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The Road to Brexit: Causes, Political Consequences, and Economic Implications (2016–2020)

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Abstract

Brexit refers to the separation of the United Kingdom out of the European Union. This paper will discuss the major reasons why the United Kingdom decided to make this decision after nearly 40 years and will evaluate the short-term effects of the referendum of 2016-2020. The qualitative research based on secondary sources such as economic and policy reports of the government of the UK and international organization addresses how the issues of sovereignty, national identity, political divisions, economic policy uncertainties influenced the effects of the referendum. The report also indicates the economic implication that manifested in the form of currency devaluation, trade deficit, low foreign direct investment, labour market adjustments and strain on financial services sector. It describes the impact that the departure of the biggest contributor to its budget by the EU had on the relations of the UK and the EU. The uniqueness of this report lies in the fact that the attention of the reader is primarily devoted to the particular time frame of four years, which is characterized by regulatory disintegration and unpredictability within the most important sectors of the economy and frameworks of ruling. It has offered a solid ground to the policy analysts and researchers to perceive the short term impacts of this mega event in the history of United Kingdom.

Key Words: Brexit, Transition Period, Immigration, Political Divisions, Currency Depreciation, Foreign Direct Investment, Labour Market, Financial Services Sector.

Introduction:

Brexit refers to the exit of the United Kingdom out of the European Union, which the British electorate voted on 23 June 2016, by a referendum. UK became a member of the European Economic Community in 1973 and

subsequently transformed to the European Union under the Maastricht Treaty, which was signed in the year 1992. The UK was one of the key members of the European Union, taking part in its policies over the last forty years, keeping numerous exemptions. Brexit was a surprise to the political commentators, and a trial of the democratic resilience and a possibility to the success of regional consolidation and economic stability of the UK. During the referendum, 52 percent of the voters have decided to leave the EU, and 48 percent have decided to stay. It exited the EU in January 2020 (BBC News, 2016). There were numerous reasons that led to quitting of EU. The British could not afford to relax in an integrated Europe with the issue of Euro scepticism. Even though Brexit reinstated the sovereignty of the UK, it had broken trade relations between the UK and the EU, redefined the UK foreign policy, affected the UK economy and redefined globalization. The event of Brexit is represented by the emergence of nationalism and distrust to the EU, which is caused by the racial and historical superiority of the UK to the EU. (Taylor, 2017).

Following the membership of the EU, the UK was termed as a reluctant European or an awkward partner of EU as it was not prepared to decentralize its powers and it did not perceive itself as part of the rest of Europe. This is due to the imperial history of the UK which made the British develop an illusion that they were superior (Martill and Stagier, 2018). The British perceive Europe as ancient imperial foes with divergent ideologies, lingo and culture. On the one hand, they were not ready to undermine their sovereignty. They feared abandoning the Pound to switch to the Euro by becoming members of EU. Contrarily, they were not as economically oriented as the EU. The UK also was already deindustrializing prior to joining the EU, which was shifted to finance and services, with London at the heart of it, which created the illusion that the EU was not benefiting all the regions equally. These deprivations, which were succeeded by the party politics, created Euro scepticism which led to the referendum. (Taylor, 2017)



The green part of this map shows the EU, and the orange part shows the UK

Literature Review:

This section of the research analysis looks into the kind of literature reviewed. In the study of the subject in question, the works of two researchers were involved, specifically the Understanding Brexit by Graham Taylor (2017) and Brexit and Beyond by Martill and Staiger (2018).

They both have contended how the natives of those how the UK became demoralized after WW2, which economic drawbacks it suffered and why it chose to join the EU. The French general and statesman, Charles De Gaulle, denied and rejected its inclusion in the 1960s, only to be finally included in 1973. The two authors are critical on the reasons why the UK was unable to adapt to the intricate but globalized and integrated EU where already numerous states were living peacefully and harmoniously and the factors, domestic, political, economic and social, which made Britain exit.

To provide the political reasons behind Brexit Tylor (2017), in his book Understanding Brexit, discusses the sovereignty issue of the UK that gave rise to Brexit. He says that the British Parliament had no chance other than obey the laws of the EU, something that compromised its powers. Similarly, he attributes the lack of democracy in the EU to the fact that the EU was a democratic deficit since it was dominated by elites and technocrats, and institutions were not accountable to the people, which smothered democracy. In his opinion, Brexit was iworld avoidable, but it was the work of elite propaganda, internal rifts within the Conservative Party that were

subjected to attempt by the referendum. David Cameron was also in support of the referendum as a way of fighting the United Kingdom Independence Party (UKIP). He attributes the inner disunity, that caused Euro scepticism. In their publication *Brexit and Beyond*, Benjamin Martill & Uta Staiger (2018) suppose that the UK was a reluctant European since at all times there were numerous issues concerning the policies of the EU. It was not willing to make concession to its own currency at the expense of the Euro and special Schengen Visa of EU. The reason is that it would bring the speciality of the UK down, which had been presumed superior to that of other parts of Europe. According to Martill and Staiger, the imperial past of the UK was the key contributor to Brexit, as the country still desired its state to become a world power and was unwilling to adhere to the European type of shared sovereignty.

