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**POLITICAL AND ECONOMIC
CONSEQUENCES OF BREXIT IN THE UNITED
KINGDOM AND THE EUROPEAN UNION
BETWEEN 2016 AND 2021**

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Political and Economic Consequences of Brexit in the United Kingdom and the European Union between 2016 and 2021

Resumen

La salida del Reino Unido de la Unión Europea, conocido como *Brexit*, supuso fuertes cambios en la realidad internacional del continente europeo. Desde el inicio de la integración europea, una gran cantidad de países mostraron deseos de cooperar y de integrarse, mientras que otros países se quedaron al margen sin unirse al proceso de integración. Sin embargo, el Reino Unido es el primer Estado en tomar un paso atrás y salir de la organización habiendo sido ya un miembro pleno. Las consecuencias del Brexit son de largo alcance tanto en tiempo, como en campos de estudio. Un sinnúmero de aspectos de las partes involucradas se ha visto sujeto a efectos, en este trabajo se estudian los impactos sufridos en las áreas política y económica del Reino Unido, la Unión Europea, y Ecuador entre 2016 y 2021 usando el Modelo de Siete pasos propuesto por Onwuegbuzie y Frels. Los resultados del estudio demostraron una mayoría de efectos adversos para el Reino Unido en el corto y mediano plazo, mientras que la Unión Europea, aunque no gana con el Brexit, no se espera que sufra en demasía. Por último, Ecuador no verá repercusiones fuertes debido al Brexit.

Palabras clave: Brexit, integración regional, política internacional, política comercial, economía internacional

Abstract

The departure of the United Kingdom from the European Union, commonly known as Brexit, led to considerable changes in European international landscape. Since the beginning of European integration, a large number of countries have shown their desire to cooperate and integrate, while others simply took a step back without ever wanting to take part in integration. However, the United Kingdom is the first nation to take step back and leave the organization after already being a full member. The consequences of Brexit have a long reach in time, and in various fields of study. Many of the parties involved have been subject to its effects. This work studies the political and economic impacts of Brexit in the United Kingdom, the European Union, and Ecuador between 2016 and 2021 using the Seven Step Model proposed by Onwuegbuzie and Frels. The results showed negative effects for the UK in the short and medium terms, and while the EU won't win with Brexit, it isn't expected to suffer tremendously. Lastly, it was concluded that Ecuador won't likely see strong repercussions due to Brexit.

Key words: Brexit, regional integration, international politics, commercial policy, international economy

Introduction

The European Union (EU) is by far the international organization that has integrated the furthest in the world reaching the monetary union level. The EU not only acts as a single market, but also as a customs union and even a monetary union. Citizens can move freely through the community, live and work outside their country without restrictions and they get a wide range of rights even in other member states. It also has a Parliament, a Commission, a Council and a Court of Justice. The European Parliament is located in Strasbourg, France. The European Commission, and the European Council are in Brussels, Belgium. And the European Court of Justice is in Luxembourg, Luxembourg. The EU represents around 16% of the world's gross domestic product (Eurostat, 2020), it adds up to more than 450 million people and is the 7th largest territory in the world by area. The bloc is also a major trading partner of some countries, including the United States and China (World Bank, 2022a). All of this information not only shows how well organized and institutionalized the EU is, but also the relevance and importance it has worldwide as a powerful actor in world politics.

On the other hand, the United Kingdom of Great Britain and Northern Ireland (UK) represented 15.2% of the European Union's GDP in 2017 (Eurostat, 2018), having a net contribution of 11.17€ billion to the EU budget in 2019 (Keep, 2022). It has roughly 68 million inhabitants as of 2022, who are distributed in its four constituent nations: England, Scotland, Wales and Northern Ireland. Its largest trading partners are the US, the European Union, and China; within the EU, Germany, France and the Netherlands stand out (World Bank, 2022b). Just as the European Union, the UK is relevant as an actor in world politics as well, even if the mighty empire days are gone. In 2016, a referendum was held in the United Kingdom in order to vote for whether to remain or leave the European Union. The vote to leave tightly won, thus causing consequences in many fields, amongst them, the political and economic areas of both territories involved. It also caused reactions worldwide by experts, analysts, politicians, and nation-states. But reactions weren't the only thing caused by Brexit: repercussions have been seen around the globe.

Objectives

The general objective of this research was to investigate the political and economic consequences Brexit has had in the United Kingdom and in the European Union between 2016 and 2021. The specific objectives of this work were to describe the process of Brexit, to analyse the political consequences of Brexit in the UK and in the EU, to analyse the economic consequences in the UK and in the EU, and to explore the possible repercussions of Brexit for Ecuador.

Theoretical framework

Only seven years after the end of the Second World War, in 1952 Germany, France, Italy, Belgium, Luxembourg and the Netherlands formed the European Coal and Steel Community (ECSC). This served as the beginning of the process of European integration, which was followed with great interest by Latin America (Rinke, 2021). In 1957, the six member states signed the Treaty of Rome, thus creating the European Economic Community, evolving the ECSC into a common market that encompassed a wider range of goods and services. And one year later, in 1958, the European Parliament Assembly was created, which would later become the European Parliament.

