

CONTINENTAL DRIFT: TRACING THE “WHY” OF BREXIT IN THE HISTORY OF EUROPEAN INTEGRATION

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Abstract

For the United Kingdom (UK), the rationale for the decision to exit the European Union (EU) may be found in UK's historic rivalry with European powers, Britain's fatigue after having contributed towards the process of European integration for seven decades, and the urgent economic reasons that have overtaken the post-World War II historical causes. This article examines and compares all three perspectives that may explain the phenomenon of the Continental Drift to find a compelling rationale for Brexit Viz. relatively weaker financial performance of Britain vis-à-vis some of the European partners. Imprudent lending compounded by increasing taxation to bail out ailing sectors of the British economy, led to poor financial performance as compared to Germany and France, during the critical years of recession from 2008 to 2010. The crisis worsened because of an imbalance in the net migration within the EU. The migration-related issues embittered the British voters as shown in Brexit polls' results.

Key Words: *European Union, European Integration, Recession, Financial Performance, Brexit.*

Introduction

The relations between the European powers and the United Kingdom (UK) had never been entirely cordial from 17th to mid-20th century. Ever since the end of World War II, Britain had been committed to the security of Europe as a leading member of the North Atlantic Treaty Organization (NATO). They had been an active partner in the European Union until the conservative government headed by David Cameron decided to hold a referendum in June 2016 and ask the question of Britain leaving or staying in the European Union. The questions that had been

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paramount in everyone's mind prior the EU referendum had been: (1) Does the UK need to enhance control of its sovereignty? (2) Will the UK benefit from leaving EU? (3) Will Britain lose some of the rights and privileges availed now in the European Union? (4) What impact will Brexit have on immigration? (5) Will leaving the EU set-in the break-up of the UK? (6) Will Brexit makes the UK more, or less safe? (7) Will leaving the EU save taxpayers money?

The referendum decided the issue in favour of leaving with 52 percent vote in favour and 47 percent against it. The Brexit question touched a raw nerve in the UK and hot debates ensued. The outcome of the referendum shook British political system to the core with damages to the image of the ruling conservative party. Prime Minister David Cameron had to resign leaving the office to Theresa May who showed a commitment to see the Brexit process through. This divorce is likely to have far-reaching effects on British economy and the society. Its causes must be understood clearly before suggesting the course UK may steer to secure Britain's best interests in future. This paper brings out three different perspectives to determine the most dominant cause of Brexit. The first perspective gauging the succession of the longer-term historic chain of events point to the existence of a permanent fault line that tends towards a Continental Drift. Britain always stayed on the brink of European political system, being barely within, without becoming a part of it. The second perspective, a shorter-term view of history, takes in Britain's behaviour in post-World War II era. It presents Britain as a European actor committed to European integration and offering guaranteed security. It is interesting to note that the movement for post-1945 integration, rather uncharacteristically, occurs in parallel with the phenomenon of perpetual drift. The third perspective, perhaps even more relevant in the present context, places economic performance in focus. This view shows Britain drastically lacking vis-à-vis European partners-cum-competitors in terms of productivity and trade balance. A dispassionate analysis of the probable causes must therefore; shun all rhetoric that merely cloaks facts while exaggerating less significant facets of the problem. There are, to summarize, at least three different perspectives that affect an investigation into the causes of Brexit:

1. Centuries' long disharmony and conflict between Britain and European powers is likely to cause Britain and Europe drift apart when strong integrative forces are not at work or when such forces are weakened by other causes that may be pervasive at the time.
2. The basic trend from Westphalia onwards is one of integration and not that of drifting apart and rivalry. The present state of discord and disharmony is merely a temporary phase. Historically trustworthy integrative forces will prevail and help overcome the 'Continental Drift.'

3. Economic performance is increasingly the real cause of conflict and disharmony. Economic interests exert a determining influence, far greater than that exerted by geostrategic realities or the security situation. Britain, being a poor economic performer vis-à-vis some of the stronger European partners, finds EU membership to be counterproductive, and its commitments onerous. Britain may fare better if it retracts into its former 'splendid isolated'.

Additionally, environmental issues and migration problems add complexity to the question of integration and cooperation.

