Brexit and its Effect on the E.U. in Terms of the Economy:
- A Qualitative Content Analysis
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Abstract

This research paper aims to explore the economic effects of Brexit on the European Union. The main research question is: What were the Brexit's effects on the E.U. economy? The study was conducted through a systematic literature review, focusing on existing literature to explain the various impact of Brexit on the E.U. The review materials were sourced from news articles, previous research studies, government statements and documents, European Union statements and documents, peer-reviewed articles, academic texts, and literature on the topical issues by experts. The main objective of the research study was to explain all economic effects the Brexit has on the E.U., bearing in mind that liberalism thrives on opening up the international border to free movement of goods and people. The Brexit reintroduced restrictions on the cross-border movement of goods and people between the U.K. and the E.U., impacting both regions economically. The study establishes that the Brexit had a wide range of economic effects on the E.U., which included inflations, relocation of businesses, loss of jobs, cheapening of labor, increased registration of new business companies in the E.U., the decline in the GDP, loss of market, and custom wall. The E.U. member states that traded much with the U.K. suffered most of the impact because of strong economic ties.

Keywords

1. Introduction

Brexit simply refers to Britain's exit from the European Union (E.U.), triggered in 2020. Britain was a member of the European economic bloc since 1973, a membership that helped the Union grow and enhance its trade and commerce. The membership in the E.U. changed on 23 June 2016 after the U.K. voted to leave the Union. By a vote of 17.4 million in favor of leaving against 16.1 million who voted to remain, the U.K. officially determined its exit from the E.U., setting the ground for the negotiations for an official exit in January 2020 (Whyman & Petrescu, 2020). The E.U. allows member states a vast domestic market and negotiates on behalf of states' trade relations with the outside countries and regions (Davies & Studnicka, 2018). As an economic trading bloc, the exit of the E.U. has far-reaching economic, political, and cultural impacts that should interest policymakers. The Brexit per se was a political process that started with a referendum to decide whether Britain wanted to stay in the E.U. or leave (Cerabona, 2016). The divided opinion in the U.K. about the value of the E.U. membership stirred a heated debate that saw the then Prime Minister David Cameron agree to hold a referendum. The pro-exit argued that E.U. membership had interfered with the U.K. sovereignty, hence the need to withdraw from the Union to regain complete control over their destiny. As part of membership to the E.U., countries ceded some of their sovereign rights, including legislative and legal. The supremacy of the E.U. laws makers domestic laws and policies subordinate, which affects the internal decision-making process in trade and commerce.
In 2016, Britain held a referendum to determine whether it wanted to stay in the E.U. or leave. The membership of the European Union (E.U.) has reduced with the exit of Britain from the Union. 51.89% of voters who voted sided with the withdrawal of membership from the E.U. (Cerabona, 2016). Consequently, the U.K. left the E.U. on 31 January 2020, albeit after a series of challenges on how best to leave the Union (Whyman & Petrescu, 2020). However, the effects of Brexit started to be felt across Europe in 2016, immediately after the referendum was conducted (Bartkowiak & Ratajczak, 2019). The exit of the U.K. presented economic challenges to the E.U. and U.K. The experts negotiating the deal for exit grappled with these challenges for a long time, underlining the effects of Brexit. This research paper will explore Brexit and its economic impact on the E.U., focusing on the positive and negative effects.

1.1 Research Problem

The E.U. has an economic plan, which it seeks to promote through a single market, among other interests. The E.U. member states trade freely within the Union because of the removal of trade barriers under the Union's customs. The E.U. also has a collective approach to external trade, evidenced in trade agreements between the Union and the U.S., Africa, China, and other countries (Whyman & Petrescu, 2020). The collective bargaining of the E.U. is strengthened by its membership. The Brexit seemed to alter the trade relations between the E.U. and one of its greatest economic powers, the U.K. An exit of a major economy from the E.U. would have far-reaching economic effects that should be assessed to determine their impact to
adjust properly. It is imperative to note that E.U. member states have shared rules and regulations of trade and commerce, which helps to speed up economic activities within the region (Fabbrini, 2020). A member state's exit means that these rules do not apply, hence possible economic effects that should be assessed. For more than 40 years, the E.U. has strived to strengthen itself as the strongest trade bloc globally (Price, 2019). It is considered a supranational bloc because of its high degree of integration. By being a former E.U. Member State, the United Kingdom has far-reaching links with the Union in an extensive range of economic areas, which means that the lack of a common structure regulating economic relations between the Union and the country can lead to significant disruption of economic relations to the detriment of businesses, consumers, employees, and other relevant stakeholders (Archick, 2021). The economy of the E.U. Member States was strongly connected to the U.K. and vice versa before the Brexit, which implies that any separation would have profound effects on either side. It is also important to acknowledge that the negotiations between the E.U. and the U.K. were marred with antagonism, which means that the outcomes were not reached through consensus or free will. The economic effects are most devastating because they impact the quality of life in the region, hence the need to understand them to properly guide the E.U. back to progress (Whyman & Petrescu, 2020).

The economic effects of Brexit can be understood well through research studies, underlining the need to conduct an in-depth analysis of the impact the withdrawal of Britain from the E.U. had on the economy. It is imperative to note that Brexit was implemented about two years ago, implying that there is limited research on the topic, which may affect the quality of
available knowledge on the economic effects. Moreover, various researchers on the Brexit generalized the effects, which denied them a chance to look at the economic effects (Onomah, 2019) deeply. Consequently, this research strives to resolve the problem of limited research and knowledge on the economic impact of Brexit on the E.U.

1.2 Research Question

What have the economic effects of Brexit on the entire economy of the E.U. been so far between 2020-2022?