By 1973, the EU saw its first enlargement with the addition of Denmark, Ireland and the United Kingdom. In 1975, the European Regional Development Fund was created and four years later, the first European Parliament universal elections were held. Between 1981 and 1986, Greece, Spain and Portugal joined, making regional aid programs necessary to help the three historically struggling countries. Also, during the first "ten years Greece ... came to be seen as the 'black sheep'" (Dimitrakopoulos & Passas, 2004), a sentiment that seems to have lasted to the 21st century. During the economic recession of the 80s, a "europessimistic" feeling gained strength, to which the then president of the European Commission, Jaques Delors, published a White Book, in order to establish the European Single Market, proposing it to become a reality by 1993. Between the years 1989 and 1991 the international –and especially European– reality changed largely with the unification of Germany into one nation, and the collapse of the USSR (CVCE, n.d.).

By 1991, the heads of state of the first 12 members negotiated the Treaty of Maastricht, which included, for the first time, cooperation in areas such as foreign policy, justice and internal matters, this way creating the European Community on November 1 1993. During the 1990s, 15 countries applied to join, but only Austria, Finland and Sweden were granted admission. However in 2004, 10 of the 12 left were admitted: four ex-soviet bloc (Czech Republic, Slovakia, Hungary and Poland), the 3 Baltics (Estonia, Latvia and Lithuania), 1 former Yugoslavian nation (Slovakia) and 2 Mediterranean countries (Cyprus and Malta), making it the largest growth in the European Union's history.

By 2002, the EU became a monetary union that introduced the Euro in 12 of the 15 members at the time. One of the problems about that was the fact that Greece "misrepresented significant economic data" in order to replace the drachma with the euro (Carassava, 2004). In 2004, a Constitution for the EU was signed in order to substitute all of the treaties signed before. However, France and the Netherlands rejected such a document, as it would compromise their sovereignty too much. This way, the Treaty of Lisbon was signed in 2007 and took effect two years later, creating the European Union as itself in 2009 (European Union, n.d.).

The world suffered an economic recession in 2008 caused by the pricing of credit default swaps in the United States" (Murphy, 2008). The crisis reached European countries, having Greece as the most affected nation, making a bailout necessary to help alleviate the effects of the crisis on Greek economy. The measure wasn't seen with good eyes in the UK, this was visible when in 2015, chancellor Osborne said he would not permit the European Union to take any British fund money for the rescue package (Mason et al., 2015), showing cracks in the UK's relations with EU members.

The European Union had to give concessions to several countries in order to keep them afloat during the crisis. This led to a growing nationalist, anti-EU sentiment across bigger countries, one of them being the United Kingdom. In the 2014 European elections, local political parties were able to propose candidates to the European Commission presidency for the time. These elections also meant progress for the euro-skeptics, having their highest number of parliamentary seats ever.

Two years later, on February 20 2016, the then Prime Minister of the UK, David Cameron, announced that a referendum would be held over whether Britain should leave the EU or not (BBC, 2016b). By June 23rd, UK citizens voted in favor of leaving the European Union in a very close referendum: only 51.9% of Britons voted for leaving the EU, while the other 48.1% wanted to remain as members. This would start the process of negotiating the UK's departure from the EU, commonly known as Brexit.

There were different reasons to call for the referendum. The main ones comprise matters of national identity, the sovereignty of the UK, increasing immigration, political elites both in the UK and in the EU, globalization, psychology and values, fiscal austerity, and unequal public spending (Los et al., 2017), among many others.

One thing worth noting is how the votes were divided: the yes to leave won in England and Wales, while Northern Ireland and Scotland wanted to remain in the EU, the latter being the only nation to vote for remaining in every single council. When it came to cities, it's very noticeable that the vote to remain won in London, Manchester, Birmingham and Liverpool, England's largest and most important cities; it also won in Belfast, Cardiff and Edinburgh, capital cities of Northern Ireland, Wales and Scotland respectively. Whereas less urbanized areas voted in favor to leave the European Union (BBC, 2016a).

The next year, on March 29 2017, the new Prime Minister, Theresa May, executed the European Union's Article 50. This would give the UK a 2 year span to negotiate, and concrete its departure. Nine days before the deadline, May asked the European Council to move the date to June 30th of the same year, which was granted with a further extension, stretching the deadline until October 31st 2019. Twelve days before the new deadline, the Brexit deal did not pass the voting in the House of Commons, forcing the new Prime

Minister, Boris Johnson, to ask for another extension. By October 28th, the European Union Ambassadors conceded an extension until January 31st 2020, the day in which the UK entered a transition period that lasted eleven months. Finally, on December 31st 2020, the United Kingdom abandoned the European Union (Walker, 2022).

This unprecedented move by the UK caused major shifts what would affect the way people live within the British borders. A large number of laws had to be reviewed, revisited, and revised in order to adapt to this considerable turning point in –not only European, but– world politics and international relations. Brexit not only affected both parties directly involved, but also the rest of the world. Since the 2016 referendum alone, many American companies made changes in different policies (Campello et al., 2020), and corporations around the world experienced a decrease in their growth and investment (Hassan et al., 2020).

Beyond the direct –and indirect– effects it has had in other countries, Brexit has been viewed differently around the world. Six of the strongest Latin American economies believe the UK has strengthened its position after the process. They also agree that after Brexit, the trade negotiations are stronger with the UK. On what they do not seem to agree, is if it was a sensible decision or not from the UK. Brazil, Mexico, and Peru believe it was a sensible decision to leave the EU, while Argentina, Chile and Colombia don't think it was. Overall, Latin Americans don't view Brexit as a bad thing, as they “are largely optimistic in regards to the UK's prospects post-Brexit” (Sherlock Communications, 2018).