Continental Drift: The Long-Term Historical Perspective

The British traditionally pursued an isolationist policy intervening in Europe only when their own security was threatened, such as in the case of the sudden expansion of French power under Napoleon, and that of Germany under Kaiser/ Hitler. Britain's maritime insular position proved to be doubly advantageous in geopolitical and marine-mercantile terms. Europe's endless feudal wars, so wasteful in nature, by and large, spared the island nation. The kingdom did not have to keep large standing armies; instead, money was poured into shipbuilding to realize Elizabeth I's obsession – expanding her naval strength beyond that of rival continental powers. Superior naval power meant that British merchant ships could sail round the globe freighting raw materials and merchandize back and forth throughout the world without the fear of being set upon by enemy raiders. This impunity gave a tremendous boost to British trade and that meant surplus wealth, part of which could be spent on improving farming and industrial production and the other part on expanding the naval fleet and raising ever larger overseas armies. Many Englishmen feel that they are always better off when they are left to their own devices rather than being told by the Europeans what to legislate, how to govern and what to trade.

Several European powers bid for supremacy, built large naval fleets, waged wars for colonies and set up a global trade system in 18th and 19th centuries. The geostrategic location, however, especially favored Britain. The island nation rose to become the mightiest power in the world. Britain's position as an island opened sea-lanes and trade routes in all directions and yet the kingdom was militarily more defensible than the continental empires and states. British naval mastery turned London into the world's commodity exchange and insurance headquarters in the 18th and 19th centuries. The surplus from trade and the steady income from colonies bestowed upon the British people unmatched prosperity and a certain enviable quality of life. Britain owed its naval mastery and global trade to its large and efficient industry which had its origin in simple mechanical technologies, notably steam – the lead technology of that era. The steam technology revolutionized propulsion and locomotion. The

speed of the merchant ship increased, and the vessel became independent of the wind. The trend of electrical technologies, towards the end of the 19th Century, however, started to tip the balance of power away from the UK. World leadership rapidly slipped out of British hands as more and more trade got diverted to Germany. World War I became necessary to halt the Germans in their tracks. Sanctions and war reparations imposed by the Allies after WW I were regarded as downright humiliating by German intellectuals and common man alike. Voters were disenchanted with the loyalists and the veterans. They voted the NAZI party into power. Germany resumed its technological surge under Hitler and started re-arming. Another great war became inevitable. The Continental Drift that had set in during the colonial era, intensified and never abated thereafter. The Allies won WWII and U.S. stationed 256,000 soldiers on German soil for next 45 years, adding injury to insult. For almost four decades, the formation of a single European Union helped close the rift, but now it has been widened by Britain's financial woes.

American Admiral Mahan always quoted the rise of Britain as a classic example of sea power and emphasized the role that a powerful navy could play in securing colonies, in protecting commercial trade and in winning wars. The Germans, by comparison had traditionally followed continental strategists such as Hal Mackinder and the advocates of continental expansion such as Karl Haushofer.¹ Mackinder had made his debut when he read his famous paper to the Royal Geographic Society in 1904, titled *The Geographical pivot of History*. He had prophesized:

The successful powers will be those who have the greatest industrial base. It will not matter whether they are in the centre of a continent or an island; those people who have the industrial power and the power of invention and of science will be able to defeat all others.²

Hitler was influenced by Haushofer who frequently visited Hitler when he was writing *Mein Kampf* in detention near Munich after the 1923 Beer Hall Putsch.³ The likeness of the following passages from *Mein Kampf* with Haushofer's writings is rather striking:

¹ Karl Haushofer was the founder, editor and principal contributor to the *Zeitschrift für Geopolitik* (1924) and director of the Institute of Geopolitics at the University of Munich.

² Paul Kennedy, *The Rise and Fall of Great Powers* (London: Vintage, 1989), 493.

³ The Beer Hall Putsch (the *Hitlerputsch* or *Hitler-Ludendorff-Putsch*), was a failed coup attempt by the Nazi Party leader Adolf Hitler to seize power in Munich, Bavaria dating 8-9 November 1923. Hitler and two thousand Nazis confronted the police in Munich. Sixteen Nazis and four policemen were killed. Hitler himself was wounded during the clash, arrested and charged with treason.

