Should the uk leave the eu?

The issue of whether or not the United Kingdom should remain a member of the European Union has been debated heavily over the past decade, with the debate heating up even more from the current European Sovereign Debt Crisis. Recent polls of the UK population showed that around half of the UK's citizens would vote to pull out of the EU if it went to referendum.

However, after all of the economic, political, and social advantages of being a member of the EU are considered, it remains clear that leaving the EU is not in the UK's best interest. Economically, it does not make sense for the UK to leave the world's largest trade block considering the EU buys fifty percent of the UK's exports, at a time when the UK's current account deficit is at one of its all-time highs.

Additionally, the UK would lose its allure as being a hotspot for Foreign Direct Investment, as they would no longer give companies access to the single market, further contributing to the UK's growing imbalance of payments. Ultimately this could be detrimental to the value of the British pound, and even worse, cause the UK to lose its position as the financial center of Europe. The UK giving up its decision-making influence in the EU would not likely result in the UK seeing trade polices pass that make this debated exit any easier.

From a social perspective the citizens of the UK would lose the highly valued privilege to seamlessly travel, attend school, live, and retire anywhere throughout the EU. After all of these factors are made clear, especially the negative financial factors, the economic impact of a UK exit would triumph over any negative sentiment associated with staying a member of the EU.

The most powerful factor marrying the UK to the EU is the undeniable economic dependence the UK has on the world’s largest trading block.

The fifty percent of UK exports that goes to the countries of the EU would become much less competitive with trade barriers, which would then raise the necessity for many UK exporters to either lower their prices, or decrease their output to meet the fallen demand of their goods. Additionally, due to the nature of the goods the UK trades with its EU partners, it would not easily substitute this trade with non-EU countries (Oxford 24).

According to simple economic theory, this would ultimately decrease the amount ofmoneythe UK receives for its exports, as the amount the tariff increases the price of UK goods will ultimately have to be born by the UK company exporting it, and any price increase not born by the UK company will lead to a decrease in exports demanded by the EU. Therefore, a major piece of the British economy would face severe hardship on the basis of the UK not being a member of the free trade block. Another area of the UK’s economy that would be adversely affected by the removal of the EU free trade block is Foreign Direct Investments (FDI) in the UK.

The UK is seen as many non-EU countries as the gateway to European market penetration, and this view would ultimately change if the UK left the EU. FDI has an important role in the UK economy, as it has been a consistent source of job growth of 50, 000-60, 000 jobs a year, while providing protection to another 40, 000 jobs each year (Oxford 43). In addition to creating jobs, FDI is known to fuel innovation and competition, as it incorporates the advances in technologies that have been proved successful in other countries.

By leaving the EU, the FDI of non-EU countries would relocate their base of operations to European markets to a country within the EU, and out of the UK, and all further FDI intended to reap the gains of the largest trading block would more than likely invest in an EU country. This not only inhibits job growth directly, but also widens the gap of the UK's balance of payments, which would have to either be filled through issuing more currency (inflation), a devaluation of the currency.

Similar to notion that the UK would lose out on FDI, the UK's position as the financial center of Europe would be inherently weakened by the UK being outside the EU. It is clear that many countries and companies are invested in the UK because of its links to EU, where they have access to 500 million consumers. For starters, companies would move to other financial powerhouses of Europe such as Frankfurt or Brussels, in order to avoid EU tariffs and conform to EU regulations (Oxford 48).

Secondly, the EU would implement programs to shift the European financial center to another financial center within their union such Frankfurt or Brussels. Any measures that the UK could take to prevent this would certainly be their best interest, as financial services makes up ten percent of their GDP. Additionally, the portfolio investments that the UK receives from being the financial center of Europe would flow out of the country at the same rate as London loses its position as the financial center, and these currently represent a ? 5 billion surplus to the UK balance of payments (Open Europe. This is another crucial piece of the balance of payments within the UK, and would lead to the aforementioned devaluation of the British pound, or inflation, or a combination of both to balance out trade deficit of the country. While the strongest benefits of staying in the EU stem from economic benefits, the political benefits of an influential member of the union are not to be overlooked.

Given that UK is in a four way tie of having the highest number of votes in the Council under the Nice Treaty, and their voting power wil be sustained by having the third largest population in the EU once the Libson Treaty comes into effect in late 2014 (Hixx 65). This gives the UK a strong position to influence the long-termgoalsof the Council, where they will be able to seek compromises with other EU states to pursue legislation that is in the UK's best interest, and to project the UK's interests (Open Europe).

While if they were outside of the EU, they would not have any ability to directly influence the policies of the EU that have helped them in the past. For example, Tony Blair using his influence in the European Council to launch the Libson Agenda for economic reform, is a example of British intervention that not only benefited the UK, but the entire EU as well (Lake). Additionally, being tied for the second highest number of MEPs in the European Parliament (EP), the UK has an influential role on all of the decisions that go through the EP.

Despite the fact the social benefits of EU membership are often overshadowed by the economic and political aspects, the loss of these benefits would negatively impair the freedom of the UK people, and negatively impact UK businesses. The free movement of UK citizens throughout the EU to travel, to attend school, live, and retire. Businesses do not only benefit by having to follow one set of regulations, but also benefit from having a larger source of potential employees to chose from.

The EU employment rate in the UK is 3. 3%, while they make 4. 5% of the labor force, which shows that EU citizens have a positive impact on UK GDP (Oxford 34). If the UK were to leave the EU, there is a great possibility that many of the EU workers employed in highly skilled areas that are crucial to the UK economy, such as financial services, would relocate back inside the EU. This again would be another risk of severely impairing the bedrock of the UK economy, and shifting the financial center of Europe outside the UK.

Based upon these economic, political, and social advantages of EU membership, it is clear that it is in the UK's best interest to remain an active member in the EU. The direction of the EU is at another major crossroad as countries pull together to solve the continents' Sovereign Debt Crisis. The stance that the UK takes at these crossroads, as the union's third largest country, is paramount not only to UK's economic and political prosperity today, but to how UK is seen as a political force and financial hub in the long-term.

The UK's decision to abandon their economic and political partners has strong consequences now while the EU is in a time of hardship, and these consequences will only increase as the EU rises from this crisis. Thefailureof the UK to invest in their relationship with their European partners has a high probability to be detrimental to the economic wellbeing of the country, especially as these less developed countries are viewed as sources of future growth to the world financial markets.

Thus, the British must adopt a more long-term view on their relationship with the EU, a view that they failed to see when declined to partake in the creation of EU by declining Treaties of Paris and Rome (George 32). I'll conclude with a saying of the philosopher Santayana, which has been noted as a universal truth of investing by father of value investing, Benjamin Graham, that the UK should be reminded of before they further debate if they should opt out of the European integration yet again: “ Those who cannot remember the past are condemned to repeat it. ”

Works Cited

1. Oxford Economics, ed. An Indispensable Relationship: Economic Linkages between the UK and the Rest of the European Union. Rep. London: Business for New Europe, 2009. Print.
2. Booth, Stephen, Christopher Howarth, Matts Persson, and Vincenzo Scarpetta. CONTINENTAL SHIFT: Safeguarding the UK’s Financial Trade in a Changing Europe. Rep. London: Open Europe, 2011. Print.
3. Lake, Michael. Communicating the Lisbon Strategy – a Civic Challenge. Rep. N. p. : n. p. , 2006. Print.
4. George, Stephen. " The Background: Britain and Europe, 1945-1973. " An Awkward Partner: Britain in the European Community. Oxford: Oxford UP, 1998. N. pag. Print.