From what has been reviewed, it's remarkable the long way the European Union has come. Starting out with only six members and as a single market for only coal and steel, it grew to become the most developed integrated organization in the world. It had 28 member states in its peak and still encompasses more than half of Europe. Whereas the United Kingdom, while now *alone*, has not ceased to be a relevant nation-state. The two parties involved represent important players in world politics, commerce, and economics. Therefore, it's important to analyze the consequences of Brexit for both territories, as well as how it has affected the Latin American region, especially Ecuador.

Methodology

In order to carry out this research, the methodology used was the Seven-Step Comprehensive Literature Review Model (CLR) proposed by Onwuegbuzie and Frels (2016), which allows to gather data extracts from the work resources in order to put the data together in the best possible way. The Seven-Step Model consists of the following steps: 1. Explore Beliefs and Topics; 2. Initiate the Search; 3. Store and Organize Information; 4. Select/Deselect Information; 5. Expand the Search to Include One or More MODES (Media, Observations, Documents, Experts, Secondary Data); 6. Analyze and Synthesize Information; 7. Present the CLR Report.

This methodology has been proven right in similar fields, as it was used by Hossain (2020), when exploring stakeholders' possible motivations to participate in extant sharing economy. Beleska-Spasova (2014) also used this methodology to research export performances.

For this work in particular, the CLR was used in the following way:

Step 1: the exploration of beliefs and topics started by the selection of those closest to the areas of research available. Then, a research protocol was done, which included objectives, research questions, etc. This led to determining the consequences of Brexit in the UK and in the EU as the research topic.

Step 2: the research initiated by accessing virtual libraries and their academic papers available. For this work in particular, it was determined that EBSCO, Scopus, ProQuest, and Redalyc were the most suitable libraries. The first three have mainly sources in the English language, which fits this research since it is about the United Kingdom and the European Union, and both have English as an official language, meaning

there were reliable sources available. The latter library, was also deemed relevant since the possible repercussions for a Latin American nation, Ecuador, were to be researched in this work, and Redalyc is a Latin American virtual library, which gives it certain credibility.

Step 3: once step 2 was completed, the storing of more than 150 possible sources and organizing them into variables (economics, politics, foreign countries, etc.) took place. This was done in a Microsoft Excel document where each article was assigned a code (for example B001, B002), making it easier to identify them later. The information of each paper included the title, DOI, and abstract of each downloaded article, this allowed step 4 to be much easier. After returning from step 5, the Excel document also included the MODES. The document contains 6 spreadsheets, one for each virtual library, one for the MODES and one for the selected articles divided into the variables.

Step 4: in this step, the reading of the abstracts of the possible sources began. This was absolutely necessary in order to know which articles might have been useful, and which ones were expendable. This way, one could select the most fitting articles to the topic, and omit those that weren't useful. In order to choose which papers fit the research, five variables were determined.

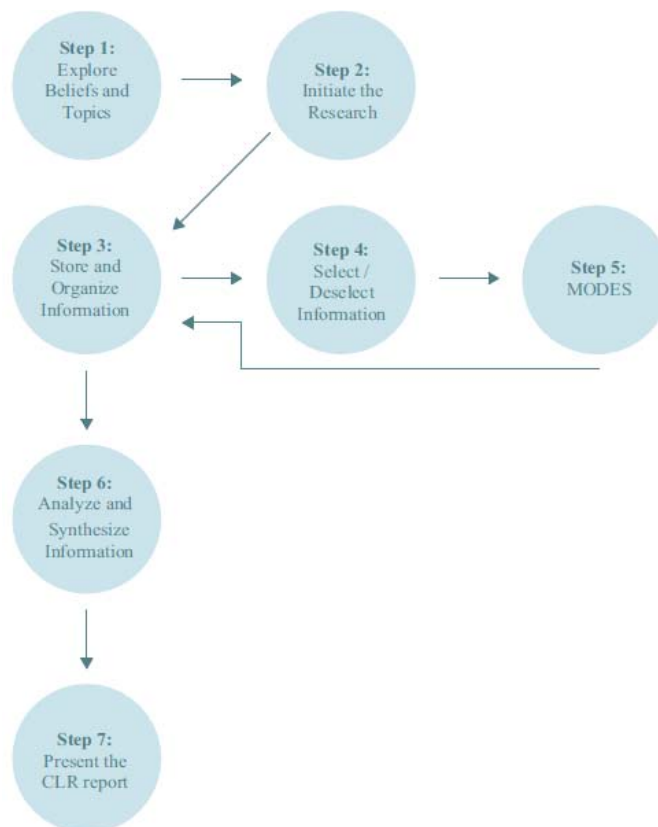
The articles must contain information regarding:

- United Kingdom
 - Politics
 - Economy
- European Union
 - Politics
 - Economy
- Ecuador
 - Possible consequences of Brexit

Step 5: after selecting the possible sources, the search was expanded by including MODES. Articles were extracted from media sites such as the BBC or The Guardian; secondary data from other sites, like the European Union website, or the House of Commons library; and relevant repositories such as the OECD iLibrary, and the Publications Office of the European Union. Then a re-do of step 3 took place, in order to organize the MODES sources properly.