When discussing the social reasons behind Brexit, Tylor (2017) draws a very crucial attention to the fact that though the UK has not subscribed to the Schengen Visa policy of the EU, it granted the free movement of Europe to the UK in an interest to study or live. In 2004, however, many Eastern European countries became part of the EU, and it resulted in the fact that the number of people who immigrated to the UK in increase (Cosgrove 2006). He also relates this vast stream of immigrants to the social marginalization of the working population of the UK. The other reason stated in *Understanding Brexit* is that the UK was losing its national identity, those with varied nationalities started to migrate into UK. It brought about culture change. The British were not prepared to make a concession on their culture and the language that identifies them in the region. In addition, a big proportion of the individuals who voted in the Leave party were denied the opportunity to enjoy a cosmopolitan city such as London. Another aspect that Tylor placed a lot of emphasis was the media in developing a popular opinion to regain control. Martill and Staiger (2018) on the other hand, also dwell on the national identity crisis, and the us vs them discourse that estranged the ordinary people.

Thus, in the UK, deindustrialisation started to take place in the post-WWII period when the country was prosperous, its coal, steel and shipping businesses were thriving (Tylor 2017). Firms, banks and European financial markets assisted London in becoming a global financial center with the assistance of EU. But, he opines, the other part of the country beyond London was left behind and neglected by policy-makers. Those who were inevitably of those places were ostracized because their source of income was the factories which were shut down, people were jobless and could not secure financial security. Tylor also attributes labour competition and the reduction in services to the populace, which are also contributing to frustration in the masses. He also brought to attention the fact that the majority of the voters who voted to leave the EU believed that the UK was the one that contributed the largest amount of funds to the EU budget, yet in exchange the UK was only receiving a nominal contribution. Similarly, Martill and Staiger also elaborate on the economic forces that define the Brexit way. According to them, there was the conflict of economic models of UK and EU. EU was committed to its financial market principles and became more pro motive of regulations. They also attribute it to the Eurozone crisis that has left doubt of the EU. In addition, it is indicated in literature that UK had a keen interest to develop its own trade policies which could not be attained in an integrated Europe.

Even though Brexit is a monumental change to both the United Kingdom, both in the political context and the economy, there is an element to it that raised a question of what exactly was occurring to the country even

within the transition period, which the sources that I have read simply do not address. Most of the papers I came across in my literature review are very abstract, futuristic, or generalized. The referendum occurred earlier in 2016 and the UK is not officially out of the EU until 2020 that is called the transition period. The books and the articles I have checked predominantly address the question of why Brexit occurred and what might occur in the long-run but they do not delve into the short-term effects.

As to the key intellectuals on the subject, see either Graham Tylor or the two authors, Martill and Staiger - both will give you a good ground on why Brexit happened and spice it with a theory. Tylor, unfortunately, does not venture into what the economic and political outcomes would have been during the period of transition, and neither Martill nor Staiger dwell on specific suggestions and possibilities in the future. They both explain clearly that consequences do not occur at once. They place the issue into a broader perspective, yet omit the impact of Brexit on the UK politics, foreign policy, immigration, imports and exports, economic changes, and changes in sectors.

The second huge gap that I identified is that Tylor published his piece, the book about the Understanding Brexit, in 2017, and the book by Martill and Staiger, Brexit and Beyond, was published in 2018. It would then imply that none of them would be able to encompass the full four-year transition period between 2016 and 2020 and, as such, we are lacking essential data that would allow us to see how the UK maneuvered through this critical period.

Research Question:

What were the political, social, and economic factors that led to Brexit, and how did they shape the United Kingdom's political and economic developments between 2016 and 2020?

Research Design:

This research adopted a qualitative approach by consulting reliable and peer-reviewed sources with authenticity. The data has been collected from secondary sources, including the websites of the Government of the UK, House of Commons Library, Office of National Statistics, IMF, World Bank, WTO, BBC News, Euro News, The Guardian, The Migration Observatory at the University of Oxford, UK Trade Policy Observatory of the University of Sussex, European Central Bank, 2019, selected for their credibility. The study lacks primary data due to the topic's limitations, but it offers a comprehensive understanding of the event and its implications.

