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Two Years Of Brexit: The Reverse-Domino Effect and The Woes Of The Overseas Territories

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With now less than 100 days left until the boisterous Brexit, the United Kingdom (UK) is still in a puddle, over how to leave the European Union on its terms. The conscious secession is shaping up to be far more tumultuous than stipulated and the next two years will be nothing short of a battle for Britain. What has become of the economic situation in the UK? Why isn't there a spiraling domino effect in the European Union post-Brexit as misconstrued by analysts? Is Brexit a problem to a solution? How does Brussels look at it?

The Economics of Brexit

The Brexit discussion has turned out to be highly insular. While the political elite is befuddled by the form of future kinship that London should have with Brussels, Britain's economy is still hampered, with dropping investments and slumped growth. It's economy has declined substantially, post the referendum and the economic the consequence of the Brexit vote may seemingly have longer-lasting ramifications.

After the *"Leave"* vote, as per The Chamber Of Commerce, Britain may face the weakest annual fiscal growth, since the abyssal economic meltdown of 2009 [1]. Post the Brexit vote, the pound collapsed, which was followed by an increased rate of inflation and a major decline in public spending, dawdling the economy. The GDP in the first quarter increased just by 0.1%, which was the lowest since 2012. The other sectors were affected as well [2]. On the trade front, the gross deficit escalated from 1.9 to 9.7 billion pounds in the second quarter. This, of course, did not favor Britain's economy, that was already vulnerable to Brexit negotiations. The threat of economic ruin may lead the country to reconsider their apprehension of the pros of membership. However, this might not be apparent for a few years at least.

Any euro-zone country, if opined to leave the EU, would eventually find that the consequent need to reintroduce its national currency will lead to huge economic outflows. This would dwarf any consequence in case of the UK with no easy solution with a much higher cost.

The three major divorce issues that needed tending to; the Irish Border Crisis, the divorce bill, and the citizen's rights, were not even close to home, until just recently. Now with the highly dreaded facet, of a *"No Deal"* Brexit, the UK is anticipated to clangor out of the Union, without any pre-requisites that cushion the blow precipitating an alarming economic and political crisis. Despite the chaos, UK fails to land a reasonable proposition, that may minimize the crisis if not avoid it, is appetizing for the European Union and reasonable enough to be passed in the lower House.

The Reverse Domino Effect

Populists in other European countries portray the Union as an alibi to their internal crisis. It has peculiarly becoming a convenient point of reference when referring to austerity and immigration. However, the pattern of blaming the Union does not essentially mean following the British footsteps out of the EU. In spite of the economic crisis and the stringent policies of the EU, no other country can afford to exit the Union.

The problem with the perception of an impending European chain collapse is that none of Europe’s electoral tests since Brexit have set off a domino effect [3]. For instance, Spain conducted general elections just three days after the British referendum leading to a new term for the then center-right leader Mariano Rajoy. Despite the magnitude of Spain's real estate boom and bust, the country has had no substantial anti-European movements. There was no viable party to argue for *"Spexit".* President Macron is, in fact, working to revolutionize European institutions, not to dismantle the EU, but rather to deepen integration favoring a euro-zone finance ministry capable of delivering counter-cyclical spending as well as a path toward common debt issuance. Another significant post-Brexit electoral test in 2016 was the Austrian presidential election. There was no post-Brexit secession chaos there either. On the contrary public support for the Union has escalated significantly in Germany *(18 percent)*, France *(19 percent)*, and Belgium *(11 percent)*, with Spain and Italy recording statistically epochal increases following Brexit as well. Likewise in Denmark, Finland, and the Netherlands, recent polls recorded improvements in the EU's favor from the hard knocks of 2011. Greece and Italy are probably the last exit cards in the deck, where views of the EU are predominantly negative. But since the bailout referendum in 2015, *"Grexit"* departed the political vocabulary. Despite frustration with the Brussels-imposed austerity, Greeks see the EU as an essential to strengthen their democracy and ensure peace in the continent.

Faith in the Union as high as at 42 percent, is 10 points up since 2015 and at the highest level since 2010, even post the vote-out [4]. In an absolute turnaround with an evident pro-euro surge, from Spain to Germany, as many as 56 percent of the European population is now positive about the future of the EU.

The EU, after a couple of decades of diminution and an ascending populist crusade, has now seen a petite increment in popularity since Brexit, according to the *EPC (Euro Barometer Polling Organisation)*. The resentment for Brexit is genuine among many people as a mere acknowledgment that it is a stump to the union's standing and the funding, that a crucial net-payer country like Britain should want to leave.

Domestic Unrest Adding To The Woes

The domestic politics of Brexit look sticky, which could help justify the pro-Europe surge. The referendum abruptly concluded a government that had won a broad parliamentary majority and exposed the Conservatives to a power vacuum. Internal divisions have not recovered. It further deepened rifts within the opposition. Thus far, there has been no significant domino effect. Prime Minister Theresa May will imply Article 50, the infamous, untested EU exit clause, all the while, when the value of the pound has crashed, descending the global worth of British assets and trade deficit is at a record high [5]. The Bank of England and the Treasury have explicitly declared "tough times" ahead. The British referendum question portrays the stakes of exit much more elaborately than any data ever could. With a credible consensus that the

UK is about to hit to the bottom line post the exit, might as well deliberate the euro-sceptics to think otherwise. UK has had a number of outs from several EU policies, including the Schengen system, justice, and home affairs and, most importantly, the euro. But ultimately half memberships and cherry-picking is not a viable option. As the EU President Juncker quoted, *“You eat what's on the table or you don't sit at the table.”[6]*

The domino effect may be a convenient rhetorical gimmick during the UK’s Article 50 negotiations, but *"Nexit"* and *"Frexit"* are only presumptive exaggerations.