1.3 Delimitations

The research aims to describe the effects of Brexit on the E.U. from January 2020 to the present by developing an analytical framework through previous research and theoretical definition discussion. The study also aims to contribute to expanding the existing literature on Brexit, particularly the effect on the E.U. economy. Based on existing research, mainly empirical studies, and writings by reputable scholars, the systematic literature review framework is implemented to develop an informative paper (Onomah, 2019). The findings of the study will be helpful to policymakers in the E.U., and scholars in areas of history, politics, international relations, and economy.
1.4 Disposition

The disposition of this paper will be as follows. Chapter 2 is explaining previous research on Brexit and its economic effect on the E.U., which will be followed by a conceptual discussion in Chapter 3. Chapter 4 discusses the methodological framework that has been adopted to conduct the research will be presented. Chapter 5 presents the findings and their analysis. Chapter 6 offers a conclusion, summing up the key findings of the research.

2. Theory and Previous Research

The E.U. was previously a more robust economic bloc than the U.K. after the Brexit. The Union lost a significant part of its population with the Brexit, which reduced the internal consumption of goods and services. Regional trading blocs leverage the internal market to guarantee stability in areas of trade and commerce. A region with a solid internal market does not fear much about external trade partners because it has a strong market foundation. According to the research by Dallago (2016) on the future of the E.U., Brexit was a blow to the E.U.’s quest to grow its economic muscle. Losing the U.K. leaves the Union weak. According to the study by Hudson et al. (2020) on the impact of Brexit on financial markets to determine whether it is consistent with rational asset pricing models, the prices of goods and services across the E.U. were affected by the withdrawal of Britain from the E.U. The political uncertainty created by Brexit led to a market response that included reduced business activities between the E.U. and the U.K. as businesses and investors waited for the situation to stabilize. Speculations about what
would happen to various markets resulted in businesses becoming extra cautious about risks, reducing their willingness to trade across the EU-UK borders. In his study on the E.U. single market after the Brexit, Egan (2019) established that the Union's single market faces a decline in size due to losing the U.K. The UK was a major player in the E.U. because of its population and economic muscles.

Moreover, previous studies into the effects of Brexit show that the size of the E.U. budget was affected by the U.K. withdrawal. The U.K. moved away with its annual contribution to funding the E.U. (Whyman & Petrescu, 2020). The composition and size of the budget are varied to consider the exit of the U.K., which leaves a gap that the remaining member states should fill. According to Whyman and Petrescu (2020), the UK was an essential player in funding the E.U. activities, implying its exit creates budgetary deficits. The exit created uncertainties about the ability of the Union to fund its programs that were in the pipeline. Underfunding would affect the performance of various sectors of the economy that rely on the projects of the Union. Also, to fund the deficit, the E.U. may require member states to improve their funding, leading to pressure on their internal budgets that may impact their fiscal and macroeconomy policies (Lannoo, 2016). The decline of trade between the E.U. and the U.K. was also an immediate impact of the Brexit. According to Whyman and Petrescu (2020), the E.U. relied on open borders and the removal of custom borders to trade with the U.K. The reintroducing of the custom border between the U.K. and E.U. member states slowed down trade and commerce between the two regions. The study established that Brexit hampered the European trade integration that the E.U. 
champions. The withdrawal of the U.K. and subsequent trade policies watered down the trade benefits the Union had achieved (Whyman & Petrescu, 2020). The reduction of the E.U. membership has led to the shrinking of the single market areas, undermining the base of the E.U. economic integration.

The research shows that Brexit affected the movement of migrant workers into the U.K. According to Duda-Mikulin (2019), the Polish women viewed Brexit as a hurdle to their migration and settlement for work in the U.K. The uncertainties created by Brexit made the movement into Britain unattractive. Migrant workers are comfortable working in a country where their future is predictable, and the regulations favor the remittance of cash to support families at home. The view of Polish women who were interviewed during the research showed that their sentiments about working in the U.K. changed immediately after the Brexit referendum in 2016 (Aniche, 2018). They no longer considered the U.K. as a better destination because they viewed the decision by Britain to exit the E.U. as a vote of no confidence in the Union and a statement that it wanted to dissociate itself from the rest of the member states (Onomah, 2019). Negative sentiments about migrating to and working in the U.K. were shared by national of other E.U. countries, which perceived the Brexit as a trigger for anti-EU citizen sentiments in Britain.

3. Theoretical Framework

Brexit is the focus of the study, which will be looked into from an economic perspective. The study will ignore other aspects of Brexit, such as political and social, to pay attention to the
economic aspect. The economy is a wide area with elements of the GDP, market, customs, rules, and regulations impacting economic activities, employment, budget, and other related issues (Born et al., 2017). Brexit per se can be understood as the withdrawal of Britain from the E.U. The act includes changes in custom borders, rules and regulations affecting trade, the flow of labor, and the domestic market size for E.U. member states. Brexit is fundamentally an economic terminology because most of its implications are economic (De Ville & Siles-Brügge, 2019). The integration of the E.U. economy was largely advanced through a single market that was created under the E.U.

To examine the materials on the effect of Brexit on the E.U., a theoretical review was deployed. The process can be defined as an overview of the previously published materials on a particular topic, in this case, the economic impact of the E.U. Immediately after the U.K. left the E.U., it reviewed and improved its customs regime, among others targeting the E.U. in new trade relations between the two regions (Calliess, 2021). The chances market the start of a new constrained relationship that has affected free trade between the E.U. and the U.K. Countries seek to reduce trade barriers such as custom borders in a free world economy. However, this is hardly attainable when countries pull out of a common economic market because the backbone of a single market is the removal of trade tariffs between member states.
3.1 Operationalization

The research enhanced the validity of the theoretical framework by analyzing the concepts and what they are supposed to be in relations to the study. The operationalization helps to create an analyzable theoretical definition. The following indicators were created from operationalization.