The foreign policy of a folkish state is charged with ... establishing between the number and growth of the population, on the one hand, and the size and value of the soil and territory, on the other hand, a viable, natural relationship Only a sufficiently extensive area on this globe guarantees a nation's freedom of existence. (Hitler)⁴

Every nation is primarily concerned with the task of maintaining itself in a hostile environment, and since its very existence depends on the possession of an adequate space, if the space has grown too small, it has to be expanded. (Haushofer)⁵

Germany set itself firmly on the course of expansion into neighbouring territories, supposedly justified by the theory of *Lebensraum*.⁶ The price paid by this proud nation is a lesson in history. Germany still competes for the European "space" but the nature of competition is now economic rather than forceful annexation. German politics is now based on cooperation rather than coercion.

Britain can play the honest broker in European feuds. The classic example of brokering a peace after Napoleonic Wars is the Congress of Vienna, a feather in Britain's cap. Vienna had been a success of intra-European integrative forces at their best. European powers soon entangled themselves in a web of multiple alliance treaties. When these complex 'Balance of Power' treaties failed, the world was pushed into a general war. It can be said that in the *Pax Britannica*⁷ era, Britain had defeated the forces of Continental Drift with skilful international diplomacy, remaining itself secluded from European rifts.

Short-term Historical Perspective

Britain as the Champion of European Integration: The process of European integration had started through a deliberate 'cultivation of harmony' initiated at the Peace of Westphalia in 1648. British Wartime Prime Minister Winston Churchill proposed a "United States of Europe" at an address at the University of Zurich in 1946. The Union was, however,

⁴ W. Haushofer, in E. Earl, *Makers of Modern Strategy* (Princeton: Princeton University Press, 1973), 408.

⁵ *Ibid.*

⁶ The concept of *Lebensraum*—or "living space"—served as a critical component in the Nazi worldview that drove both its military conquests and racial policy.

⁷ *Pax Britannica* (Latin for "British Peace", modelled after *Pax Romana*) was the period of relative peace between the Great Powers during which the British Empire became the global hegemonic power and adopted the role of a global police force.

proposed to be an all-European affair and Britain was not supposed to be a part of it. The European Coal and Steel Community (ECSC) comprising of six European countries was incorporated in 1951. The European Common Market was established on March 25, 1957. The European Community Parliament was set up in 1972. UK had joined in 1973. The dream of unification was finally realized when the European Community was renamed as the "European Union" in 1993 under the *Maastricht Treaty*. In 1999, the EU adopted a single currency – the Euro. The Free trade Agreement allows trade goods to cross the borders throughout Europe without having to pay any custom duties. *Schengen Borders Agreement* allows the residents of Continental Europe to travel to each other country without having to obtain Visa. And then the Champion of European integration, United Kingdom, to everyone's surprise, declared an intention to leave the EU in June 2016. Brexit instantly became a thorny political issue in the UK. The "Why" of Brexit may, thus, be found in the fatigue of having to act as the leader in EU within current financial means available to UK.

Shattered dreams of being number one and basking once again in the radiance of splendid Victorian sun bred disillusionment and bitterness. British politics is tainted by a desire to return to the cosy state of former 'splendid isolation.' The glorious stories of the age of *Pax Britannica* haunt British political leaders but there is little room for political manoeuvre at that grand a scale once again. Monopoly over global trade and steady flow of raw materials from colonies, that had once made British transactions so profitable, are no longer there. Bankers have no easy solutions for non-performance of loans and economic recession that persists. Britain had been a dedicated partner of U.S. in underwriting European security under NATO's emblem, but it seems that they are now treated by European cousins as if they are of no account in the European inner circle. The words of Lloyd George from his address to the bankers on July 21, 1911, haunt them:

But if a situation were forced upon us in which peace could only be preserved... by allowing Britain to be treated as if she were of no account in the Cabinet of nations, then I say emphatically that peace at that price would be a humiliation intolerable for a great country like ours to endure.⁸

This uneasy feeling of being ignored or pushed around in the EU is central to Brexit and there appears to be no therapy at hand to emancipate or placate them.

⁸ J. McCain, *Hard Call: The Art of Great Decisions* (New York: Twelve, 2007), 79.

Perspective of Financial Performance and Social Spending

Europeans, today, regard integration as a cause linked with such issues as trade, standard of life, migration and environment. Rather than talking in vague and less commonly understood terms like geostrategic location, dominance and liberal hegemony, they prefer to place integration in the perspective of resources, production, and trade balance. They measure performance in terms of the work and resources input to realize a dream; and the output received. Performance being the key standard in new Europe, it is important to review how Britain meets European expectations on finance and trade, in tackling sensitive environmental issues, and in handling of migration crisis. British sincerity toward these prime areas of typically European interest may not be doubted but they prefer sentiments to be backed by sound financial performance.