Step 6: once the definitive sources were stored and organized, a further reading of those selected took place. This meant reading at least the introduction and the conclusion, and as much as the whole article. While doing this, the results of this work began to appear, making it necessary to write them in the article. The work was divided into three main topics: United Kingdom, European Union, and Ecuador. The topics about the UK and the EU had two subtopics each: politics, and economy. Whereas Ecuador's topic didn't have any subtopics.

Step 7: for the last step, the work was reviewed and revised, given its final changes, and then it was ready to be presented.

Figure 1*Comprehensive Literature Review method*

Source: Onwuegbuzie, Frels 2016, *Journal of Educational Studies*.

As it is observable in Figure 1, and in the step by step explanation, this methodology was applicable for this work, especially since it provided valid, relevant, and interesting data and results. The way this methodology works, allows the author to extract the necessary information for the research, and use it in optimal ways to make a relevant work.

Discussion and results

United Kingdom

Political Consequences

The political consequences the United Kingdom could face are broad and go from a change in its political spectrum, to revising the legislation, to changing its foreign policy, and a large in-between of impacts. Politics encompasses almost everything involved in how a nation-state works, hence it's an extremely important aspect to review.

Inside British politics, the United Kingdom could see a tendency of a growing neo-fascist movement, whether it's a form of a new party, or factions internally of existing parties (Inglis, 2021). Within the British political spectrum, Gamble (2018) concluded that a series of political consequences have been seen already: "realigning the political parties, injecting a new populism into British politics, further destabilising the Union, and arousing fears that Britain may become less open, less diverse, and less liberal", this impact being one of the most immediate.

Other consequences aren't equally instant, for instance, now that the UK has more sovereignty and room of action in certain things –such as environmental law–, the British government will be able to make its

own decision on keeping the same laws it already had –which are aligned with the EU–, or changing them (Reid, 2016), and adjusting the laws to their stand and beliefs. Regardless of their differences, London ought to try to hold a good relation with Brussels.

A good relation between both parties could be important in order to avoid what Farrand (2017), found: Brexit could present a risk to the UK of becoming segregated or straight out cut when it comes to intellectual property rights. The author also believes that Britain's departure hurts the UK more than the EU as an institution or each of its members.

Keeping in line with laws and legislation, the departure of the UK from the EU could be an opportunity to review the regulation of medical devices, and make a more onerous revision (McHale, 2018). Nevertheless, Kazzazi et al. (2017), believed that ending the collaboration between the United Kingdom and the European Union on affairs about surveillance of medicines, and removing the UK from European medical device databases could hinder and deter British possibilities to have a good response to safety matters, like epidemics or even a pandemic. A preservation of good terms between the UK and Europe is labeled of high importance for both parts.

In order to maintain these good relations with the EU and its members, the United Kingdom must be cautious. Therefore, the political division and constitutional agitation that was provoked in Northern Ireland because of how Brexit affected the Irish border (Murphy & Evershed, 2021) is something the UK should rather avoid. Foreign policy has become a delicate matter for Great Britain.

Nonetheless, it is important to take into account that the United Kingdom is not only the four constitutional nations in the British islands, but other territories as well. The British overseas territories would have to make a foreign policy agenda by themselves to maintain good relations with the EU, regardless of London's relations with Europe (Clegg, 2016). It's worth noting that these territories would act on their own, separately from the central government in England, which could be harmful for them since the EU would have all of the negotiating power on its side.

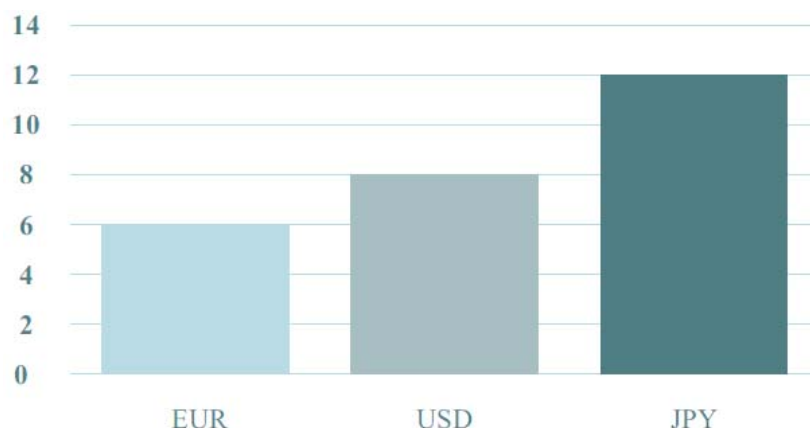
But foreign policy affairs with the EU aren't the only ones to be altered. The United Kingdom's approach at diplomacy with the rest of the world has changed as well, especially in the United Nations (UN). Now that the UK is totally separated from the European Union, it should do an overall reevaluation of its international relations. This could change the way the United Kingdom reaches out to other countries or approaches diplomacy in different organizations, like the UN, the North Atlantic Treaty Organization (NATO), or the Organization for Economic Cooperation and Development (OECD), and this change of tactics could be "time-consuming and extensive" (Dee & Smith, 2017).

Economic Consequences

The economic impact of Brexit that the UK may see has both positive and negative projections. Many of these are based on the first consequences seen after the 2016 referendum. An immediate effect was the depreciation of the British pound (GBP). On June 23rd 2016, the same day of the referendum vote, the pound suffered a depreciation against the euro (EUR) of over 6%, against the American dollar (USD) of 8%, and against the Japanese yen (JPY) of almost 12% (Korus & Celebi, 2019), as seen in figure 2.