The troubles of European states cannot simply be tended to exclusively. Moreover, the issues have gone global. Of course, the EU is not without vice and the fact that there is a sizable gap between the countries’ expectations and the EU, is an issue of concern. Yet, if the past holds any sort of prologue, the EU has matured through crises, over the years.

Overseas Territories (OTs)

As the Referendum completes its second anniversary, and Britain is in knots over leaving the Union, the world fails to look at the anguish of the British Overseas Territories. In an indication of the uncertainty, there might be rising concerns for Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Falkland Islands, Gibraltar, Montserrat, Pitcairn Islands, St. Helena, Ascension and Tristan da Cunha, South Georgia and the South Sandwich Islands, Turks, and Caicos Islands. Their concerns in part relate to ambiguities in the state of their relationship with Europe. What will happen to the OTs in case of economic instabilities during the Brexit? What will be the status of their relationship with the EU?

The negotiations that happen in London and Brussels will have an irreversible impact on the 14 territories. Residents of the British territories evidently did not get a say in Brexit, but they will lose their EU passports come March 29 next year.

Concerns of the OTs post Brexit

The 14 Overseas Territories are a remainder of the British conglomerate, primarily dispersed through the tropics. With an exception of Gibraltar, the only territory which is part of the Union as well. Gibraltar is undergoing proximity issues on account of a probable close-border with Spain. It is hence losing its ability to provide finance and services with the other parts of the Union.

While the other territories are far more neglected in Britain.

The territories of the British Virgin Islands and the Cayman Islands as well as Bermuda, are majorly reliant on finance and trade and are in turn most likely to be affected by the consequences of Brexit. Especially if the aftermath of the secession declines the influence of Britain in global business rules, the regions losing their trade capabilities is more likely. As for Anguilla and the Turks and Caicos Islands, their economy is minimally driven by tourism, but highly dependent on aid from the Union for sustenance [7].

All the Overseas Territories have succumbed to the economic crisis and have different concerns to tend to. While Bermuda and the Cayman Island have financial market regulation hassles, the Falklands may lose their tariff-free trade regime with the EU [8].

Post the airport crisis at St Helena and Ascension, further funding from the EU seems close to touch and go.

Brexit implies that the current aid programs will likely be the last ones for the OTs. The funding is not even included in the main budget of the EU but comes from International Development and Cooperation Directorate [9]. Their eligibility will terminate with the next batch of contracts. More consideration at this degree could deflect several redundant economic fluctuations further down the line.

The Caribbean territories of Guadeloupe and Martinique are also facing trade crisis, since they are non-self governing, but legally a part of France, and hence a part of the EU.

UK's commitments to the OTs

The overseas territories are versatile islands, akin to their British inheritance and British identity. They have allegiance with the UK and work to maintain their kinship, but also demand to be inclusive of the welfare as if a part of the British mainland.

Though this might be too much to expect, considering the Brexit chaos. But the UK without a doubt has obligations towards them. The negotiations must highlight the future aid and trade for territories since the viability of these regions depend on the financial stability of Britain.

Perhaps the most epochal gainsay would be to find ways to secure future funding from the *European Development Fund (EDF)*, and a continued admittance to its Investment Facility and to the European Investment Bank [10]. Sustaining access to other European benefit programs regarding education and training, and trade would be a plus. Ramifications of Brexit proposes an opportunity, regardless of the outcome, to lead the Overseas Territories to identify a newfound premise with the UK as well as the EU. This advances the procedure of self-governance and self-reliance.

Free Borders, Funding and Dialogues

The freedom to travel, work in the EU is a crucial plus for the citizens of the OTs, most of whose residents are UK citizens. While the Falkland relies on trade, oil exploration and fisheries Gibraltar depend on business and manpower from across the border to sustain its economy. A hard border would hence cause survival problems post-Brexit.

The EU financial aid upholds the economic stability of Pitcairn, struggling to blanket its budgetary expenditure. The total EU funding for the OTs eliminating Gibraltar is €76.8 million as per the 11th European Development Fund (2014–20). Regional funding amounts to another €100 million excluding the receipt of UK developmental assistance [12]. This plays a major role in sustaining the economy of the overseas territories.

OTs also benefit from organizational alliances with the EU. The primary nexus is with the *European Commission, for International Cooperation and Development (DEVCO)* and its OCT Unit and *Overseas Countries and Territories Association (OCTA)* [12]. Bilateral Dialogues help in maintaining a stable economic relationship between the Union and the territories. The OTs via their business centers can alleviate capital flows to the UK. The concern that the territories may find themselves affiliated to a feeble and isolated UK post-Brexit still prevails. This may even jeopardize their future security and economy.

The OTs face the consequences without having had a chance to vote in the referendum, while their future hangs by a thread. The ramifications of the secession for the OTs had never been an area of focus for either of the campaigning parties. There are genuine concerns that need to be addressed. It has been all downhill for the territories, since the Brexit referendum.

Solutions facilitating normal trade and commercial links are far fetched.

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