**Economic Trade Barriers**

Trade barriers hinder trade in a given region or between given actors in the international system. In the context of this research, trade barriers are factors that inhibit trade within the E.U. and between the E.U. and the U.K. as a result of Brexit (D’Erman, 2021). The study will determine and analyze the barriers the Brexit created to trade and commerce in the E.U. Furthermore, the analysis will bring out how the new trade barriers have affected various sectors of the E.U. economy to underscore their value in understanding the impact of the Brexit on the E.U. economy.

**The Decline in Foreign Direct Investment (FDI)**

The decline in FDI refers to a reduction of the purchase of an interest in a company by a company or an investor located outside its borders. The investment of the U.K. nationals in the E.U. was affected by Brexit (Fabbrini, 2020). Consequently, the decline in FDI will be analyzed as an important indicator of the effect of Brexit on the E.U. economy.

**Custom Border**
The custom border can be defined as the imposition of customs, immigration, and agricultural laws and regulations at the point of entry and exit for persons or goods traveling between the E.U. and the U.K. border (Fabbrini, 2020). The importance of a custom border is to prevent the illegal cross-border movement of goods and people between the two regions. The analysis will explore the custom border to understand its effect on the E.U. economy, focusing on its impact on trade and commerce.

**Declining Labor Migration**

The decline in migration refers to the reduction in the number of people moving from one country or region to another. In this case, the movement of E.U. citizens into the U.K. was adversely affected by the Brexit, underpinning the importance of this indicator in assessing the economic effect of the Brexit on the E.U. (Whyman & Petrescu, 2020). Consequently, in the analysis, the study will discuss the decline of labor migration in the E.U., focusing on its economic effects.

**Restriction on Movement of People**

Restriction of movement can be defined as the imposition of an artificial barrier to the movement of people across the E.U.-U.K. border after Brexit. The change in the status of E.U. citizens living in the U.K. and U.K. citizens living in the E.U. was occasioned by the requirement for new registration (Fabbrini, 2020). The analysis will explain how this restriction affected trade and commerce in the E.U., underlining it as an indicator of the economic impact of the Brexit on the union.
These five Indicators will be used to analyze Brexit / EU between 2020-2022.

Table 1

<table>
<thead>
<tr>
<th>Categories</th>
<th>Indicators</th>
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<tr>
<td>Economic</td>
<td>Trade barriers</td>
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<td>Decline in Foreign Direct Investment</td>
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<td>Custom border.</td>
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<td>Declining Labor migration</td>
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<td>Restriction on movement of people.</td>
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4. Method and Materials

The following sections explore the methodology deployed in the research.

4.1 Qualitative Content Analysis

The research approach for this study is systematic literature review, meaning that the researcher will rely on reviewing existing material on the topic of interest, Brexit and its effects of the EU economy. The study will explore a number of literature material on the topic, ranging from journal article, peer reviewed articles, books, and reputable links. Qualitative content analysis is chosen because of the avalanche of literature materials that are available and the need for in-depth analysis (Kumar, 2019). The qualitative analysis allows for quality-based assessment of literature to understand the topic of study. Through qualitative analysis, main themes in Brexit will be determined and assessed to draw their link to the EU economy.
4.2 Materials

The material that will be used in the research study will be collected from a myriad of sources, which include journals, reputable websites-mainly government, libraries, and books. The EU has a website that has vital information about its policies, reports, and findings on various issues. There are peer reviewed article by experts and scholars, who have researched the effects of Brexit on the EU and the UK. Their writings will of great value to the study. Moreover, there are books that have been written about the Brexit, covering a wide range of issues, economic impacts include. All these material will be examined to determine the impact of the Brexit on the EU and draw analysis.

4.2.1 Reliability and validity.

Reliability and validity refer to deal with how well the materials or method used measures something consistently the way it is. Validity is concerned with the accuracy of a measure used in the study while reliability focuses on the consistency of the measure to give particular outcomes under the same conditions (Ruel, Wagner, & Gillespie, 2016). Reliability and validity are critical to the study because the use of unreliable measures and materials would lead to errors and vice versa (Kumar, 2019). To achieve validity, the study created an operational theoretical definition based on previous research, which was used as a reference point. The
validity of the research study is deemed high because the phenomenon chosen is recurrent and consistent in the study and previous studies, creating a predictable pattern of outcomes.

5. Analysis

The subsequent chapter discusses findings established during the research study on the effects of Brexit on the E.U. Finally, it will offer the link between Brexit and various changes registered in various aspects of the economy.

5.1 Reduced Market

The exit of the U.K. from the E.U. reduced the Union's free-market area, impacting trade between the member states. The U.K. is one of the largest economies in Europe, which means that it provides a market for goods and services provided by other E.U. countries (Price, 2019). Under the single market economy, goods from any E.U. country would be sold in any member state without restriction, leading to an expanded market for businesses operating in the Union (Bickel, 2021). However, the Brexit led to the withdrawal of the U.K. from the single market, implying that goods from countries that remained under the E.U. would be subjected to new rules and regulations before entering the domestic market (Hudson et al., 2020). Under this new arrangement, the E.U. market reduced in size, impacting the economy of E.U. countries that had leveraged the removal of trade barriers to sell their good in the U.K. According to the London School of Economics' Centre for Economic Performance, trade between U.K. and E.U.
companies has degenerated by a third since the EU-UK trade deal in January 2021 (Keegan, 2022). The development is a big blow to small- and medium-sized firms in the E.U., which are the economy's lifeblood, is anchored. A market decline by one-third is too massive and has far-reaching effects on the economy of the Union in areas of employment and cost of goods.