Figure 2

Depreciation of GBP against EUR, USD, and JPY in percentage points on June 23rd 2016



Source: Korus & Celebi, 2019, The impact of Brexit news on British pound exchange rates

During the three years after the vote, investment was reduced by around 11%, and productivity was reduced by around 2% to 5% (Bloom et al., 2019). However, things seem to have turned around at least for investment. Gottschalk (2021) concluded that “optimal portfolio weights of most UK companies have increased..., suggesting that greater sectorial diversification benefits within industries across countries can be obtained by investing in UK companies.” This is reassuring for investment in Britain, showing that British companies are still attractive for venture, regardless of their retirement from the European Union, and regardless of the investment reduction right after the referendum.

Contrarily, foreign companies have been affected differently. Subsidiaries of foreign software companies in South England and in Scotland have seen elevated production costs, labor market problems, lessened and restricted investment, and market and production unpredictability (Fuller, 2021). Concerning production, British pharmaceuticals could see their capability of manufacture of medicines diminished, and a delay in the production of vaccines if, due to Brexit, the UK loses access to the European Centre for Disease Prevention and Control (Kazzazi et al., 2017).

Foreign companies in the UK aren't the only ones that could be affected, British companies based in the European Union could see substantial forfeits due to taxation (Čejková, 2019). All of these changes in the firms' environment, complement economic geographic analysis on different areas that suggest that there could be a rise in uneven development. Managerial positions in important sectors of exportation, like manufacturing and finance, find themselves constantly revisiting their location and outsourcing certain operations to Europe or even outside of Europe (Kleibert, 2020), this way affecting many jobs in Britain.

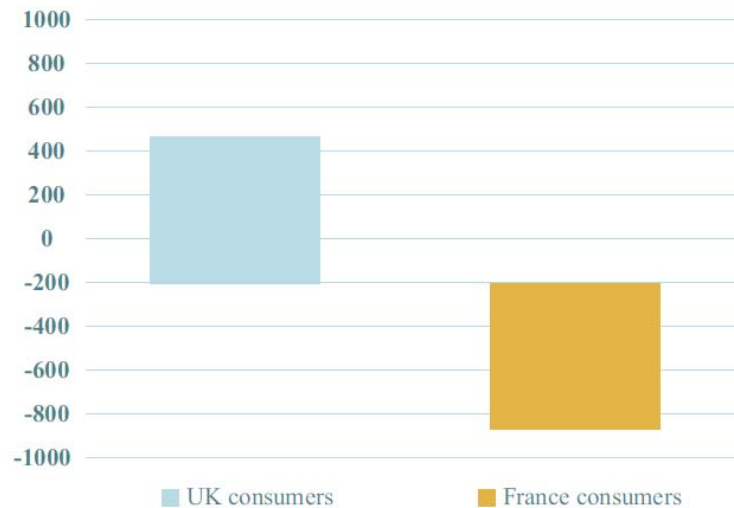
This uneven development could also be seen in the British countryside, where farmers with external incomes may endure better with post-Brexit policy changes, but may largely depend on these external incomes. It is also possible that the UK's trade relations with the European Union and other countries could have an impact on UK farm households, and that this impact wouldn't be homogeneous (Ojo et al., 2021). Given that British non-urban areas could be largely affected, and could be even more affected than urban areas, the fact that in the 2016 referendum these non-urban zones voted in favor of leaving the European Union becomes even more noteworthy. However, urban areas aren't extent of impacts and consequences, various matters have nationwide effects regardless of the location, like international trade and commerce.

Trade relations changes seem to expose the UK to risks more than EU member countries (Chen et al., 2018), a belief that is supported by Latorre et al. (2020), whose study indicates that the United Kingdom could experiment larger deficits than the rest of European Union in not only foreign trade, but also in industry productivity, capital compensations, production, and wages. Focusing on trade, this could be seen in

electricity trade between the UK and the EU. Since there is a large flow of electricity between France and Great Britain Brexit could disturb this flow, and therefore affect British and French consumers, and how much they pay for electricity, as shown in figure 3.

Figure 3

Value to pay for electricity in million euros



Source: Geske et al. 2020, Elecxit: The cost of bilaterally uncoupling British-EU electricity trade

In the case of cutting these flows due to Brexit, British consumers would pay 861€ million more, while French consumers would pay 870€ million less (Geske et al., 2020), that is a difference of 1.7 billion euros between them. This proves how the UK could be harmed much more than France, or other EU members, supporting the idea of an integrated Europe.

Nonetheless, Brexit doesn't mean that the United Kingdom is lost or doomed without the European Union. Britain is still the fifth largest economy in the world –and also the second in Europe, only behind Germany– and the mid-term future doesn't look dark, even if it suffers a contraction of its economy like the one shown in figure 4.

Minford (2019), suggests that the UK economy could see a growth of an average of 0.5% per year for the first 15 years following the author's research. However, the OECD believed that, at least in the short term after only the referendum, the UK would suffer a contraction in its economy. This came after a projection that the United Kingdom's gross domestic product could be decreased by 0.5% in 2017 and in 2018, and by 1.5% in 2019 (Kierzenkowski et al., 2016), as shown in figure 4.

