotiations will have additional implications for future relations between Israel and the EU. Two groups have formed: countries that are not interested in being EU members, led by Norway and Britain, and countries that cannot belong to the EU because the EU does not want them, including Morocco and Turkey. Consequently, the EU will have to consider a new, different model, and it is incumbent on Israel to follow the debate about this issue, and even contribute to it. Should the EU overcome the string of crises it has suffered, it is possible that the new model of relations between the EU and its neighbors will serve as a framework for relations between the EU and Israel. This, however, would depend on whether Israel is willing to make the political and economic changes required to tie itself to the EU.