As regards to financial performance when international aid seen as an indicator of integration Maurizio Carbone said in his 2007 publication *The European Union and the International Development: The Politics of Foreign Aid*, assesses the European economies through the lens of aid given by the Member States to the Least Development Countries (LDC). An assessment made under this criteria places France and the United Kingdom in the lead in shaping EU aid policy while it relegates the European Commission to the level of a marginal player. Carbone differs and maintains that the European Commission positively influences outcomes in the EU decision-making process and plays a leadership role in the EU. Carbone, however, finds that the Commission's leadership is bound by three conditions in giving out aid: the presence of an institutional entrepreneur, internal cohesiveness, and the astute use of a repertoire of tactics. His analysis shows that the European Commission combines instrumental and persuasive behaviour, and that development cooperation acquired a greater significance in the 2000s as the Millennium Development Goals (MDGs) were instrumental in increasing the volume of aid as well as Member States' commitment to eradication of poverty. Public sector aid to developing countries significantly increased from US\$ 25 billion (47 percent of the whole world) in 1999 to US\$ 59 billion (57 percent of the world) in 2006.

The funding of global public goods (GPGs) frequently crosses over national frontiers and demands close coordination. He extracts that the efforts at the integration and coordination of aid, however, remained poor. He also laments that the EU still does not 'speak with one voice,' in the international arena. The failure to increase the volume of aid owed itself to absence of concrete planning. Finally, he observes that "the stubborn opposition of the few countries (i.e. not only the US and Japan, but also France and Denmark was blocking the final agreement."⁹

⁹ M. Carbone, *The European Union and the International Development: The Politics of Foreign Aid* (London and New York: Routledge, 2007), 2.

As for the performance in giving foreign aid, France, Germany and the UK are the prominent donors. The UK has “gradually increased its aid volume, has completely untied its aid, avoids project proliferation, transfers a high share of aid to poor recipients with democratic governments, but has small amounts of private charitable giving attributable to tax policies...”¹⁰ While in the case of France, the volume of aid has gradually increased, its aid finds its way to relatively less poor and less democratic governments in pursuance of colonial bonds. Germany has low net aid volume when related to the size of its economy. Carbone extracts that between 2003 and 2006 Denmark, Netherlands and Sweden individually gave more in aid to LDCs than United Kingdom and France individually. The four northern Member States – Denmark, Finland, Sweden, and the Netherlands – are distinctly the top performers in foreign aid. Their policies are not burdened by the colonial legacy. He notes: “The evolution of development policy in France has been driven mainly by its colonial heritage and has been closely linked to its foreign policy.”¹¹ The aid traditionally went to West and East Africa to balance the US influence in the region. France allocates most of its aid to education and culture sectors and it is channelled through the EC. By comparison, the UK aid mostly goes to the members of the Commonwealth of Nations. Since the 1990s, the aid is focused to promote British political and commercial interests. From the mid-2000s, the policy on aid has prioritized Africa as the recipient of aid. After 9/11, the release of funds has been increasingly linked to international security. UK emphasises the need to improve the effectiveness of the international system, in particular the EC. Carbone observes that unlike France and the UK, German aid policy is free of bonds of colonialism. German aid focuses on the middle-income countries. During the 1990s, the high cost of re-unification and shifting of focus to Eastern Europe reduced the volume of aid to traditional recipients. In the 2000s, the volume of aid remained below the EU average. After the September 2005 elections the grand-coalition government led by Chancellor Merkel increased the aid volume from 2006 onwards. Germany prefers to channel its aid through the EC channel.

The Comparative Financial Performance of European Economies:

Cillian Ryan, observes that the 2007-2013 cycle, representing depression and recovery, is marked by a net growth in the volume of exports (goods and services) by 17.2 percent in case of Euro area, and a meagre 1.617 percent in case of the UK (Table 1). The EU also outperformed Japan, whose currency appreciated the most. However, all

¹⁰ Ibid. 42.