The Brexit also created challenges for the Republic of Ireland's trade with the E.U. Its special ties with the U.K. Ireland and the U.K. share a land border and have integrated their economies, especially agriculture. The Brexit saw Ireland ferry services implement changes to allow direct services to the mainland to avoid the long route via the U.K. that was affected by the Brexit (Gáspár-Szilágyi, 2022). Trade between the E.U. member, Ireland, and the U.K. was disrupted as the Union negotiated the Brexit deal, underling the adverse effect of the development on the E.U. economy (Born et al., 2017). The effects of Brexit can be well understood by looking at how each E.U. member state was affected, in this case, the Republic of Ireland.

The drop in the E.U. market is also influenced by the U.K. looking to the rest of the world to compensate for trade opportunities it lost by exiting the E.U. The U.K. has increased its efforts to establish bilateral trade agreements with third-world countries and the U.S. (Fabbrini, 2020). The move affects the export and import markets, impacting the place of the E.U. in the U.K. economy. As a close neighbor, the E.U. countries relied on the U.K. for imports and exports. The move by the U.K. to look elsewhere for the market was occasioned by the troubled relationship that the E.U. occasioned. During the negotiations for the Brexit deal, the push and
pull created antagonism between the U.K. and the E.U., pushing the U.K. to search for alternative markets to avoid unbearable economic challenges at home (Aniche, 2018). This is a normal reaction by any functional government. After exiting the E.U., the U.K. has opened up negotiations with the Gulf Cooperation Council, India, Israel, China, Canada, and Mexico to establish new trading arrangements. In 2022 it updated free trade areas with Israel, Canada, and Mexico, dealing the E.U. a blow. Expanded trade between the U.K. and the non-EU countries is a loss to the E.U.

Moreover, the U.K. has expanded the Export Support Service to enhance the capacity of local businesses to engage in global trade. The measure is focused on cushioning the U.K. from the effects of Brexit and expanding its trade with other parts of the world (Born et al., 2017). The exit from the E.U. allows the U.K. to pursue independent trade policies in the international system. It is imperative to note that the E.U. has to compete for the U.K. market, increasing challenges to the Union because the terms of trade the U.K. can attain with other countries would give it much advantage compared to the E.U. because it acts as a single player. At the same time, the E.U. is a conglomeration of several players (Lannoo, 2016). Briefly, Brexit diverted the previous market for the E.U. to other countries.

The new security measures have also worsened the reduced flow of goods across the UK-EU borders that the U.K. has put in place to enforce controls and checks at its borders. All commodities are subject to advanced risk implemented across control regimes at the border points (Breinlich et al., 2018). The U.K. controls target safety and security, trade, and biosecurity.
These security measures were not in place against goods originating from the E.U., implying that Brexit has contributed to further restrictions on trade between the E.U. countries and the U.K. (H.M. Government, 2022). The predictability of the supply chain was affected by these measures as businesses grappled with understanding the new regulations. Delays in the flow of goods across the EU-the UK border have forced EU-based businesses to seek alternative markets internally or overseas. Predictability of the market is vital in sustaining any international trade (H.M. Government, 2022). Consequently, the Brexit, especially in the early years of its implementation, created uncertainties that led to a decline in trade between the E.U. and the U.K., resulting in market shrinkage.

5.2 Declining GDP

The U.K. is the fifth-largest economy by nominal GDP, underlining its massive contribution to the E.U. market. In the E.U., it holds the second position behind Germany. The Brexit led to a decline in the E.U. population by 13%, which implied a loss of the direct market that supports businesses within the E.U. (Aniche, 2018). The Union had expected population growth before the Brexit. However, it ended up losing a significant percentage of it, leading to a change in the projection of the expansion of the internal market.

Moreover, the E.U.'s GDP declined following the Brexit, hurting its purchasing power because of the declining GDP per capita. A drop in the GDP of the E.U. is a clear indicator that the Union has a reduced level of productivity of goods and services because of the exit of the
U.K. However, this does not mean that each E.U. member country has experienced a declining GDP. Instead, the withdrawal of the U.K. and its enormous economic muscle left the Union without the huge GDP that it used to enjoy collectively (Archick, 2021). The GDP of a region affects its purchasing powers and market, hence an essential component of assessing the economy's performance.

### 5.3 Eurozone

The Eurozone is another area that Brexit has impacted. The Eurozone is a region that has adopted the Euro as its domestic currency. The percentage of E.U. countries that had issues with the E.U. or have not adopted it declined with the exit of the U.K. (Breinlich et al., 2018). The U.K. had questioned the use of the Euro and attempted to review the E.U. law to make the Eurozone a multicurrency bloc, which would have weakened the Euro's value. With the withdrawal of the U.K., the anti-euro forces within the Union have declined. Nevertheless, according to Fabbrini (2020), the exit of Britain from the E.U. has weakened the Euro.

The Brexit affected the value of the Euro, mainly due to changes in demand and supply of the currency. The Euro lost value due to Brexit. The Euro lost its value by 2% to $1.11. The UK was the second-largest contributor to the E.U. budget, which means that its exit reduced the demand for euros as a common currency (Lannoo, 2016). The transactions between the E.U. member states and the Union involved euros, implying that a withdrawal of the members reduced the use of the currency. Moreover, the Brexit occasioned a decline in business activities.
within the E.U., most of which used the Euro. Trade between the E.U. and the U.K. dropped as companies and businesses relocated and implemented changes that adversely affected their economic activities (Egan, 2019). Moreover, the E.U. experiences some degree of recession as countries tried to cope with the effects of the Brexit. The recession impacts the strength of the currency.