DISCUSSION:

Political Consequences of Brexit (2016–2020)

Being a student with the focus on the recent politics, I was surprised that Brexit instantly changed the political situation in the UK. On 12 September 2016, David, the prime minister of the time resigned (Al Jazeera, 2016). He had been one of the most vocal proponents of the Remain campaign but the inconclusive call of the referendum was a disappointment to him, as he said that he was not prepared to lead the nation during the gargantuan transformations of Brexit, a fate he had fought against. In the farewell address published on the UK Government web site he stated, I am going to resign as Prime Minister...It has not been a smooth ride, and we have not always made the right decisions (UK Government, 2016).

With the resignation of Cameron, the Conservatives started to fight who would succeed him as PM. The outcome? Theresa May was chosen to replace the position. When May became PM, she used Article 50 of the EU Treaty which is basically the legal procedure through which a member state can withdraw out of the EU on 29 30 March 2017 (UK Parliament, 2019).

There were significant challenges May faced in Parliament. On three occasions, MPs voted against the withdrawal agreement and according to Euronews, this was one of the greatest parliamentary defeats in the modern UK history. The described stalemate was a significant obstacle to the implementation of the Brexit strategy. Finally, May resigned in 2019 which is often termed as political paralysis.

Theresa May was forced out of the Conservative leadership position, and Boris Johnson replaced her as the new PM in July 2019 riding on the Get Brexit Done slogan. He virtually steam-rolled the parliamentary deadlock by effectively marginalizing opposition even among his own and by proceeding on a general election that he won easily. The parliamentary and executive branches were already at war regarding Brexit before the votes have even taken place, and the Johnson camp attempted to close the parliament temporarily to avoid the debate on the Brexit deal - but the UK Supreme Court dismissed it as illegal (Euronews, 2019). Despite all that, he was still able to strike a deal with the EU and the UK officially left the bloc in January 2020.

The Scottish referendum made the mess even more complicated: 62% of Scottish voters reported that they did not want to leave the EU. But they were forced to support the decision of the UK and leave the EU on their own free will. This struck the independence movement even greater than following the 2014 vote. This was in a sharp contrast to the 50 plus increase in support of Scottish independence that was largely fuelled by the SNP by 2020. Scotland forcing through a future EU-friendly referendum and drawing away the UK-Anglo-Scottish boundary into the new UK-EU border would make trade a nightmare. That breakaway was not permitted by the UK, and therefore Scotland tried to retain the EU laws through a new bill which the Supreme Court eventually vetoed (McEwen and Hayward, 2021).

Seemingly therefore, 56 percent of voters in Northern Ireland decided to remain in the EU. Of concern was that the border between the island of Ireland and UK would disfigure the Belfast Agreement which was the peace process. They established a de facto border between NI and UK instead of erecting a physical border so as to maintain access to the single goods market in the EU. This is referred to as the Northern Ireland Protocol that was signed on 24 January 2020. That protocol caused political tensions in Ireland: some Unionist parties felt that it compromised their integration with the UK, and some Nationalists backed it because it linked their nation to the economic advantages of the EU, but also it brought up constitutional concerns (McEwen and Hayward, 2021).

Gibraltar was another burning issue. It has been formerly included under EU membership of the UK with some exceptions. It was not Schengen zone and EU customs did not apply to it which means it was not in VAT system. Gibraltar created legal and logistical nightmares because of Brexit. Spain reinstated its right to Gibraltar and demanded a share of control with the UK. Such strains would mar the current talks between the EU and the UK. It was agreed that an agreement between the EU and the UK should not have a direct applicability to Gibraltar.

In addition to that, the agreement was reached between UK and Spain to govern the Gibraltar jointly rather than awaiting the completion of a treaty (BBC News, 2020).



The map specifying Scotland and separation between Northern Ireland and republic of Ireland

Many migrants from different regions used to enter the UK illegally from France through Calais. When the UK was integrated with the EU, it had an agreement with France, the **Le Touquet Agreement**. According to this, the UK was allowed to have border checks on French soil before any person could cross the border illegally by ferry or train. But after Brexit, as the UK was no longer part of the EU's customs and withdrew from the free movement system, the border management became more complicated. Therefore, the UK wanted the same benefit from France again. To tackle this issue, both countries had an agreement in the form of the Sandhurst Treaty in January 2018. According to it, migrant processing was sped up (processing time was reduced from 6 months to one month) and the UK allocated more funds, £44.5 million, to increase its border security in the English Channel (The Guardian, 2018).

The government of Theresa May used the rhetoric of 'Global Britain' after the referendum of 2016, as the post-EU foreign policy of the UK. According to this approach, the UK aimed to maintain good relations with the EU, but its foreign policy would not be dependent upon the EU, and the UK intends to pursue global influence beyond Europe. Yet the concept of Global Britain was more like a slogan than a policy of the state. It was a vague phrase and was criticised by many MPs. The Foreign Office Committee, too, asserted that the only clear thing about 'Global Britain' is that it is unclear in its meaning and how the UK's ambition could be measured by it (UK Parliament, House of Commons Library 2021).