¹¹ Ibid. 43.

three blocks *Viz.* the EU, Japan and the US outperformed the United Kingdom over the period even though British currency depreciated significantly relative to all three (cheaper currencies theoretically attract more export orders). Ryan points out that there are other factors that must be considered: (1) the import component of exports, (2) the degree of exchange-rate which impacts the export sector, and (3) the cyclical demand for a country's basket of exported goods and services.¹²

Table 1: Percentage change in volume of exports of goods and services

Country	2007	2008	2009	2010	2011	2012	2013
Euro area	6.637	1.238	-12.661	11.099	6.281	2.48	2.126
Japan	8.699	1.417	-24.196	24.362	-0.358	-0.316	1.249
United Kingdom	-2.481	1.205	-8.199	6.377	4.569	-0.325	0.471
United States	9.303	6.102	-9.133	11.137	6.682	3.403	3.332

Source: World Economic outlook database, IMP April 2013, Cillian Ryan in Brennan and Murray 2015: 109

Ryan opines that “there is little evidence that the United Kingdom has to date benefitted from being outside the euro area”¹³ As to the assumption that the United Kingdom would have been better off within the euro zone, Ryan considers that there are vital factors that must be regarded: (1) location decisions of international foreign direct investors, and (2) the trading patterns.

Ryan attributes the United Kingdom's comparatively poorer performance in export of goods and services to its greater vulnerability to the financial crisis than the euro states and not to UK's exclusion from the euro zone. The Euro Zone's degree of exposure to the crisis was not related to EU's internal integration. Likewise, European banks were relatively immune to the upheaval caused by the Anglo-American international financial dealings and it had no relation with the state of EU's internal integration. Hence EU's internal exposure to crisis was distinctly a function of the degree of internal integration of the Euro Zone capital market rather than any external factors:

The crisis in Europe was precipitated by the impact on international interbank markets as US bank losses associated with sub-prime lending led to a crisis in confidence. Arguably most banks did not have a clear understanding of even their primary exposure to the unfolding crisis, and

¹² Cillian Ryan, “The role of crisis as a driver of regional integration: Crisis as opportunity” in Louis Brennan and Philomena Murray, eds. *Drivers of Integration and Regionalism in Europe and Asia: Comparative Perspectives* (London and Oxon: Routledge, 2015), 106-109.

¹³ Ibid. 109.

certainly none had a clear understanding of the exposure of other banks in the system.¹⁴

The collapse of interbank lending lime-lighted major financial institutions' dependence on interbank markets from where they raised the short-term funds to finance long term mortgage lending, a recipe for disaster. Once the interbank market collapsed, they faced a liquidity crisis. Highly speculative and imprudent lending exposed financial institutions such as Merrill Lynch (a division of Bank of America) to public finances for a bail out. It also pushed mortgaged property owners into negative equity. The recession pushed commercial loans into non-performing status. Governments were reluctant in financing debts on the promise of tax revenues to be accrued, supposedly, from future income growth. Some states e.g. Ireland and Spain no longer generated enough revenue to meet their financial obligations or even provide public services. Italy and Greece fared no better.¹⁵ Europe reacted sensibly and protected international banks from dire consequences of recession by running to the IMF, and in partnership with the IMF, forced the tax payers to share the burden placed on their economy by poor lending decisions. Debt to GDP ratio is always a reliable indicator of the health of the economy of a nation. As seen in Table 2 by 2007, Ireland, Greece, Spain and Italy had an adverse ratio viz. 117.6 percent, 156.9 percent, Spain 84.2 percent, and 127 percent respectively.

Table 2:

Debt to GDP ratio

	2001	2002	2003	2004	2005	2006	2007
EU (27 countries)	61.1	62.0	62.8	59.0	62.3	80.0	85.3
Germany	59.1	64.4	68.5	65.2	66.8	82.4	81.9
Ireland	35.2	30.7	27.3	25.1	44.5	92.1	117.6
Greece	103.7	97.4	100.0	107.4	112.9	148.3	156.9
Spain	55.6	48.8	43.2	36.3	40.2	61.5	84.2
France	56.9	62.9	66.4	64.2	68.2	82.4	90.2
Italy	108.3	104.1	105.7	103.3	106.1	119.3	127
Cyprus	61.2	69.7	69.4	58.8	48.9	61.3	85.8
Portugal	53.8	59.4	67.7	68.4	71.7	94.0	123.6
United Kingdom	37.7	39.1	42.2	44.2	52.7	79.4	90.0

Source: World Economic outlook database, IMP April 2013, Cillian Ryan in Brennan and Murray 2015: 115.