5.4 Employment

The Brexit had immediate effects on the availability of labor in the E.U., especially in Germany, depending on the external labor supply. The Brexit made it hard for employees from Britain to work in Germany and other E.U. member states. British nationals working in the E.U. countries were forced to relocate to apply for work permits under strict laws (Duda-Mikulin, 2019). The same applied to E.U. nationals working in Britain. The impact of the Brexit was a short-term labor shortage in the E.U., which affected the economic production of goods and services. It is important to note that employment is integral to any economy. A deficiency in the labor force supply can lead to a prohibitive cost of hiring and retaining employees because of high demand than the supply of human resources (Breinlich et al., 2018). The membership of Britain to the E.U. offered the Union a great deal of labor supply because the country was among the most populous in Europe.
5.5 Labor Mobility

The Brexit had a profound effect on the flow of labor, mainly from Eastern Europe to Central Europe. Before the Brexit, over 1 million workers from Eastern Europe worked in the U.K., mainly from Poland, Romania, and Lithuania (Richardson & Rittberger, 2021). The Brexit led to a sharp decline in the number of migrant workers arriving in the U.K. from Eastern Europe as E.U. citizens became subject to new restrictions before they could work in the U.K. At the same time, a considerable number of E.U. citizens working in the U.K. left the country for other E.U. countries (Duda-Mikulin, 2019). The net effect of these changes was an increased inflow of migrant workers from Eastern Europe into Germany and other central European countries, leading to the availability of cheap labor. In addition, Eastern European countries encouraged their nationals working in the U.K. to return home, which led to the loss of revenue they earned from remittances (Egan, 2019). The changes in the immigration of labor contributed to the shrinkage of the E.U. economy, which has adverse effects on employment and businesses. It is important to note that E.U. employees in the U.K. supported the home country's economy in many ways. The families of migrant workers depend on remittances to meet their basic needs, contributing to their improved purchasing power (Richardson & Rittberger, 2021). By returning home from the U.K., they were deprived of their country's revenue and their families' purchasing power to keep the local economy vibrant. Businesses thrive where consumers have a strong capacity to purchase goods and services (Duda-Mikulin, 2019). In this respect, Brexit hurt the
E.U.’s purchasing power through a rollback on the number of Eastern European workers working in the U.K.

Britain also expelled E.U. citizens in 2021 for being illegally in the country. They were rounded up and sent to detention centers before being expelled, underpinning the effect of the Brexit on doing business between the two countries (Richardson & Rittberger, 2021). The Expulsion of the E.U. citizens from the U.K. affected mainly nationals of Spain, Italy, France, Germany, Bulgaria, and Greece. Some of the affected people were doing business or working in the U.K., implying that they lost economic opportunities and were denied their families back home, a substantial economy that contributed to the GDP. Briefly, Brexit created a disruption that affected E.U. citizens living in the U.K., depriving them of a chance to eke a living there and contribute to building their home economies.

Furthermore, the Brexit ended the freedom of movement of E.U. citizens into and outside the U.K. This is one area in which the U.K. prides itself, taking control of its borders (H.M. Government, 2022). This restriction means limiting job opportunities for E.U. citizens interested in working in the U.K. Overall, the E.U. has a decreased pool of options for its nationals than before the Brexit, highlighting the adverse effects of Brexit on the Union due to constraints on the flow of labor.
5.6 Duty

The Brexit resulted in changes in levying of duty and in VAT in the E.U. to align with the exit of Britain. Unlike before the Brexit, E.U. consumers of British-made goods must pay national VAT, departing from the previous practice where British VAT applied. In addition, the Union Customs Code is no longer applicable in the U.K., bringing the E.U. goods under the governance of the U.K. domestic laws, which among other factors, impose customs on imports from the E.U. (European Parliament, 2022). The change means that consumers may have to pay more than before to continue enjoying goods from Britain, a factor that is per se an impediment to trade between the E.U. and Britain. Furthermore, goods sold by British merchants in the E.U. but made outside Europe can be subjected to additional import duties because Britain does not share the same collective agreement between the E.U. member states and outside countries (Davies & Studnicka, 2018). It is imperative to note that these tax and duty charges are enforced and gathered at entry. Britain is no longer considered a member of the E.U.; hence goods that enter its border from outside countries before being transferred to E.U. member countries are subjected to more taxes and duties under the Union's regulations. The situation has made trade between the E.U. and Britain more expensive, affecting the region as a trade and commerce (Egan, 2019). In this respect, Brexit has led to the E.U. imposing trade barriers to Britain's goods from other countries such as China.

The E.U. traders doing business with the U.K. must file import or export declarations in the post-Brexit era. The requirement affected the flow of goods from the E.U. into the U.K. and
vice versa. The custom border between the E.U. and the U.K. is a big challenge to businesses that intend to trade across the borders of the two regions (Breinlich et al., 2018). E.U. businesspeople have been forced to come to terms with the reality of a custom border between them and the U.K. The cost of doing business in the U.K. and vice versa is true for businesses on both sides. The E.U. membership allowed businesses from other E.U. member states to trade in the U.K. without the burden of custom borders. The market was liberalized to allow a free flow of goods across international borders of the E.U. for local businesses (Cerabona, 2016). This is no longer the situation as firms grapple with a return of custom borders between the E.U. and the U.K. It is imperative to note that boundaries increase the cost of business and slow down the movement of goods across the borders. The volume of goods sold from the E.U. member states in Britain went down as Brexit took effect in 2020 (H.M. Government, 2022). The net effect of this development was businesses losing opportunities to make profits and expand their operations.

Business companies now work with their partners to determine financial and legal responsibility for goods because of the customs borders. According to Calliess (2021), there is an extra cost in trade between the E.U. and the U.K. This had made goods more expensive than in the time before Brexit happened. In the EU, France is the third-most affected economy because of close economic ties with the U.K. The two are neighbors, underscoring the large volume of trade between them. The Brexit has cost France a loss of about 1.9 billion euros each year, highlighting its impact on the E.U. economy. France is one of the major European powers in the
The volume of France’s export to the U.K. in 2020 was 33.6 billion euros worth of goods, making it the sixth-largest importer of France goods. On the other hand, France imported decent work of 21.1 billion euros from the U.K., making it the seventh-largest supplier of goods to the country. Therefore, Brexit adversely affected the smooth trade between the two countries because of new barriers to trade that were imposed by the custom border.