However, by 2020, the **Foreign, Commonwealth and Development Office (FCDO)** was formed. **The UK decided to cut its aid overseas, which it used as a tool to influence certain states politically and maintain strong relations with its allies. It also raised questions about the UK's role in world affairs. The UK also had a policy shift towards global power competition. As the US, China, and Russia were emerging as competitors in trade, security, and influence, the UK also sought to establish a position and distinction that it could not achieve while remaining part of an integrated Europe** (UK Parliament, House of Commons Library 2021).

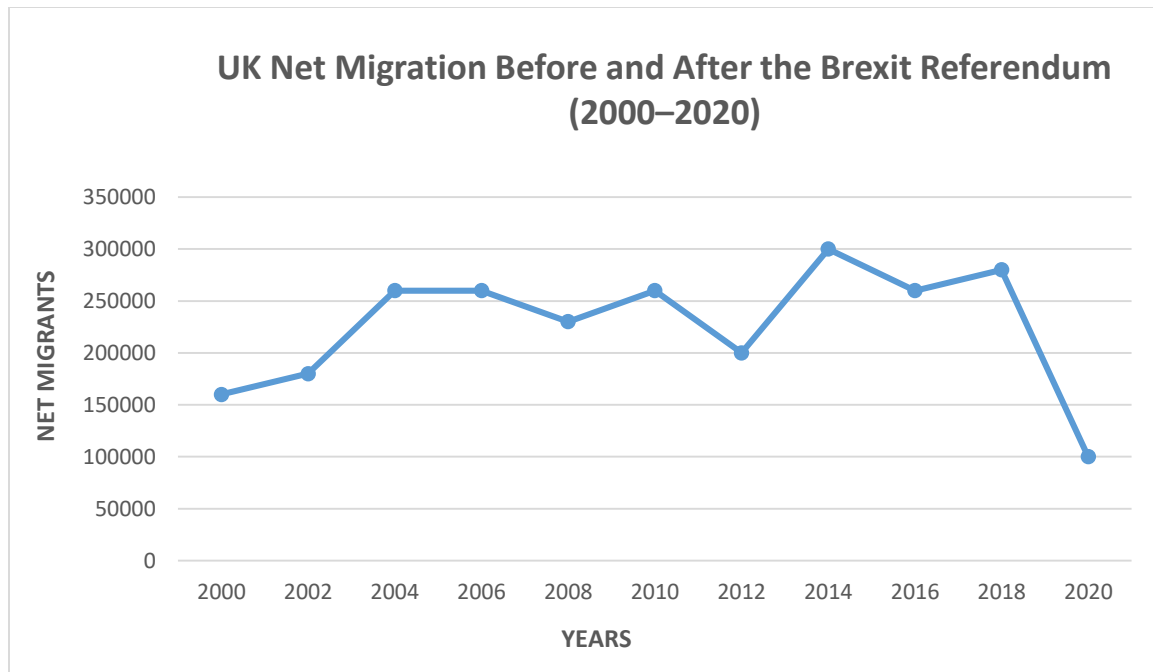
Likewise, the UK faced many global governance challenges. While being in the EU, the EU collectively was responsible for obeying international laws, but after Brexit, the UK had to deal with all international issues, like climate, security, peace, trade, and diplomacy largely on its own, which created uncertainty. It is important to mention that the UK hosted the G7 and the COP 26 summit in 2021 (UK Parliament, House of Commons Library, 2021).

After Brexit, the UK wanted bilateral trade with the US. But the negotiations remained slow with the Trump administration, as it had some other priorities like steel and aluminium tariffs. Also, the UK wanted the US to have global influence, but the unilateral decisions of Trump often clashed with the UK's expectations. Although security relations remained stronger in NATO, disintegrating from the EU means the UK has to negotiate some agreements regarding counter-terrorism on its own. It also created a risk in coordination. Moreover, while raising the slogan of Global Britain, it was a challenge for the UK to maintain its esteem by not becoming excessively dependent on the US. Another significant event was the US presidential elections in 2020, when Mr Joe Biden replaced Donald J. Trump. With the change in policies and priorities of the new US administration, the uncertainties increased (UK Parliament, House of Commons Library, 2021).