Figure 4

Contraction of British economy in percentage points

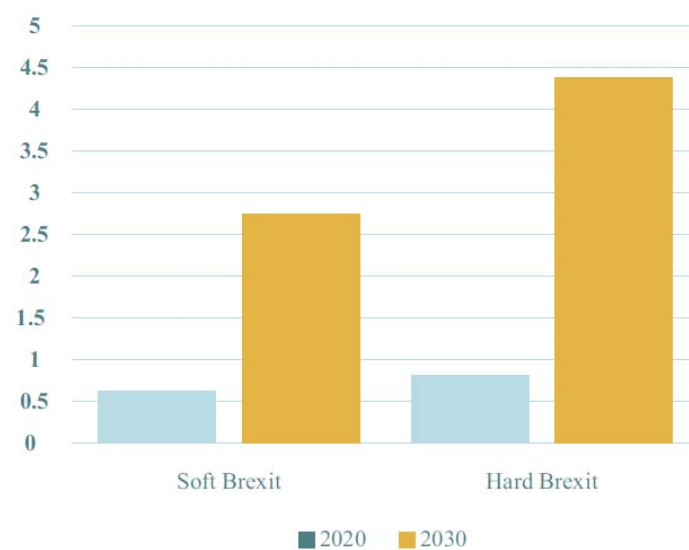


Source: Kierzenkowski et al. 2016, *The Economic Consequences of Brexit: A Taxing Decision*

The British GDP would also suffer due to immigration. The large majority of immigrants in the UK from EU countries are working adults (Portes & Forte, 2017). In case the migration from the European Union to the United Kingdom is lessened by 91 000 per year, it would mean a reduction in growth of 0.6% in the year 2020, and 2.7% in the year 2030. The –already dismissed– hard Brexit case could have meant a fall of immigration of 150 000 per year, which would have reduced GDP growth by 0.8% in the year 2020, and 4.4% in the year 2030 (Jafari & Britz, 2020), these cuts in growth are seen in figure 5. Fortunately, the negotiations led to a soft Brexit, although that could still harm the British economy.

Figure 5

Cut in British GDP growth in percentage points due to reduced immigration



Source: Jafari & Britz 2020, *Brexit: an economy-wide impact assessment on trade, immigration, and foreign direct investment*

Consequently, most economists believe that Brexit could propose “major medium- and long-run economic challenges to the UK” (Los et al., 2017), a belief backed by Pollard (2021): “with few exceptions... economic analyses of the effects of Brexit are united in their projections of negative consequences for the wider UK economy”. Overall, more studies about the economic consequences of Brexit in the UK, than in the EU have been found, which could imply that the United Kingdom could be set to suffer more consequences than the European Union by leaving it.

European Union

Political Consequences

The abandonment of such a large economy from any regional bloc would certainly shake things up, both economically and politically. When it comes to the political consequences the EU might face, it is believed that Brexit could serve as an encourager for Eurosceptic parties to try and turn the tide towards a reformist agenda (Leruth et al., 2019). Consequently, the EU would have to adjust itself in more flexible ways to the needs and expectations of member states (Linares Giraldo et al., 2020), to avoid such an event from happening again.

Brexit could also become an opportunity for certain actors inside the European Union itself to try to introduce and launch certain agendas that are more in line with their conveniences. These actors could try to propose different ways of intergovernmentalism through new models of cooperation, this way shifting the integration of Europe to a non-supranational route (Martill & Staiger, 2018), which –if done properly– could change the organization drastically.

On a more leadership matter, the EU just lost its main financial center. London is the European financial hub and it doesn't seem that's going to change. However the European Union will need a new financial center. Someone will have to take the lead, and France and Germany seem to be the ones to replace London's role. If either Paris or Frankfurt become the new EU financial hub, the leadership would be in favor of a more rigorous regulation (Van Kerckhoven, 2021). The uncertainty of the next EU's financial center is contrasted with the certainty of the EU's next European Medicines Agency (EMA) location. The EMA was in London but because of Brexit, it had to move to Amsterdam (Breckenridge & Feldschreiber, 2019), in the Netherlands, one of the most important members, since it's the fifth largest economy within the EU (Clark, 2022).

The European Union takes in many relevant nation-states, but the bloc itself is also important and relevant worldwide in cooperation, aid, security, financial, and political matters. After Brexit, Naumescu & Nicolescu (2018) concluded that experts, politicians, and analysts believe that not having the UK as a member would make the European Union's international influence weaker. On a contradictory note, De Ville & Siles-Brügge (2019) argue that the European Union wouldn't lose its negotiating power and leverage, however with UK firms no longer represented in the EU trade policy, its position could become less liberal. In regard of negotiating power and leverage, Gábor (2020), analyzed that after Brexit, the voting power left by the UK in the European Council would have an uneven distribution among the members, benefitting the leverage of larger, more populated countries, and consequently harming the leverage of smaller, less populated countries.

There has been an increase in the cooperation between France and Germany –the two largest EU economies–, and now that Britain is gone, Italy has had to reevaluate its foreign policy approach, since it doesn't have a partner to counterpart the association between Paris and Berlin (Cladi & Locatelli, 2021). This effect of Brexit proves that its impacts go beyond visible things, supporting the idea of a deep research and study about the different outcomes of this event.