UK fared no better whose Debt to GDP ratio had gone up to 90 percent in 2007 from 37.7 in 2001. EU having started at a much higher 61.1 percent in 2001 stood better than the UK at 85.3 percent in 2007

¹⁴ Ibid., 110-111.

¹⁵ Ibid., 111.

which indicates a losing battle on part of the UK and one of the probable reasons to exit from EU. Ryan points out that:

... both the United States and the United Kingdom had solvency problems mitigated by the use of quantitative easing, a legacy that is still likely to come back to haunt them in the form of renewed inflationary pressures as the interbank market recovers. The EU, initially at least, rejected a policy of quantitative easing, essentially opting to commit real future tax income to fund the ESM [European Security Mechanism] (and its predecessors).¹⁶

Impact of Brexit on British Economy: Trade, Security and Migration

Interest Rates: Long-term UK interest rates are determined through the interaction of buyers and sellers in financial markets, the balance of supply and demand for British government bonds from investors, traders' expectations of future GDP growth and prevailing rate of inflation. It is difficult to predict with any certainty how long-term interest rates would be affected by Brexit. As for the property, prices are stable so far except in case of high-priced costly units in Central London which have shown a gone down recently. Again, it is difficult to say whether or not the downward trend is a result of Brexit negotiations as the said property is well beyond the reach of an average buyer.

Economic Impact: The independent economists are unanimous in saying that the economic impact of leaving EU will be negative. The demand for UK government bonds is expected to fall, which would cause the long-term interest rates to rise. Brexit could prompt a "flight to safety" and trigger buying of gold, which are considered safe assets. That would cause gold prices to shoot up and that, in turn, would force long-term interest rates downwards.

Recession: If the pound takes a nose dive, it would generate expectations of higher future inflation which would push interest rates up. Rates could be cut by a fraction by the Bank of England. But if Brexit causes apprehensions of near-term inflation, expectations may shoot up and go out of control. This dangerous trend could lead to a sterling crash. The Bank would be forced to raise short-term rates to restore calm, which, in turn, would probably deepen a recession.

Trade Relations with Europe: Unless EU goes vindictive, it could offer Britain a favourable deal, applying very low tariffs to British exports to EU's 'single market,' and receive reciprocal benefits from UK. This would minimise Brexit damage.

Public Spending: It would not be wise to cut public spending or raise taxes. The UK Government would be wiser to do the opposite – to

¹⁶ Ibid., 121.

increase public spending to help to boost the economy. This would help open more jobs and that would reduce embitterment induced by such demeaning features of the Brexit deal as payment of the 40 billion pounds leaving fee.

European Integration and Environmental Issues: Environmental issues and effort toward this cause serves as another indicator of desire for integration into the European system. Diarmuid Torney reports that in March 1997, at the Kyoto Protocol conference, it was agreed that industrialised nations should reduce their emissions of CO₂, CH₄, and N₂O by 15 percent vis-à-vis 1990 levels by 2010, the European Council introduced the 'burden-sharing' arrangement, which specified different targets for different EU member states. This measure amounted to a total target reduction of 8 percent for the period 2008–2012. The UK had been a 'pioneer' member state together with Germany and the Netherlands. Cooperation on environmental issues promoting the cause of European integration:

Although initially slow to respond to the emergence of the climate issue, in the early 1990s the European Commission came to view climate change as a means to enhance the process of European integration.... The European Commission in particular made the case that, in order to lead internationally, the EU would have to develop strong internal, EU-level climate policies and institutions...¹⁷

However, European Community institutions did not emerge as swiftly as expected. This resulted in inadequate progress on carbon emissions, energy tax proposal and the subsidy arrangements. Torney attributes the constraints in the development of EC institutions to "the limited commitment among member states" to put emission control measures to practice. Torney notices a "dampening of the enthusiasm" after 2010; he concludes: "Since 2010, these drivers have become less salient as the European policy process became increasingly preoccupied with dealing with the economic crisis."¹⁸

Trade and investment as drivers of Integration: International business or trade as performed by both public and private firms, encompasses pooling and management of assets, market expansion, acquiring additional resources and greater efficiency. European states, when integrated into a common trade system, boost both production and sales through international business. Such cooperation promotes regional integration, which may be described as territorial systems that increase

¹⁷ Diarmuid Torney, "Climate Change as a Driver of Regional Integration in Europe," in *Drivers of Integration and Regionalism in Europe and Asia: Comparative Perspectives*, (London and Oxon: Routledge, 2015), 185.