As far as the effects on migration are concerned, the UK did not sufficiently reduce the overall influx of migrants; rather, Brexit reshaped migration patterns. The number of immigrants from the EU has reduced, but immigrants from non-EU members have significantly increased. According to the Consumer Data Research Centre (2019), after the referendum in 2016, the Net migration reduced to 311,000. In 2019, the migration fell to **212,000**. However, this reduction was not up to the expectations of the Conservative Government. Many EU workers either left the UK or stopped working there. Most of the workers were from low-paid sectors. Brexit uncertainty and a weaker pound made the UK less attractive for EU workers. This phenomenon led to a shortage of workers in these sectors even before 2020. Research using Labour Force Survey and long-term migration data finds that after the referendum, inflows from EU countries declined by about 27% relative to non-EU inflows, and work-related EU inflows fell by about 34%, while outmigration of EU citizens roughly doubled, especially from

newer member states (ONS, 2020). In February 2020, the government published its plan for a new points-based immigration system, stating that from 1 January 2021, free movement would end and EU and non-EU citizens (except Irish) would be treated under the same economic-skills-based rules, with visas required to work, study or settle (Migration Observatory, 2023).

From the graphical representation by **The Migration Observatory at the University of Oxford**, the gradual change in immigration from 2016 to 2020 is easily observable.



Retrospective analysis says that Brexit affected the British creative sector, including writers, poets, film-makers, and sculptors, negatively (Creative Industries Policy & Evidence Centre, 2025). They wanted to remain in the EU. They thought that while staying in the EU, they had a great opportunity to avail the creative industries when they could express their skills. Therefore, they voted to remain in the EU.

On the other hand, the artists who belong to the EU and migrated to the UK were the people who were directly affected by Brexit. They were the people who were ignored by the British; they felt alienated. However, they took Brexit positively; they began to express their stories in their works and talked about immigration. They used their art to support unity, express multiculturalism and create dialogue between the people (BBC News, 2020).

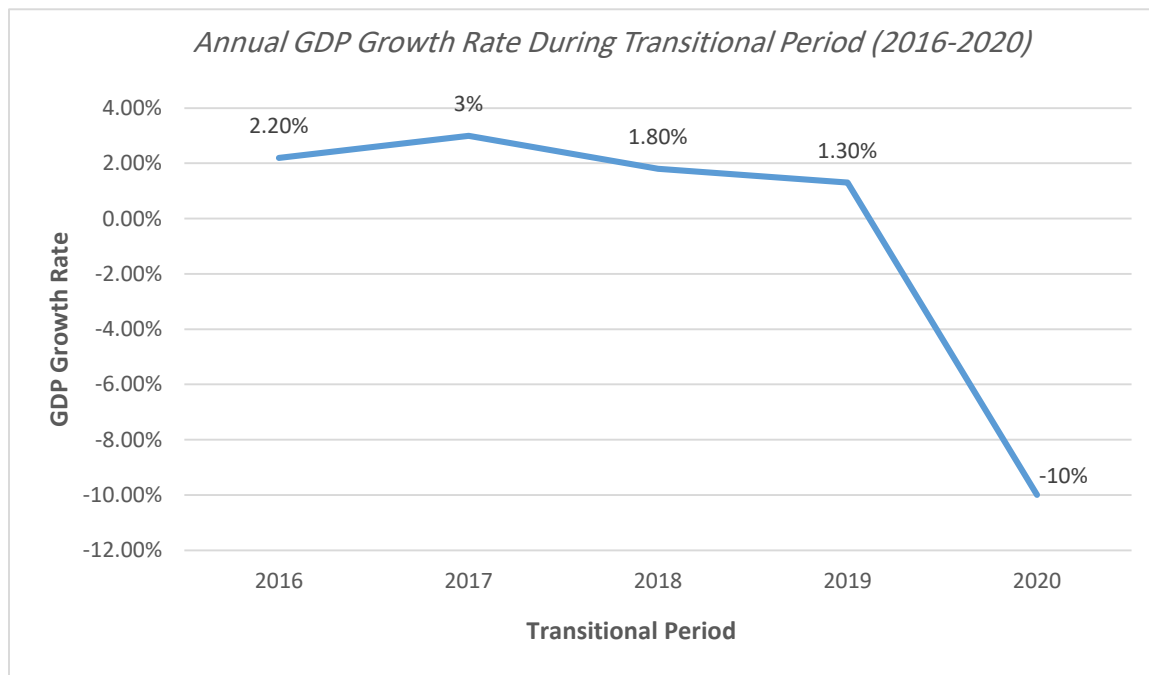
Economic Implications of Brexit (2016–2020):

The UK was having a relatively steady GDP growth before the referendum, but the post-referendum era is marked by a slowed growth rate. It was due to the uncertainty brought by the decision of Brexit. Due to this

uncertainty, businessmen remained reluctant to invest, and official forecasts were repeatedly revised downward. The policies, upcoming agreement, and relations with the EU were all in doubt. This uncertainty dominated the firms' hiring decisions as well as trade arrangements. Moreover, consumers remained cautious in their spending. IMF Article IV consultations analyses also claim that uncertainty due to Brexit itself slowed the economy of the UK, even before trade barriers resulting from Brexit were implemented (IMF, 2018).

