

## Topic: BREXIT TREMORS

Brexit is a word that has become as a shorthand way of saying the UK leaving the European Union (EU) – merging the words **Britain** and **exit** to get **Brexit**. A referendum was held on Thursday, 23 June, to decide whether Britain should leave or remain in the European Union.

### History of European Union:

The European Union - often known as the EU - is an economic and political partnership involving **28 European countries**. It began after World War Two to foster economic co-operation, with the idea that countries which trade together are more likely to avoid going to war with each other. It has since grown to become a “**single market**” allowing goods and people to move around, basically as if the member states were one country. It has its **own currency, the euro, which is used by 19 of the member countries**, its own parliament and it now sets rules in a wide range of areas – including on the environment, transport, consumer rights and even things like mobile phone charges. With **GDP of more than \$18,000 billion** and a **population** of more than **500 m**, it is the **biggest economy in the world**. Member states remain the most powerful actors within the EU — with **Angela Merkel, German chancellor**, the bloc’s most powerful leader.

### Referendum and Voting Rights:

A referendum is basically a vote in which everyone (or nearly everyone) of voting age can take part, normally giving a “**Yes**” or “**No**” **answer to a question**. Whichever side gets more than half of all votes cast is considered to have won. **Prime Minister David Cameron** has promised to hold a referendum if he won the 2015 general election, in response to growing calls from his own Conservative party MPs and the UK Independence Party (UKIP), who argued that Britain had not had a say since 1975, when it voted to stay in the EU in a referendum. The EU has changed a lot since then, gaining more control over their daily lives, they argued. Mr. Cameron had said: “*It is time for the **British people to have their say**. It is time to settle this European question in British politics.*”

### Eligibility to Vote:

You are eligible to vote if you are a **British, Irish or Commonwealth citizen** over the **age of 18** and you are **resident in the UK**. You may also vote if you are a UK national who has lived overseas for less than 15 years.

### Impact of Brexit on India

Despite being a ludicrous proposition, countries across the world must address the contingency of a Brexit. If it does happen, it will have wide-ranging repercussions on every country that is remotely connected with the global financial market. Here are five ways in which India will be affected:

**1. The uncertainty following Brexit:** The biggest drawback of the Leave Campaign is that they have not mapped out the future course of action if Brexit indeed happens. There is no sound plan regarding Britain’s future relationship with the EU or any other specific country within the EU. If Brexit does happen, **global financial market volatility can be readily expected**. Markets across the **world will tank**. The **pound will depreciate** against most major economies. India cannot remain immune to this. **Sensex and Nifty will tumble** in the short-run.

**2. Investment:** India is presently the **second biggest source of FDI** (Foreign Direct Investment) for **Great Britain**. One of the main reasons for this is the historic and cultural ties with the UK that India shares along with the fact that the UK proved to be a gateway into the rest of Europe. Indian companies that would set up their factories in the UK could sell their products to the rest of Europe under the European free market system. However, if Britain exits the EU, it will **not be as attractive a destination for Indian FDI** as before. Britain would not want to lose out on capital coming in from India. Thus, one can expect Britain to try extra hard to woo Indian companies to invest there by providing much bigger incentives in terms of tax breaks, lesser regulation and other financial incentives. Further, if Britain is leaving the EU due to the latter's complex bureaucratic regulatory structure; Indian companies can expect a **deregulated and freer market in Britain**.

**3. Another EU partner:** If Britain exits the EU, **India will lose its gateway to Europe**. This might force India to forge ties with another country within the EU, which would be a good result in the long run. India is already trying to build trade negotiations with Netherlands, France, Germany, and others, albeit in a small way. Netherlands is **India's top FDI destination** as of now. A Brexit could force India to build trading partnership with other EU nations in order to access the large EU market.

**4. The Commonwealth:** With Britain cutting off ties with the EU, it will be desperate to find new trading partners and a source of capital and labour. There have already been many proponents of the Leave Campaign that suggest that the UK should look towards the Commonwealth to forge new alliances. Britain will still need a steady inflow of talented labour, and India fits the bill perfectly due to its English-speaking population. With migration from mainland Europe drying up, Britain would be able to accommodate migration from other countries, which will suit India's interests. Further, **Britain is one of the most important destinations** for Indians who want to study abroad. Presently, British universities are forced to offer subsidized rates for citizens of the UK and EU. With Brexit, however, the **universities will no longer be obliged to provide scholarships** to EU citizens, which will free up funds for students from other countries. Many more Indian students may be able to get scholarships for studying in the UK.

**5. Ties with European Union:** With or without a Brexit, it would be in Europe's interest to develop India as a strong trade and strategic partner. Brexit would surely accelerate this process. Europe needs to counterbalance United States and China geopolitically and would also need to hedge against a slowing China for its economic interests. For this, Europe would be looking at the fastest-growing major economy in the world and would need to quickly resolve the pending trade issues with India in order to develop a lasting relationship.

Thus, even though Britain stands to suffer from leaving the European Union in terms of **reduced trade and a sustained drop in its GDP**, the net effect **can turn out to be positive for India. It is highly likely that Britain will leave EU.**

**Read further:**

<http://www.cnn.com/2016/06/21/uk-brexit-what-you-need-to-know.html>

<http://timesofindia.indiatimes.com/business/india-business/Brexit-impact-on-India-limited-says-Crisil/articleshow/52938781.cms>

<http://www.theguardian.com/politics/2016/jun/18/eu-referendum-brexit-explainer-for-americans>

<http://www.reuters.com/article/us-britain-eu-wrapup-idUSKCN0ZD14J>