Economic Consequences

The economic consequences the European Union could face are not only budgetary due to losing the UK's contribution. The European Union as an institution may need to adjust certain things to take what the hit Brexit means, however each member state could have consequences of their own. For instance, Spanish

fisheries could see their work and livelihood affected by Brexit, since many of their vessels fish in waters that belong to the United Kingdom (Amigo-Dobaño et al., 2020).

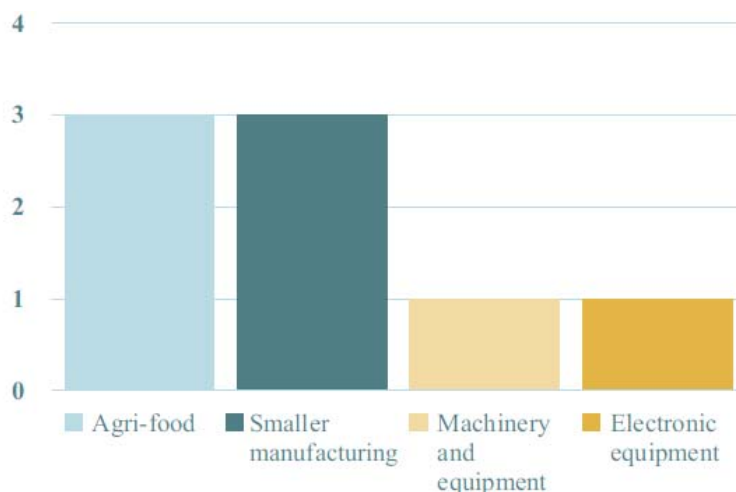
The economy of member states may be seen altered by Brexit, from cases like the Spanish fisheries. Another situation that may influence the economy of member states is regarding taxes, since activities in the market of capitals that are in euros could generate liabilities that may ultimately rely on taxpayers of European Union members (Dörry, 2017). But taxation on individuals is not the only type of taxation to be altered, GDP per capita could be negatively affected by the level of taxes on income (Čejková, 2019), if British entrepreneurs believe it's better to move their companies outside the European Union.

Private institutions aren't the only ones subject to a relocation. As mentioned earlier, the EMA had to move from London to Amsterdam. The biggest problems this brought were that staff had to change the city they lived in, and it was estimated that between 30% to 50% of staff members would not want to move to Amsterdam (Breckenridge & Feldschreiber, 2019), meaning they would lose their jobs, but also creating opportunities for other people from the new job openings.

On another hand, in an example that is macroeconomic rather than microeconomic, Fichtner (2016) believed that Brexit was expected to affect Germany's economic growth in 2017 lowering the projected rate from 1.4% to only 1%. He also pointed out that the negative effect of Brexit on foreign trade over Europe will affect Germany hard since it largely depends on exports. Trade with the United Kingdom would be affected across the EU. The OECD ran a simulation to project the future of three European Union member states' trade relations with the United Kingdom: Denmark, the Netherlands, and Ireland. Consequently, it is observable in figure 6 the most affected sectors in the three countries.

Figure 6

Most affected sectors of exports in Denmark, the Netherlands, and Ireland



Source: OECD 2018, 2019, The potential economic impact of Brexit on Denmark, The potential economic impact of Brexit on the Netherlands, The Potential Macroeconomic and Sectoral Consequences of Brexit on Ireland

The method used was the OECD METRO model, which presents an only framework that encompasses many elements that affect trade. The METRO simulation projected a 17% reduction of Danish exports to the UK. This would affect majorly the machinery and equipment, smaller manufacturing, and agri-food sectors, since those three sectors would account for 51% of the exports reduction. When it comes to the Netherlands, the simulation done by the OECD also showed a 17% reduction of exports to the United Kingdom. The agri-food, and the smaller manufacturing sectors would also be on the most affected list, alongside the electronic equipment sector. In the case of the Republic of Ireland, a 19% reduction of exports to the UK was projected. The pattern continues, as the agri-food sector, alongside the smaller manufacturing sector, would be the amongst the most affected (OECD, 2018, 2019).

The impacts reviewed for Denmark, the Netherlands, and Ireland are purely about trade with the United Kingdom. That doesn't mean that there wouldn't be other consequences for the national accounts of EU members. For instance, the Czech Republic could face a reduction in the funds it receives from the European Union. Without the UK's input in the European Union's budget, Prague was set to lose over 1.5€ billion between the years 2017 and 2020 (Pavlát, 2017). It's worth mentioning that this was only after the referendum and during the negotiations, when the UK was still a member.

With the process of departure, and the completion of the departure of the United Kingdom from the European Union, the cost of transactions between Great Britain and Europe were set to rise. McGrattan and Waddle (2020), determined that this increase in transaction costs would start in 2018, increase to 0.5% by 2019, go up to 4.5% by 2021, and reach 5% by 2022, a number that would stay steady during the 2020 decade, as shown in figure 7.

Figure 7

Rise of transaction costs in percentage points



Source: McGrattan & Waddle 2020, The Impact of Brexit on Foreign Investment and Production

Ecuador

The United Kingdom leaving the European Union is a major geopolitical event for the western world without any kind of antecedent. Both parties involved are among the five largest economies in the world, and both are relevant worldwide. That is why repercussions may be seen all around the globe, including the Americas. Within the region, the UK has overseas territories in the Caribbean and in South America, however these territories won't be the only ones affected by Brexit. Other sovereign countries could see things like their balance of trade affected.