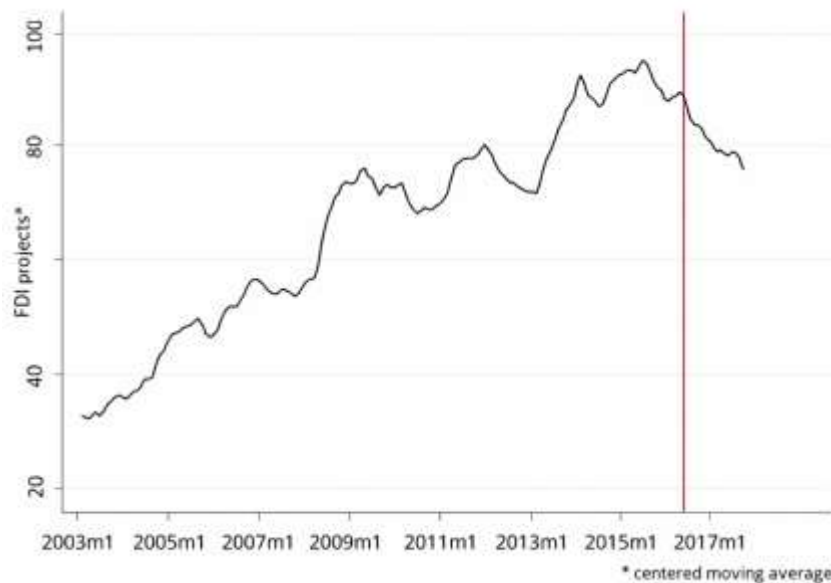
According to the IMF's 2018 Article IV consultation, "Since the referendum on EU membership, business investment has been depressed by uncertainty about the future relationship between the UK and EU and expectations of higher future trade costs." The IMF staff report also states, *"Despite strong policy frameworks, growth has moderated since the European Union referendum in June 2016... Uncertainty over the terms of the EU withdrawal has weighed on private sector activity... Business investment has been lower than would be expected in the context of robust global growth and favourable financing conditions"* (IMF, 2018).

And if we talk about the GDP growth rate of the UK from 2016 to 2020, it was directly affected by Brexit's uncertainty. A gradual decrease had been seen in the annual GDP growth rate during the transitional period. As per the report of the World Bank, the annual GDP growth was recorded as 2.2%, in 2017 it was 3%, slightly better, in 2018 it was 1.8%, in 2019 it was 1.3%, and in 2020 it was -10%, a decline (World Bank, 2025).



Since the UK held the referendum, there had been recorded a significant decrease in FDI. Some research indicates a decline of about 19% in foreign investment in the UK. (Serwicka, 2018). Before it decided to leave

the EU, up to 2015, it was one of the world's major recipients of overseas investment. Between 2016 and 2020, the agreed investment projects decreased by 10%, estimated loss of about £1.5 billion. Dr Ilona Serwicka, UKTPO Researcher in the Economics of Brexit at the University of Sussex, warned the UK in 2018 that if the UK continued to lose a significant portion of capital in the form of this heavy investment, it would face severe challenges in the mid as well as in long term and that the UK might lose foreign investment permanently. (Serwicka, 2018). The following graph from UK Trade Policy Observatory [UKTPO], 2018, shows the decline in FDI to the UK after the referendum.



It is important to remember that FDI coming into a country is not only a symbol of pride but also a source of employment opportunities, ultimately driving capital flow in the country. For instance, in 2017, about 1000 projects signed by the UK that brought US\$33 billion, generating 60,000 jobs. Once, where the UK was the destination of the largest EU's investment, which used to receive 25%, it is now replaced by Germany, followed by France. By the end of 2017, FDI to the UK from the EU was reduced to 18%. This significant reduction happened because Brexit came up with policy uncertainties, loss of access to the EU's single market, decline in services sector investment, trade barriers and higher costs, some firms locating in the region of the EU. These ultimately reduced investors' confidence and gave them better options within the EU (Serwicka, 2018) (Serwicka, 2018).

A sharp currency depreciation was seen regarding the UK Pound against the US Dollar and Euro, primarily after the 2016 Brexit Referendum. The UK's Office for National Statistics claims that the exchange rate of the Pound fell by 20% between 2015 and 2016, but the trajectory moved downward significantly after the 2016 referendum. Economic theory says that when a country's currency loses value, prices usually rise because imports become more expensive. This is what happened in the UK. ONS analysis also shows that the

depreciation pushed up the cost of energy products (raw materials and fuels) as well as non-energy imports. This pass-through to consumer prices raised the Consumer Price Index (CPI) inflation rate significantly in the year after the referendum, with inflation rising from below 1 % to over 3 % in early 2017. This affected the consumer spending and living standards, as households had to face high prices of food, clothing, and imported manufactured products (ONS, 2017).