5.7 Relocation of Businesses

The Brexit triggered a relocation of businesses from the E.U. and the U.K. in response to possible new restrictions on doing business. Some businesses owned by British nationals operating in the E.U. relocated to the U.K. to avoid harsh conditions. The relocation led to the loss of jobs and revenue in affected countries. It is important to note that employment is still an issue in the E.U., underscoring the economic effect of Brexit on the population. Moreover, financial institutions transferred more than a trillion dollars from the U.K. due to Brexit. The transfer impacted employment and doing business in the E.U. (Breinlich et al., 2018). The transfer of finances was occasioned by the

The relocation was not only on a negative side but also had a positive effect on the E.U. as British firms relocated partially or fully to the E.U. to avoid the adverse effects of doing business with the E.U. from Britain. The Brexit saw more British firms register new businesses in Slovakia, including Jaguar Land Rover. The company has built a new plant near Nitra in western Slovakia. Other E.U. countries such as Holland registered the same inflow of British
firms, underlining the positive impact of Brexit on the E.U. in terms of foreign direct investment emanating from Britain. Some British firms that relocated to Slovakia include the Goodfish Group, based in the English Midlands. The company produced plastic injection moldings that were sold to British-based auto manufacturers. The company exported a third of its products to the E.U., but the demand declined sharply after the Brexit, leading to the need to close one of its four plants to avoid losses. As a consequence, it had to relocate partly to Slovakia to remain productive.

The relocation of employment followed the relocation of businesses in the E.U. In early 2022, more than 7,000 finance jobs relocated to the E.U. from the U.K. due to Brexit. This was a rise from 400 anticipated in December 2021. The movement of jobs from the U.K. to the E.U. can be seen as a positive effect of Brexit on the Union. However, this is not to say that the E.U. has not lost jobs to the U.K. The effect is two-way traffic. The new local hires in the finance industry across the E.U. due to Brexit totaled 2,900, while in the U.K., it stood at 2,500. Given the size of the two regions, it shows that the U.K. has gained more new jobs for the financial sector than the E.U. The gain is linked to the loss of jobs to the E.U. and relocation of financial institutions, mainly from London to the E.U.
According to the research by the Institute of Directors, British businesses reduced their investments in the E.U. after the Brexit out of fear that they may be subjected to harsh trade conditions. Before the Brexit, they freely opened branches of operations across the E.U., contributing to the growth of the regional economy. The decline in foreign investment by some British firms resulted in the slow growth of the EU GDP. The Union also needs foreign direct investments to grow and stabilize its economy. The drop in the number of UK-based businesses trading in the E.U. led to a reduction in FDI and creation of jobs in the Union.
5.8 Business Registration

E.U. Business companies were required to register afresh with British authorities before continuing their activities in the U.K. The new guidelines were necessary because the E.U. business laws did not apply to the U.K., implying that the added registration system took effect immediately the Brexit was affected (European Parliament, 2022). The development affected trademarks, copyrights, and other associated legalities. The U.K. has its regime, which business comes with costs that foreign businesses must meet. Under the E.U., businesses were not subjected to several registrations to operate anywhere within the Union. However, after 1 January 2021, business firms in the U.K. were required to change their trademark, border, and copyright policies to comply with new British rules and their connected charges (European Parliament, 2022). This led to an increased cost of doing business in the U.K. by EU-based companies. The cost hampered the competitiveness of E.U. firms in the post-Brexit era.

The E.U. also responded to the U.K. by requiring that British-based companies register afresh to operate in the E.U. The tit-for-tat relationship between the E.U. and the U.K. has reduced trade between the two, hurting their economies (European Parliament, 2022). Trade barriers between any region or country and region reduce commerce and trade. In a free world economy, states integrate their economy to free their borders for a more effortless flow of goods and people. Therefore, Brexit hurt the move to remove the trade barriers in Europe.
5.9 The E.U. Budget

The E.U. lost a significant budgetary contribution from the U.K. after the Brexit, leading to financial constraints for the Union. It lost about 5% of its budget after subtracting the subsidies it provided the U.K. with when it was a member. The Brexit led to a debate about funding the E.U. budget, with some members suggesting a reduction in the percentage required of each member to 1%, while others wanted it to be 1.074% of the combined GDP of member states (Whyman & Petrescu, 2020). The budget is vital to funding the activities of the Union, especially the Commission, Secretariat, and Parliament. Budgetary allocation to each of the organs of the E.U. is integral in ensuring the proper performance of their roles. Germany, the greatest contributor to the E.U. budget, has faced more pressure to enhance its funding of the budget to bridge the deficit created by the exit of Britain.

The economic integration of the E.U. has been dealt a blow by Brexit, weakening the attractiveness of the Union to other states that are yet to join it. Economic integration is the backbone of liberalism and globalization, a phenomenon that has been hailed as the solution to trade barriers. Neoliberals believe that states will always find it suitable to come together and establish a single market because it is more beneficial than when each is left to its own trade rules and regulations. Brexit has debunked this claim and, by extension, dented the image of the E.U. as a model of regional economic integration (Richardson & Rittberger, 2021). The success of Europe's economic integration depends on how the Union can stick together and progress in
attracting new members. The membership growth implies that the E.U. has increased its citizens' internal market and economic opportunities.