¹⁸ Ibid., 191.

the interactions between their components in creating new forms of organisations. Despite various constraints affecting the progress, Bernadette Andreosso-O'Callaghan opines that:

The experience of the EU epitomizes a level of deep economic integration when compared with other cases.... Trade and investment have undoubtedly been important drivers of the... economic integration in Europe... [Yet] the extant type of economic integration through trade and investment (in particular financial investment) in the EU is far from being robust.¹⁹

The contributor argues that the EU needs to develop a 'sustainable' form of economic integration that can withstand a financial crisis.

Commitment to Security of Europe: From 1949 until now, UK has shouldered the responsibility of European Defence side by side with U.S. U.S. mostly met the expenses, Britain offered the island ports and airbases to execute the 'massive retaliation' in case the Soviets had raided Europe in Cold War era. Britain played a strong role in NATO operations in Libya during the 'Arab Spring.' The times have changed, however. Europeans have started looking at the defence problem somewhat differently. Rather than the size of the military and the contribution of a member state towards NATO task forces, what matters in the prevailing European scheme are economic factors – joint research and development, joint production, global trade, and in particular supporting weaker economies in Europe (e.g. Greece and Italy) financially. The calibre of a nation is no longer judged in Europe by its military muscle or the deployment abroad. It is now judged in terms of the aid given out to the LDCs and the cooperation extended to the European Commission in helping it meet its objectives towards migration and environment.

Migration – a Sore Point in Britain: When the EU adopted a Common European Asylum System, the Member States abolished the intra-European borders. A strong external border management already existed in the UK. Britain has always maintained a distinctive position in the EU when it comes to border controls, opting out of the Schengen arrangements that abolished internal border controls across the EU. However, UK participates selectively in some aspects of EU border policies. While rescue at sea of persons in distress is a major issue in Europe, UK has permanent and effective rescue service which affords a better handling of arriving migrants. A strong UK borders authority precludes illegal entry. British society, however, has to cope racial

¹⁹ B. A. O'Callaghan, "Qualifying the type of Economic Integration in a Historical perspective," in L. Brennan, and P. Murray, eds. *Drivers of Integration and Regionalism in Europe and Asia: Comparative Perspectives*, 215.

diversity on a major scale, which frequently triggers friction, and hate crimes. The native British feel deprived of jobs and opportunities that are taken up by migrants. All the same, handling of migrant issues leaves no cause for complaint and it helps abate hard feelings. Financial assistance from local Council is valuable in setting up arriving families in their opted homeland.

Discussion

The first perspective discussed in the foregoing pages suggests that Brexit is an outcome of the longer-term historical drift that has its origin in traditional rivalry between the 'Continental' and the 'Island' nations. This perspective, with its focus on geostrategic properties of European states vis-à-vis Britain, is readily overtaken by the second perspective generated by the wave of integration in post-WW II era in which Britain not only willingly extended its cooperation but in fact led the movement. The third perspective shows forces of disintegration overtaking the spirit of cooperation in recent years. The analysis presented above shows the real reason of the split to be embedded in poor financial performance of Britain vis-à-vis Europe in the past couple of decades. This third perspective gains further credence from the fact that Britain accepted a humiliating penalty of 40 billion pounds as leaving fee and still considered it a good riddance.

The most important area of concern, however, is prevention of war. The spirit and the process of European integration must be revived to protect the world from another great war. Henry Kissinger reads the principal objective of European unification – end to bloodletting – in the Peace of Westphalia:

A century of sectarian conflict and political upheaval across Central Europe had culminated in the Thirty Years' War of 1618–48—a conflagration in which political and religious disputes commingled, combatants resorted to "total war" against population centres, and nearly a quarter of the population of Central Europe died from combat, disease, or starvation. The exhausted participants met to define a set of arrangements that would stanch the bloodletting.²⁰

