

A portrayal of Britain
as key player in
global history with
focus on the
economic...

[History](#)



The major goal of the paper is to show those historical parts of the British history that made a huge impact on the world we live in today and on the development of the British economy. Furthermore, the most important economic relations of the country will be shown, namely the relationships with the United States, India, European Union in brief, and within the EU the Visegrad Group. An actual theme, the economic impacts of the BREXIT (2016) will be discussed shortly as an ending.

Introduction

In this chapter the Reader will get known with some basic informations about the British economy along with some statistics, charts and data. The purpose is to inform the fundamental knowledge which can help to understand the more complicated parts of the further economic details of England.

First of all we have to declare that the United Kingdom is a core country. It obviously belongs to the „rich“ countries as it plays an important role in the world's economic development, the capital (London) is an essential center, and England had a lot of colonies under the British Empire. The country is located in the west part of the European continent as a separate island. It has always been a determinative participant of the European economy at the beginning, and of the world trade as it has been formed, especially since the American continent has been discovered.

An interesting research is made by the Index of Economic Freedom in 2016. Based on the research, the United Kingdom has a relatively high „Economic Freedom Score“ (76, 4), which means it is the 10th among the countries all

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over the world. They used 10 quantitative and qualitative factors, grouped into four broad categories, or pillars of economic freedom. These are the „Rule of Law“, „Limited Government“, „Regulatory Efficiency“, „Open Markets“. The 1. chart demonstrates the average data of „Economic Freedom Score“ in the nearby areas, the world and free economies beside England.

chart: Economic freedom comparison

As we can see England has a quite good rank among all the countries, but it has some areas where there are opportunities to develop: the overall tax burden equals 32, 9 percent of total domestic income, government spending is now about 45 percent of GDP, public debt equals 90 percent of GDP

There are some further basic indicators have to be mentioned here, based on tradingeconomics. com. The inflation rate in November 2016 was 1, 2 percent, the GDP growth rate was 0, 5 percent in the third quarter of 2016, the unemployment rate was 4, 8 percent in October, 2016. The exports increased to the last quarter of the year 2016, but the import rates decreased more than 3 percent in October 2016 over the previous month.

Historical past

The colonization and the Industrial Revolution played a huge role in the progression of England. In this chapter these two time periods will be analyzed.

The British Empire in brief

The colonisation for England started in the 12th and finished in the 20th century. During these periods the British Empire gained a lot of colonies,

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especially after the American continent has been discovered. They had colonies all over the world: in North-America, East-Africa, India, Australia, Burma. With these colonies they dominated over the economics: they produced ca. 30 percent of the world's industrial production in the 19th century. But after the second world war the decolonization came on. All the colonial states lost their colonies and from them independent states have been created.

The Industrial Revolution

It started in the 18th and finished in the 19th century. The Industrial Revolution made a huge impact not only on England but the whole world, comprising the European continent and the US as well. Prior to the Industrial Revolution, which began in Britain in the late 1700s, manufacturing was often done in people's homes, using hand tools or basic machines. Industrialization marked a shift to powered, special-purpose machinery, factories and mass production. The iron and textile industries, along with the development of the steam engine, played central roles in the Industrial Revolution, which also saw improved systems of transportation, communication and banking. While industrialization brought about an increased volume and variety of manufactured goods and an improved standard of living for some, it also resulted in often grim employment and living conditions for the poor and working classes.

Before the industrialization people's life was difficult as incomes were meager, and malnourishment and disease were common. People produced the bulk of their own food, clothing, furniture and tools. Most manufacturing was done in homes or small, rural shops, using hand tools or simple

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machines. There are a lot of factors contributed to the Industrial Revolution: it had great deposits of coal and iron which were essential for the industrialization. Furthermore, England was a politically stable society and the world's leading colonial power in this time. It is meant its colonies could serve as a source for raw materials, as well as a marketplace for manufactured goods.

In particular, the textile industry transformed in these times. Before mechanization and factories, textiles were made mainly in people's homes (giving rise to the term cottage industry), with merchants often providing the raw materials and basic equipment, and then picking up the finished product. Workers set their own schedules under this system, which proved difficult for merchants to regulate and resulted in numerous inefficiencies. In the 1700s, a series of innovations led to ever-increasing productivity, while requiring less human energy. A key innovation in textiles, the power loom, which mechanized the process of weaving cloth, was developed in the 1780s by English inventor Edmund Cartwright (1743-1823). The steam engine was also integral to industrialization. In 1712, Englishman Thomas Newcomen (1664-1729) developed the first practical steam engine (which was used primarily to pump water out of mines).

