Effect of brexit on the uk economy

Manyacademic and non-academic writings tackled the issue of Brexit from differentangles. The focus will be one important aspect of Brexit; that is the economicpart; i. e. the effect of Brexit on the economy of UK after being outside the EU. The UK, government's White Paper (Department for Exiting the European Union) suggestsheadlines of taking the UK out of the EU. In this White Paper, the aspect of theeconomy is covered on different headings such as protecting the rights of theworker and securing free trade with European markets (*The WhitePaper, Policy paper The United Kingdom's exit from, and new partnership with, the European Union* , 2017). It reflectshow important this issue is for the UK government, as well as for all UKpeople. What is clear that there will be many positive and negative economic implicationsfor both parties EU and UK after Brexit! This essay sheds light on two mainissues related to the UK economy after Brexit. First, the signal market, the definition, the status of UK in the signal market after leaving EU, the expected scenarios. Second, the economic relationships between the UK and other countries of EU. The expected options mentioned here are based on the current relationshipsbetween the EU and some countries that are not full members of the EU.

To start with, what is the meaning of theSingle Market? According to European Commission website, Single Market indicatesthe EU as one territory that has no internal borders or any other controlling complicationsthat lead to the free movement of booth services and goods (*The EuropeanSingle Market – European Commission* , 2017). According to the samesource, single market has great benefits. It encourages competition and trade, increases efficiency, promotes quality, as well as helps in cutting the prices. In addition, the same source considers the European Single Market as one of theEU’s ultimate accomplishments that powered the economic growth and made theeveryday life of European businesses and consumers easier (*The EuropeanSingle Market – European Commission* , 2017).

Onthe other hand, UK is playing a major role in the single market. Thus, byleaving this market, UK can direct this budget to a new direction that suitsits economy better. The UK is ranked in the top five economies in the world, after United States, China, Japan and Germany (Bajpai, 2017). After Brexit, Bajpai expects the raking of the UK todecline and that UK will be ranked the 7 th , taking the place ofFrance (Bajpai, 2017).

Dhingraand Sampson in their article *Brexit and the UK Economy* , claim that afterleaving the EU, the UK will no longer be constrained by the EU’s externaltariff. On the other hand, the UK can set its own MFN[1]tariffson imports. The UK could adopt to reduce its import tariffs below the levels ofEU in order to lower import costs for UK consumers and companies. This willresult on increasing the competition played by businesses run in the UK (Sampson, Dhingra and Sampson, 2017). In addition, the same article, states that there is a limited scope for further tariff decreases. According to the World Bank, the tariff rate of the EU (applied and weightedmean for all products) is 1. 5% (Word Bank, 2017). Also, if UKgoes for this it will require more harmonising polices, regulations or productstandards across countries. Achieving this level of business requiresinternational agreements with different countries. The overall effect of Brexitis still estimated to be negative (Dhingra and Sampson, 2017 4-5). Thesecircumstances make it very difficult for the UK to reduce tariff rates, yetpossible.

Thesecond essential issue in the UK economy after Brexit is the economicrelationships between the UK and other EU countries. Clarke, Goodwin andWhiteley in their book *Brexit Why BritainVoted to Leave the European Union* , suggested three scenarios regarding therelationship between the UK and other EU countries. They based their expectedscenarios on existing relationships between the EU and non- member states. First scenario, ‘ Norwegian’ option, where Norway is not an EU member state buthas full access to the single market, which is called European Economic Area(EEA), where Norway has to pay for this privilege by contributing to the EUbudget as well as accepting free movement of labour. In other words, UK canleave EU and pay to access EEA. The second option is based on a mutual agreementwith EU, like Switzerland and Canada. A Comprehensive Trade Agreement betweenthe EU and Canada made it possible to lowers tariff barriers, coordinates tradearrangements and encourages cooperation, yet does not include free movement oflabour. The third and last option is, World Trade Organization (WTO) that is arisingfrom trade agreements negotiated by the World Trade Organization over manyyears between a massive number of countries that are aiming to shrink tariffsand other obstacles to trade (Clarke, Matthew and Paul, 2017: 176).

Thereport *UK trade options beyond 2019* , published by House of Commons, International Trade Committee suggests some ofthe above-mentioned scenarios. The report mentioned some options that the UKmight have after Brexit. First, “ No deal”-trading under WTO rules alone. Second, “ No deal”-Trading under WTO rules alone. Third, UK Free Trade Agreementswith non-

EU countries. For each option, there are details about the expected sequences(Committee, 2017).

The internationalranking of UK economy might go backward at the first couples of years afterBrexit until the government makes new trade agreements with different countiesand organisations around the world. Afterwards, the UK economy might go better orworse than before. All the above-mentionedideas are uncertain. It is very clear that the government is working hard toleave the EU will minimum loss possible. No one can tell the exact actionstaken by both EU and UK until the negotiation is over and both the UK and theEU sign the final leaving agreement.

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[1]MFN: most favoured nation