Britain also needs to watch out the possibility of Brexit rocking the British Union boat itself. Brexit vote made united Ireland suddenly thinkable. Catholic nationalists are openly campaigning for such an initiative. Brexit vote set off a major upset in global stock markets. Consequently, investors lost \$3 trillion even though they recovered \$2 trillion over the next three days. Barely out of recession, the global

²⁰ Henry Kissinger, *World Order: Reflections on the Character of Nations and the Course of History* (USA: Penguin Books, 2014), 3.

business can hardly afford such traumas. British and European nationals may face problems with their passports, driving licenses, status of European spouses etc. for some time at least, as virtually all existing legislation that existed under the EU would be technically void until new legislation is provided. International students possessing other than British or European nationalities may face visa and travel difficulties in the UK. Europe and UK face racial abuse and hate crimes vis-à-vis blacks, Muslims and Asians. Sentiments run high in England over European immigration problem from Polish and other East European communities. European immigrants may not have to leave but no one can really assure them a residency status. Uncertainty in these matters is extremely painful.

However, the way trade patterns within Europe organized in the past 40 years makes a clean break difficult. There is too much of interdependence between UK and Europe in technological collaboration, joint production, joint financing of projects, research and development, globalized marketing and the way the system of intellectual property rights works. Brexit could have a negative impact on creativity and innovation, more so, in all spheres of industry, trade and the economy. The costs and benefits of shared and stand-alone technology must be re-considered in post-Brexit scenario.

Conclusion

Conservative government headed by Theresa May is facing a 'No Deal' EU stand. Anxiety caused by uncertainty upsets business and hurts citizens' interests. Post-Brexit Britain will, most likely, continue to honour its commitment to the cause of security of Europe as a leading member of the NATO but may not be able to contribute to its defence spending as much as it did before. As an active trading partner, UK seeks a continuation of benefits and privileges so far enjoyed by it as a full member of European Union but as a non-member. This would require new legislation to re-enact provisions of Customs Union without formally being part of it. These include exemption from customs duty and inspection of trade items arriving at UK and European ports. It is difficult to say that leaving EU will enhance British control of its sovereignty. An inward looking UK will have the benefit of consolidating its internal governance the way they like rather than being told by outsiders how to manage their own affairs. Brexit would not necessarily mean that European workers now working in the UK would have to leave. Stringent conditions for issue of work permit or leave to remain indefinitely may, however, induce an exodus as it did recently in the case of German nurses.

Brexit did, however, inspire the Irish to raise the issue of Irish Borders. It may not lead to break-up of the UK but it weakens the fibre of the Union. Brexit will neither make the UK relatively safer nor unsafe internally but native Britons would have a feeling that they are masters of

their own affairs. Tightening of UK Borders Authority rules will dampen unbridled migration trend from EU countries, in particular from Poland, but will probably have no effect on African and Asian migrants. There will be little saving of the taxpayers money while the 40 billion pounds payable to EU as leaving fee will continue to be a thorny issue in Britain. The Brexit episode highlights the need for the UK to re-learn old lessons of financial security. Britain needs to stick to the policy of lending only when prudent. One cannot suggest de-emphasizing welfare spending in the UK but retaining a little surplus of national savings can go a long way in rescuing the state in a crunch. The opinions and the analyses reviewed above can be expressed best in the words of Cillian Ryan, who considers the current crisis to be an opportunity for reform; the only other possibility being a recurrence of the financial crunch: "The best guide to the future, however, is still the past, and it should surprise no one if a similar crisis occurs again, regardless of the degree of regional integration."²¹ Crucial decisions like Brexit should not be made subject of public debate where popular sentiment rules. Ryan considers that politicians know the correct answers but suffer from inertia as they are weighed down by voters' possible reaction.

United Kingdom is still erroneously pursuing inflationary tax policy which, in case of financial crisis results in loss of value to holders of liquid assets and fixed-rate bonds. The UK needs to plan mortgages and loans on the basis of real future tax revenues, particularly, as a means of financing a bailout fund. British government needs to provide a sense of security to immigrants without which the very fibre of the society stands threatened. The Conservative government may hold a second referendum hoping a vote in favour of reversal of Brexit. Alternatively, the government may simply admit that the whole affair was botched and withdraw from Brexit even if it costs the Conservative government another Prime Minister.

²¹ Cillian Ryan, "The Role of Crisis as a Driver of Regional Integration: Crisis as Opportunity", 121.