The communication went through a huge development, a lot of inventions were invented, for instance the telegraph. By 1840, railways were a Cooke-Wheatstone system, and in 1866, a telegraph cable was successfully laid across the Atlantic. The Industrial Revolution also saw the rise of banks and

industrial financiers, as well as a factory system dependent on owners and managers. A stock exchange was established in London in the 1770s.

The quality of life has changed a lot during the industrialization. It brought about a greater volume and variety of factory-produced goods and raised the standard of living for many people, particularly for the middle and upper classes. However, life for the poor and working classes continued to be filled with challenges. Wages for those who labored in factories were low and working conditions could be dangerous and monotonous. Unskilled workers had little job security and were easily replaceable. Children were part of the labor force and often worked long hours and were used for such highly hazardous tasks as cleaning the machinery.

Economic relations

In this topic the reader will get known with the main trade partners of England and some of them (US, India, EU (in brief) and Visegrad Group) will be analyzed specifically.

General factors of trade

England is a determinative trade partner, it has a high export and import factor. In 2014, the United Kingdom exported \$472 billion and imported \$663 billion, resulting in a negative trade balance of \$191 billion. In 2014 the GDP of the United Kingdom was \$2.99 trillion and its GDP per capita was \$40,200. The top exports of the United Kingdom are Cars (\$46B), Gold (\$37.4B), Crude Petroleum (\$23.1B), Refined Petroleum (\$22.1B) and Packaged Medicaments (\$19.6B). Its top imports are Cars (\$47.3B), Crude

Petroleum (\$34.1B), Refined Petroleum (\$27.7B), Packaged Medicaments (\$21.5B) and Computers (\$16.9B).

The next 2. chart represents the export and import rates of England in the year 2014.

2. chart: Export and import of England, 2014

EXPORT IMPORT

Country Billion \$ Country Billion \$

United States 51 Germany 100

Germany 46, 5 China 62, 7

Netherlands 34, 2 Netherlands 50, 7

Switzerland 33, 6 United States 44, 4

France 27 France 41, 5

Source: Self-made (2017), based on OEC, 2014

2. United States economic relation

The United States has no closer ally than the United Kingdom, and British foreign policy emphasizes close coordination with the United States. Bilateral cooperation reflects the common language, ideals, and democratic practices of the two nations. Relations were strengthened by the United Kingdom's alliance with the United States during both World Wars, in the Korean

conflict, in the Persian Gulf War, in Operation Iraqi Freedom, and in Afghanistan, as well as through its role as a founding member of the North Atlantic Treaty Organization (NATO). The United Kingdom and the United States continually consult on foreign policy issues and global problems and share major foreign and security policy objectives.

The United Kingdom is one of the largest markets for U. S. goods exports and one of the largest suppliers of U. S. imports. The United States and the United Kingdom share the world's largest bilateral foreign direct investment partnerships. The United Kingdom is a large source of foreign tourists visiting the United States. The United Kingdom and the United States belong to a number of the same international organizations, including the United Nations, North Atlantic Treaty Organization, Euro-Atlantic Partnership Council, Organization for Security and Cooperation in Europe, G-20, G-8, Organization for Economic Cooperation and Development, International Monetary Fund, World Bank, and World Trade Organization. The United Kingdom also is an observer to the Organization of American States.

India economic relation

According to an article from BBC „[...] the UK-India relationship is strong, with a shared history going back centuries, and now a shared vision of the future.“ (BBC article, 2015) Investment in each other's countries has grown, and there has been a renewed energy in collaborations. The UK is the third largest source of foreign direct investment in India and India is the third largest source of FDI (in terms of the number of projects) in the UK, after the US and France. The UK imports more and more from India, though the level

of its exports to the country has recently begun to stutter after several years of growth.

As we can read on gov. uk, there are a lot of benefits for the UK exporting to India:

- English is widely spoken
- a common legal and administrative history
- rising personal incomes creating a new middle class consumer market
- fast-growing economy with one of the world's largest youth populations
- expanding emerging cities with more than 50 cities now over a million people

In recent years there has already been a concerted effort to strengthen the UK's bilateral relationship with India. The Foreign and Commonwealth Office's Network Shift programme has led to the opening of three additional Deputy High Commissions and new Trade Offices across the country.

Profound ties of culture, history and language already give the UK a potentially strong foundation upon which to further deepen its relationship with India. Although the legacy of the colonial era is complex, the priorities, sympathies and values of the two nations today are increasingly aligned. Young people in both countries say they appreciate the culture of the other.