5.10 Export and Import from The E.U.

The exports of the E.U. to the U.K. drop further after the Brexit, underling the complex trade relations between the two. For instance, exports from Germany to the U.K. have successively been declining after the Brexit referendum in 2016 and reduced further after the Brexit in 2020 (Richardson & Rittberger, 2021). The declining exports to the U.K. essentially hit German companies. Loss of market forced them to look for the alternative market to operate at maximum capacity. As a response to the loss of the U.K. and its market, the E.U. member countries increased trade between themselves and the developing countries. They have also looked at China, Russia, and the United States as essential focus areas. However, the trade with outside countries means that the E.U. would be subjected to more regulations, which cannot fully compensate for its trade relations with the U.K. without obstacles.

The intra-EU trade may grow, but it cannot compensate fully for the loss of the U.K. Britain provided a solid consumer base because of its level of economic development. As one of the most developed countries in the E.U. and with a significant GDP and GDP per capita, Britain was a vital importer to countries such as Germany (Whyman & Petrescu, 2020). However, the E.U. imports from the U.K. fell due to the Brexit, impacting business, consumers, and the general economy. For Germany, its imports from the U.K. fell by 8.5% in 2020. The drop was
mainly due to extra costs and red tape linked to Brexit that had a damaging effect on the trading relations between the E.U. and the U.K.

5.11 Aviation

The aviation industry in the E.U. was affected by Brexit after the U.K. pulled out of the single aviation area that allowed airlines from E.U. member states to operate in the U.K. without constraints. EU-based airlines benefited a lot from unrestricted access to the U.K. airspace; now, they have to meet new guidelines to operate in the U.K., which has affected their competitiveness against the other airlines (Walulik, 2020). Airlines from the E.U. have to comply with new aviation regulations by the U.K. government, which means more restrictions on their operations and costs (Gáspár-Szilágyi, 2022). Therefore, Brexit has added more challenges to the inter-EU aviation business due to differences in rules and regulatory authorities.

5.12 Inflation

The Brexit triggered inflation in the E.U. and U.K. as the economy responded to the uncertainties created by the exit of Britain. The cost of goods, especially those mainly manufactured in the U.K. and exported to other European countries, went high (Tang et al., 2019). Disruptions in the supply chain led to a shortage of products, leading to a higher demand than supply. A rise in the cost of goods harms the economy by reducing savings and the value of money. According to Tang et al. (2019), the Brexit also led to an increase in unemployment to
the detriment of the population's purchasing power. High inflation implies little savings and buying because consumers are forced to limit their expenditure to focus on basic needs. Low buying power and saving affect investment and creation jobs, impacting the labor supply and demand. The E.U. experienced significant inflation triggered by Brexit that affected the demand for employees in sectors such as finance and production.

The stock market also witnessed the effects of Brexit as the value of the euro and sterling pound dropped. The pound lost its value by 10%, making exports to the U.K. more expensive and unattractive than locally produced goods (Bickel, 2021). Changes in the value of the currency affect trade between countries and regions. The fall in the pound's value meant that the U.K. could benefit more from exports to the E.U. than imports, contributing to a drop in the percentage of imports from the E.U. As an alternative, the U.K. looked to the outside world to supply goods at a lower price, underlining the diversion of the market that would have benefited the E.U.

The currency's value affects consumers and businesses because it impacts the value of money. The drop in the value of the Euro made imports more expensive, hurting business sectors that rely on imports. Furthermore, unstable currency hurts payments for cross-border business. In this respect, the depreciation of the Euro is a development that bears witness to the diversity of the economic effects of the Brexit that has a far-reaching impact on the E.U., especially businesses and consumers.
Inflation was unavoidable after the exit of the U.K. from the E.U. However, the U.K. suffered more inflation, evidenced by an up to 40% increase in the price of commodities. Overall, the E.U. was not hard-hit compared to the E.U. (Adam, 2019). The exchange rate was most affected during the Brexit referendum but showed stability in subsequent years, which helped stabilize commodities prices.

5.13 Data Protection

The Brexit has also affected data protection in the E.U. because the U.K. is no longer subject to the E.U. rules, which offered umbrella guidance on how member countries can protect data. Data protection is critical in the business industry and impacts online business transactions. The uncertainty about data protection adds more challenges and costs to transferring data between the E.U. and the U.K. (Naithani, 2021). Furthermore, the changes in data protection
laws between the U.K. and the E.U. affected trade between the two regions, particularly those involving computers and digital technology (Tzanou, 2019). In essence, the Brexit has led to a review of the E.U. data protection law concerning the U.K. to the detriment of trade between the two regions that are economically intertwined.

5.14 Fisheries

Fishing in the E.U. is one of the economic sectors that Brexit has impacted. Denmark, Holland, and France are heavily dependent on fish from the U.K. waters. For France, 30% of its fish supply is sourced from U.K. waters. The U.K.'s membership in the E.U. allowed European countries to access U.K. water for fishing, increasing the number of fish available for their markets (GOV.UK, 2022). However, after the Brexit, the number of fish these countries could catch in the U.K. waters declined by about 25% (Rentoul, 2021). Under the post-Brexit era, E.U. member states' boats must obtain a license to fish in U.K. and Jersey waters. Permission to fish is granted to boats that show that they practiced fishing in a particular area between 1 February 2017 and 31 January 2020 (Rentoul, 2021). The requirement leads to disputes about evidence, especially for smaller fishing vessels that find it challenging to provide proof. In addition, E.U. fishing boats will be subject to U.K. controls because they have been placed under its fleet. The cost of fish in E.U. countries that rely on the U.K. waters has increased after the Brexit. This is mainly due to a reduction in the percentage of fish caught and paperwork that should be presented before trade between the two regions is approved. Free movement of goods and
services across international borders is necessary to keep prices low (GOV.UK, 2022). In October 2021, the U.K. and Jersey authorities denied licenses to dozens of French fishing boats, underlining the effect of the Brexit on fishing. The decline in the E.U. fishing activities in the U.K. waters implies a reduction in the supply of fish in the Union and a loss of economic opportunities.