In the case of Ecuador, Sotomayor (2020) argues that white shrimp trade between Ecuador and the UK wouldn't be affected in case the United Kingdom maintains the same benefits in contrast with the agreement signed with the EU. When it comes to Ecuador's star non-oil exportation product, it does already have a strong presence in the world market of banana. Nevertheless with Brexit, Ecuador would need a new trade agreement with the UK, in order to not lose the trade volumes with the European nation (Cueva, 2016). Such agreement came in 2019. Colombia, Peru, and Ecuador signed a trade agreement with the United Kingdom, which, according to Ecuador's former Foreign Trade Minister, Pablo Campana, would allow around 95% of Ecuadorean products to enter the British Isles without any tariffs. Furthermore, it contains clauses to encourage British FDI in the three South American countries (Heras, 2019).

For what has been reviewed, Brexit does not seem have a major effect on Ecuadorean trade, or economy. The EU has the *Multi-Indicative Program* for Latin America, in which the European Union pledges to donate Ecuador 40€ million from 2021 to 2024, with more to come until 2027 (Delegación de la Unión

Europea en Ecuador, 2022). On another hand, the UK has kept the trade agreement signed in 2019 with Colombia, Ecuador, and Peru. The good relations between British and Ecuadoreans are seen by the support the British Embassy in Quito has shown Ecuador in different areas such as education, environmental preservation, or cooperation (Campbell et al., 2021). Overall, the United Kingdom and the European Union remain important, valuable partners for Latin America, and Ecuador.

Conclusion

From the information reviewed, it is noticeable how most researches about the impacts of Brexit have been projections and its consequences are yet to be seen over the long term. Nevertheless, even though they are projections, researches of quality have been done, and these help to understand possible consequences of Brexit. Even though the United Kingdom and the European Union are strong economies capable of *surviving* without each other, these researches have shown mostly negative effects for both parties involved, supporting the idea of an integrated Europe.

The United Kingdom could see changes in its political parties, especially with new populist movements that could affect the nation's ideology. The government in London is also subject to changing its legislation, mostly laws that were aligned with the European Union's beliefs. Another change the UK politics –and policies– may see is regarding foreign policy, now that the UK is a completely different actor from the EU in world politics, it could review its approach on diplomacy and international relations.

In regard to the British economy, the UK was set to see a contraction in its GDP right after the referendum; however after a couple of years, a steady growth was projected. One influential matter for GDP is immigration, and depending on how many less immigrants Britain would receive from the EU, its economy could suffer as well. Another element of the economy prone to suffer is foreign trade, particularly since the changes in trade relations seem to leave the UK more exposed than the EU to risks. Inside the United Kingdom, this economic changes could provoke an uneven development, affecting non-urban areas the most.

Concerning the European Union's political consequences, the organization could see changes in its forms of cooperation and integration if certain actors take advantage of the situation and propose agendas aligned to their interests. Other –more clear– changes are in the new financial hub, for example, or a relocation of some EU institutions, like the EMA. The EU's international relevance and power seems to be protected from any changes, however internal power of negotiation and leverage could be subject to changes, benefitting the most powerful members.

Regarding the economy of the European Union, the first thing that comes to mind is budget. Smaller countries like the Czech Republic could receive less funds from the organization, since the bloc itself receives less contributions. Nonetheless, budget issues aren't the only ones susceptible to effects, once again foreign trade enters the discussion. The OECD projected a reduction of trade between some European nations and the United Kingdom; such reduction could ultimately affect these nations' production and economy altogether. Nevertheless, bigger countries aren't exempt from impacts. The largest economy in Europe, Germany, was set to suffer a decline in its economic growth due to Brexit, one of the reasons being, in fact, trade relations, since Germany largely depends on exports.

Neither party is set to suffer tremendously from Brexit, but the research has shown that dissolving their integration may cause more harm than good in both parties' economic, and political stability, at least in the short- and mid-term. As mentioned above, the long-term consequences of Brexit are yet to be seen, and they are yet to be projected as well. This unpredictability has been influenced by external circumstances worldwide, that is because the economic, and political stability of the two parties involved in this research could be compromised by external factors.

On a separate note, Ecuador does not seem to be majorly affected by Brexit, since the United Kingdom and the European Union have kept their trade agreements and preferences for Ecuadorean products, as well as cooperation in other areas. The willingness of the UK and the EU to work with Ecuador are tremendously good news for the South American nation. Besides, such an event is a good opportunity for Ecuador to increase its relations with the United Kingdom, and improve its international relations overall.

To have a country like the UK as an ally can give a small nation like Ecuador tons of opportunities and favourable circumstances in matters like education, technology, know-how, or trade. Likewise, to have an international organization like the EU as an associate is equally important. Therefore, this must be seen as a chance for Ecuador to work and enhance its relations with both the United Kingdom and the European Union.

Recommendations

Political or economical matters are subject to the world circumstances. In an interconnected world as it is the one of the 21st century, actions usually have repercussions worldwide. Just as Brexit affected in one way or another different parts of the planet, the development of external situations around the world also have an effect on the United Kingdom, the European Union, and their relations. The year 2020 saw the beginning of a pandemic that caused the international reality to shift. Because of this, and because of the unknown long-term consequences, it is recommended that research in this field continues to help form a larger picture of Brexit.

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