It must be noted, however, that it cannot be said that all these inflation levels were caused by Brexit. Inflation levels also rose during the same period in the United States and the euro area because of global trends such as higher oil prices.

In fact, studies analysed the difference in the cost of imported versus domestic goods and services to establish how much of the inflation rate in the UK was actually impacted by Brexit. Imported products (such as produce, wine, and clothing) depend largely on imports. Services (such as restaurants, hotels, etc.) depend much less on imports. The weakening of the pound would be the major factor. Hence, the price of imported goods should increase more. That is precisely reflected in the data. Other variables being controlled, the Brexit vote is estimated to have caused a 1.7 percentage point increase in inflation in the year after the Brexit vote. These results are economically and statistically significant (Encompass Europe, 2017).

This rise in inflation indicated that by June 2017, British households were paying nearly 7.74 GBP per week more due to rising prices. This works out at about £404 a year. As the wage demand was not accompanied by wage increases, the real wage decline led to the average worker losing almost one week's wage. This reveals that even before the occurrence of Brexit, there were financial costs that British households paid due to their departure from the EU. The rising cost of inflation did so in more or less equal measure for the poor, the middle class, and the wealthy. What this also means is that in terms of cost, the inflation from Brexit is something that was borne by every possible income group. There were regional differences. Although the income groups were equally impacted, the regions were not: London was the least affected area, with inflation 0.35 percentage points below the average. This is because Londoners pay more for their rents, which are UK-based and do not care much about importation costs. England, Scotland, Wales, and Northern Ireland were worse off. The worst area affected was the North of Ireland, which had inflation 0.47 percentage points above the UK average. This is due to the higher expenditures on food, clothes, and fuel that are widely imported and have risen in price due to the fall of the pound. (Encompass Europe, 2017).

The UK was one of the major trading partners of the EU. During the transitional period the annual net contribution of the UK to the EU's budget was between £7.5 to 8 billion. By 2017, the total exports of the UK amounted to £616 billion, out of which £274 billion worth of goods and services were exported to the EU. When the trade between the two, before and after Brexit, was studied, surprisingly, there was an increase, both in exports and imports. The imports of the UK from the EU, before the referendum, in 2015, were recorded as 316 billion euros, but, in 2019, imports increased to 319 billion euros. As far as exports of the UK to the EU are concerned, in 2015 the UK's exports were 184euro billions in 2015, but in 2019 exports were 194 billion euros (Eurostat,2019). But a significant increase was seen in 2020 when the UK formally left the EU. The UK had a chance to stay in the European Economic Area, just like a member of the European Free Trade Agreement

(EFTA). However, the Prime Minister, Theresa May, in January 2017, announced a 12-point plan of negotiations with the EU, declared that the UK would withdraw from all single markets. According to Government of UK (2020),

Year	Total UK Exports	Exports to EU	Total UK Imports	Imports from EU
2016	582.6	249.4	617.0	323.9
2017	649.6	285.1	675.6	354.7
2018	691.7	303.3	717.8	380.4
2019	718.8	302.0	745.7	383.6
2020	636.3	261.0	620.7	311.1

Throughout the Transition period UK remained committed to the EU's common commercial policy. The event of Brexit cleared the pathway for the UK to act as an independent trading actor in the integrated world of globalisation that is regulated and governed by the WTO (UK Government, 2020). There was a high possibility that UK-EU trade could default to the WTO's Most Favoured Nations (MFN) rules if there were no comprehensive trade Agreement between the two. According to the principles of MFN, the UK would have to apply the same trading rules and tariffs on the EU as on non-EU nations, creating problems for British exporters as they would have to raise the prices of goods; ultimately, it could reduce access to British markets. This gave rise to uncertainties for firms, particularly in sectors highly integrated with EU markets such as automotive manufacturing, agriculture, and chemicals (House of Commons Library, 2021).

During the transition period UK also submitted its trade commitments to the WTO, independent trade not influenced by EU trading rules (WTO, 2020). These commitments maintain tariff ceilings and apply some rules that applied to the UK when it was part of the EU. This was to maintain stability and continue the process of trade. However, this process also showed the limits of the UK's position outside the EU's single market. Although the WTO offered a basic legal framework for International trade, it does not allow the same benefits of access to a single market, economic integration, free movement, and regulatory alignment that the UK previously enjoyed as an EU member. From the economic perspective, the WTO framework was not for boosting the UK's trade immediately, but to maintain balance and provide basic rules regulated by the WTO. However, this legal framework further created uncertainty regarding businesses, made exporters more cautious, and highlighted the limits of global trade rules in reducing the trade barriers and economic frictions caused by leaving the EU (WTO, 2020).