5.15 Farming

Agriculture in the E.U. has been impacted by Brexit, especially in areas that rely on the U.K. market. The E.U. expenditure on agriculture has been affected by Brexit (European Parliament, 2022). There is a need for phytosanitary and animal health certificates for E.U. veterinaries working in the U.K., which has impacted the supply of veterinary experts in the Union. The pacts on agricultural supply, prices, and welfare have changed to accommodate the new scenario created by the exit of Britain. The cost of trade in agricultural products between the E.U. and the U.K. increased by 40%, and this has impacted farmers and consumers (European Parliament, 2022). The customs controls, certification, SPS checks, and GB-NI trade have raised the number of challenges the agribusiness have to deal with, whose costs are passed to farmers and consumers.
5.16 Pharmaceutical Industry

The Brexit led to changes in licensing of pharms operating in the E.U. and U.K. Most UK-based pharmaceutical firms carry out their research and business overseas in the E.U., which brings them into contention concerning changes in rules. The U.K. used to follow the E.U. regulation for pharmacies before the Brexit. Still, after the exit, it reverted to its regulations that are not entirely in tandem with the E.U.’s (Adam, 2019). As a result, the market authorization of drugs from the U.K. to the E.U. and vice versa was affected as the regions sought to harmonize their regulations. It should be noted that the European Medicines Agency is mandated to be responsible for the authorization of medicines solid in all E.U. countries. The U.K. process of approval of drugs is slower than the E.U., underpinning the impact the Brexit brought on the flow of drugs into the U.K. market from the E.U. countries. The drug business is one of the highly lucrative businesses, implying that a regulatory slowdown on the flow of drugs has adverse effects on businesses that rely on pharmacies and consumers (Archick, 2021). The E.U. and the U.K. will have to renegotiate their trade policies to ensure a smooth flow of drugs between their border to protect pharmaceutical companies and consumers from the adverse effects of the Brexit on the sector.

5.17 The Five Indicators

In a nutshell, economic trade barriers manifested through new business registration requirements for U.K. citizens trading in the E.U. and vice versa, which slowed down business
activities in the E.U. The reduction of the market size because of the exit of the U.K. also hindered trade within the E.U. This is especially for businesses that rely on the U.K. market (Dooley, 2022). The affected E.U. business was forced to reduce their production and labor force, do business at a higher cost, or relocate. Another trade barrier was the imposition of duty on goods from the E.U. to the U.K., making the cost of trade between the two regions expensive. The duty imposed by the E.U. on goods coming from the U.K. and vice versa made goods expensive, hurting the E.U. and producers' businesses.

The relocation of U.K. businesses from the E.U. contributed to the decline in FDI. The new restrictions on business registration also affected the FDI because of the extra cost the U.K. nationals had on securing investment in the U.K. (Dobaczewska, 2020). The restriction on labor mobility affected labor migration with the U.K. and from the union to Britain. The Brexit imposed new regulations on employment between the U.K. and the E.U., which forced people from the E.U., mainly Eastern European countries, to relocate from the U.K. Their home countries, such as Poland, encouraged them to return home in reaction to Brexit (Wouters, 2020). As they were compelled to return home by circumstances triggered by the Brexit, the E.U. lost revenue that it would have earned through remittance. On the other hand, the restriction on the movement of people affected the mobility of labor and employment of E.U. nationals (von Ondarza, 2021). The E.U. citizens employed in the U.K. were affected by new rules regulating the movement of people between the E.U. and U.K. borders after the Brexit.
6. Conclusion

Brexit has a wide range of effects on the E.U. economy. These include reduced trade due to custom borders and more paperwork, the decline in the GDP, inflation, controlled access to fishing grounds, relocation of businesses, regulated migration, the decline of E.U. internal market area, and loss of employment. Brexit was a vote against economic integration of the E.U., liberalism, and globalization. The E.U. lost an important market that the U.K. offered, restructuring the trade relations between the two regions to the detriment of free trade. The E.U. will no longer enjoy unrestrained access to the E.U. market, forcing it to look for alternative markets elsewhere to compensate for the loss of the U.K. market. The aviation sector lost free access to the U.K. markets as the Brexit saw an imposition of new regulations by London that impose seek to regulate the E.U. airlines operating in the country. More rules mean slowed trade and commerce between the E.U. and the U.K., contributing to the loss of opportunities, prohibitive cost of doing business, and inflation. The Brexit also impacted the value of the Euro because of the decline in trade and inflation. As a result, the Euro lost its value, affecting export and import trade. The economic effects of Brexit on Europe are felt varying by countries and sectors.

The sectors that are dependent on the U.K. for supplies or market are the most hard-hit, while countries with close economic ties with the U.K. have suffered much of the financial challenges of the Brexit. For example, the E.U. pharmaceuticals trading in the U.K. were hit by new regulations after the Brexit, which affected the flow of drugs across the borders between
Britain and E.U. member states. Farming in the E.U. faced new obstacles in trading with the E.U., leading to slowed trade because of increased trade costs. In addition, the U.K. imposed new certifications for E.U. agribusinesses and veterinaries working within its border, resulting in excessive costs of business and access to agro-based jobs. Therefore, Brexit had a wide range of economic effects on the E.U. economy that cover all facets of the economy.

6.1 Future research

Future research should focus on measuring the impact of Brexit on various sectors of the economy and how the E.U. responded to it. The research reveals that the effects of the Brexit on the E.U. varied from one sector to another, which makes it hard to appreciate the real impact of the Brexit. Economic impact per se is a broad topic that requires narrowing down to a specific sector for detailed research and analysis of the findings.
7. References