The next 3. bar chart shows the value of UK imports from India between the years 1996 and 2015.

chart: Value of UK imports from India, 1996- August 2015

Based on the 3. chart we can see that the imports from India are increasing continually, there was only one year (2009) where the data stagnated compared to the previous year.

If we summarize the relationship between the two countries we can claim that India and England are improving and deepening their economic and cultural connection despite the historical past.

European Union economic relation**chart: UK trade with EU and non-EU countries, Goods and services (£ billion, 2014)**

In 2014, the UK exported £230 billion of goods and services to other EU member states. This is equivalent to 44.8% of total UK exports. Goods and services imports from the EU were worth £289 billion (52.8% of the total) in 2014. The UK had a trade deficit of £59 billion with the EU in 2014 but a surplus of £24 billion with non-EU countries. We can see these data on the 4. bar chart.

UK-Visegrad Group relation

The United Kingdom Trade and Investment (UKTI), a non-ministerial department of the UK Government whose responsibilities involve “helping UK companies achieve their potential overseas through exporting and encouraging investment in the UK by overseas businesses”, formulated its approach to Central Europe under the slogan “Develop your exports in Emerging Europe”. The strategy, which is aimed at helping British companies to establish themselves in Central Europe, was presented in 2014. UKTI employs the term “Emerging Europe” to describe a remarkably

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heterogeneous group of eleven states, including all four Visegrad countries, however also listing Austria, Bosnia and Herzegovina or Bulgaria. According to UKTI this region is characterised e. g. by “ increasingly affluent consumers and economic growth at double the rate of western Europe”. Concerning the overall significance of the region Tom Salusbury, Regional Director of UKTI for Central & Eastern Europe, stated that “ UK exports of goods and services are currently worth about £16 billion and have doubled over the past ten years. [...] The region’s economic fundamentals are strong and moving firmly in the right direction” (UKTI 2015). This underlines the predominantly positive attitude of UKTI on Central Europe, which is also demonstrated by other documents published by the department.

The most important trade relations are entertained with Poland, for whom the UK represents the 2nd largest trading partner. They shared similar ideas on the European trade policy, namely the conclusion of trade deals with “ fast growing parts of the world” (Cameron, 2015).

Prague is home to several Central European head offices of British companies, such as Rolls Royce or Marks and Spencer, highlighting the city’s importance as an economic centre of the V4. The UK is the 12th largest exporter to the Czech Republic.

British companies also have a prominent role in Slovakia, where Tesco is the country’s top retailer and one of the main employers.

For Hungary, the biggest trade partner is Germany but the UK is also important, the share of exports from Hungary to Britain increased slightly in the previous years.

BREXIT: Economic effects in brief

The referendum whether or not to leave the European Union took place on 23 June 2016. On that day the residents of England could decide about the leaving and they made the decision not to stay in the EU. It implied the quit of the prime minister (David Cameron). Right after the results of the referendum he resigned. But there were a lot of other impacts of the BREXIT as well as economic impacts. The decision to leave brought a big shock for the economists, world organisations and for average people too.

As we can see on the 5. chart the pound has fallen below ca. \$1.29 for the first time since March 2010 during trading on Monday – a six-and-a-half-year low against the euro. Analysts' forecasts see the pound slipping lower towards the end of the year as more concrete Brexit plans could weigh on its recovery. The pound has lost almost a fifth of its value against the dollar since the referendum in June and is the worst performing currency in the world this year. The weaker pound pushed up some import costs and might feed through to consumer prices. However, Bank of England deputy governor Ben Broadbent said the pound's slump since the Brexit vote is a "major shock absorber" that will help to limit damage to the economy.

chart: Sterling's exchange rate before and after the referendum

As the 5. chart shows, the pound has its peak on the day of the referendum (23 June), but right after that day, it suddenly started to decrease. It has its lowest point on the 15. of August.

The interest rates after the BREXIT fell down from 0, 5 to 0, 25 and thus the Bank of England try to handle the problem as it is the lowest point of the so called „ Old Lady” for 322 years. After the referendum the Bank also announced a huge extension of its quantitative easing programme by an extra £70bn, and a £100bn scheme to force banks to pass on the low interest rate to households and businesses.

Conclusions

As we can see England has a rich historical past which made an enormous impact on its actual economic situation. It was always a determinative actor of the world's economic system as well as nowadays. It has a lot of important economic relations with the world's continuously growing economies such as the United States, India, and the European Union. England is trying to deepen these connections not only to utilize the advantages of the other countries but to get known with other cultures.

A big shock. This was the BREXIT first time for the economists. The impacts of the BREXIT are obviously bad in short terms (currency, interest rates), but if we look at the long term effects from the British side it may will bring some positive as well.