When the UK was integrated with the EU, the UK-based banks and financial institutions took advantage of the EU's passporting regime to access the financial markets of the EU and provide their services across the EU without establishing separate subsidiaries there. Brexit affected these financial firms in the form of regulatory fragmentation and increased compliance costs. According to economic theories of financial agglomeration and regulatory arbitrage, financial institutions accumulate in jurisdictions that offer smooth market access and predictable regulatory frameworks. After the Brexit Referendum in 2016, many banks,

including HSBC, JPMorgan, Goldman Sachs, and Barclays, established branches in the EU and moved limited assets and staff to Frankfurt, Paris, Dublin, and Amsterdam. An estimate says over £1 trillion was transferred out of the UK during the transition period. This restructuring weakened the position of London as a financial hub and predicted long-term risks for employment, tax revenues, and financial market depth (European Central Bank, 2019).

These changes brought uncertainties in financial institutions, and economic consequences became obvious in the financial services trade. The administrative requirements and paperwork proved to be non-tariff barriers. The loss of regulatory cooperation led to regulatory fragmentation in the financial services trade. It also caused significant volatility in financial markets, affecting stocks, bonds, and currency markets.

As it is explained above that referendum in 2016 and the formal exit of the UK in 2020 affected the immigrants. After the decision of Brexit, a significant decline was seen in the number of residents who came from the EU to the UK. The uncertainties regarding future residency rights and employment opportunities caused a reduction in the influx of EU workers, particularly in the sectors that were saturated with skilled EU workers, like agriculture, hospitality, construction, health care, and food processing. The Office for National Statistics (ONS) has also indicated that since referendum, of 2016 backflow of immigrants resulted into labour shortage in many industries.

This shortage of skilled labourers caused recruitment issues for the firms, especially for small enterprises and companies. Employers in several sectors faced challenges in filling the vacancies, which ultimately reduced efficiency and outcome, and proved expensive for the recruiters. Yet it did not create unemployment because the EU workforce was replaced with another. The challenge was to find skilled labour. Research by the Bank of England found that Brexit uncertainty slowed hiring intentions and reduced business confidence, particularly in regions and sectors more exposed to EU labour and trade (Bank of England, 2020).

Conclusion:

The study has demonstrated that Brexit has significantly reshaped the political, economic, and social landscape of the United Kingdom. It was not a single event; rather, it was a prolonged process that continued for four years (2016 to 2020), and its aftershocks can still be observed. Brexit characterises these four years as a Transition Period marked by an influx of uncertainties in every sector of the UK, affecting governance, economic performance, and foreign relations. Politically, the Brexit referendum brought debates over equality, national identity, public suffering, and party politics that further led to deepening divisions in the political parties and caused leadership crises. Brexit was more than usual parliamentary debates; it was a challenge to retain the UK's independence with institutional adjustments and good governance without external actors.

Economically, the study highlights how significantly the economy of the UK was affected in the form of currency depreciation, the public who faced a rise in inflation, challenges for Trade, obligating international trading laws with trade barriers (tariffs and non-tariff barriers), and the uncertainty regarding future UK-EU relations. The financial sector is struggling to restructure its system and accommodate its clients within the EU. The challenge for the labour market is losing skilled labour. The investor's inconfidence in business due to policy uncertainties

during the transition period. These problems were evidence that the UK had to face the music in the transition period, even before the formal exit in 2020.

From the scholarly perspective, this study expands the findings in the existing literature by shifting the focus from causes and timeless long-term impacts of the event over the UK towards the immediate impacts of the referendum and the formal exit of the UK from the EU by providing a time-bound analysis of how political decisions translated into immediate economic and institutional outcomes. By combining the political, economic, and social consequences of the study manages to provide a better understanding of the process of Brexit, which is not merely the economic or political dimensions that led to Brexit.

Based on the study, it has been proven that regulatory uncertainty and late policy response were the major factors behind the lack of confidence of the public and corporate sector, which resulted in the shortcomings that the UK faced. Four years is enough time to make changes if there is strong leadership and good governance. During this period, clearer regulatory communication, proactive labour market planning, and stronger coordination with international economic institutions could have mitigated adjustment costs. These observations help explain how policy choices shaped outcomes during the early phase of Brexit rather than prescribing actions for the present.

Finally, this study has some limitations. It focuses on the time-bound study that covers only the events that occurred in that transition period to give minute details of the challenges did faced by the UK and its public after carrying out the referendum, and it affected the EU. Therefore, it does not cover the long-term changes and developments in the post-Brexit era, particularly trade agreements, regulatory divergence, or subsequent policy adjustments. Those later political and economic developments are beyond the scope of this analysis. Future researchers can extend this work by focusing on the events and policies made after 2020, or this study can be used as a case study in comparing the economic disengagement. Inshort, this time-specific study provides a basis for further academic inquiry.

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