

INTRODUCTION

CHAPTER I

A. Background

The organization with close cooperation in the current era is European Union. The European Union form the integration in political and economic in continental Europe with 28 countries and these 28 countries cooperate with many countries as well as other international organizations in many areas. Any 'European' country which fulfils the EU criteria of membership can apply to join the EU. Membership criteria are known as the Copenhagen criteria. These include a free-market economy, a stable democracy and the rule of law, and the acceptance of all EU legislation.

However, Britain is one of the members of European Union and not a founder of European Union. During Britain existence in European Union, Britain's contribution toward European Union is large than other members of European Union. Britain is the country that has given large contribution on funding European Union after Germany, French and Italy. The amount of the payment is 6.5 billion Euros, but the large contribution that has been given from Britain to European Union does not mean Britain got advantage over than other countries in the European Union.

Of all of the industries affected by Britain's membership of the EU, fishing is one of the most significant. The Common Fisheries Policy, which governs where fleets can fish in the EU and sets quotas to conserve fish stocks, is known for being

incredibly unpopular and it made British fishermen leave the EU. It has been widely known that many in the UK fishing industry, particularly skippers and boat owners, are highly critical of the CFP. And, in May 2016, a campaign group called Fishing for Leave was founded, which aims to withdraw from the EU to restore national control over fishing within British waters. There is no organized group of fishermen campaigning to remain in the EU (Various, 2016).

There are about 3 million other EU citizens living in the United Kingdom, while there are 1.2 million citizens of the United Kingdom that are scattered in a number of EU countries. Britons, the term for citizens of the United Kingdom, blame the migrants related to a number of issues such as unemployment, low wages, and the destruction of the education system as well as the health of even a traffic jam. This made the immigrant citizens concerned, but the number of immigrants became one of the “mainstays” for fortress of pro Brexit for elections which caused the vote. They contend the number of immigrants was already too much, mainly from Eastern European countries who are members of the European Union. They argued the immigrant flow can be dammed if the United Kingdom is out of the European Union because it will not be bound to the principle of free movement as defined economic block (BBC, 2016).

In the United Kingdom the four areas namely the United Kingdom, Northern Ireland and Welsh, Scotland, all the cities in United Kingdom chose to exit from European Union, except London, Northern Ireland and Scotland. David Cameron as

the the Prime Minister of the United Kingdom resigned from his post because he got a lot of credits as the man who freed the United Kingdom from the monetary crisis. If Scotland insisted to remain as a member of the EU, it will be doing a second referendum times and this could exclude them from the United Kingdom. In 2014 the people of Scotland had decided to remain part of the United Kingdom. The government is not the one of victim of Brexit, but the head of the United Kingdom Labor party Jeremy Quality appeared to be sitting on a hot seat. 38 members of the ministers and his party resigned and asked him to withdraw. If he can survive it is truly great and wonderful. (Unknown, 2016)

There must be a reason behind the occurrence of United Kingdom leaving European Union. The reasons that appear into the surface could be economical or political reason. But, the thing is, before the referendum, United Kingdom's economy was doing great, even the GDP growth in the United Kingdom was the strongest among all other European Union countries. Besides, the unemployment rate was the lowest after Germany, while the employment number reached its highest level in the first quarter of this year. Rapid decrease occurred in the number of involuntary part time workers, while the number of those with part time job is under average number for developed European economies. So, what issue that might bother the United Kingdom to leave European Union (CNN, 2016).

There are some steps to UK leaving the European Union. The United Kingdom gives two years time limits to decide the leaving. The two years' time limits

started when UK notifies EU invoking article 50 of the Treaty on European Union and will take at least two years from that point. After that, the remaining 27 European Union countries meet to discuss the withdrawal of the United Kingdom. Then negotiations begin between United Kingdom and European Union with draft put to European Council. The draft needs approval from at least 20 countries with 65% of the population, and needs to be ratified by European Parliament. At the end of two years, negotiation can be extended further but only if all 27 countries agree. But, if there is no agreement to extend negotiations then the EU treaties cease to apply to the UK. Finally, in 2016 the UK leaves European Union. After this act of leaving, the United Kingdom Parliament must repeal 1972 European communities Act and replace with new agreement, and if UK wants to go back, it has to apply like any other country (Wheeler, Alex Hunt & Brian, 2016).

The United Kingdom is set to have a referendum by the end of 2017 not to remain in the European Union. This is called in or out referendum may well result in Britain's exit from the EU, colloquially known as 'Brexit'. In January 2013, British Prime Minister David Cameron announced his plan to hold a referendum, meanwhile putting pressure on the EU to change the way in which it works, or at least to alter the rules governing the United Kingdom's EU membership. Cameron stated in November 2015: 'This is perhaps the most important decision the British people will have to take at the ballot box in our lifetimes', and for a change, this may not be an overstatement. The UK government set out its aims to renegotiate the terms of

Britain's EU membership, comprising four demands: (1) allow Britain to opt out from the EU's founding country to forge an 'ever closer union' so it will not be drawn into further political integration; (2) restrict the access of EU migrants to social benefits; (3) offer greater powers to national parliaments to block EU legislations; and (4) ensure that the Eurozone does not become the core of the EU and that non-euro EU member states will not be disadvantaged within the EU (King, 2016).

Brexit specifically, will provoke nationalism to improve sentiment as well as emerging and strengthening of populist leaders and right in the EU with the ambition of power and anti-immigrant favor which is high, thus threatening the EU's political instability. It is estimated that Britain would face a minimum of 7 years of uncertainty during negotiations related to new relations with the EU (Nainggolan, 2016)

One of the great sacrifices is reducing national sovereignty, which has to deal with the interests of the Europe as a whole. Sovereignty is the rebuilding of eroded national a new supranational entity, which involves small countries members, with requirement the burden of external debt, national economic country, even an almost bankrupt. (Wheeler, Alex Hunt & Brian, 2016)

Theresa May as a new Prime Minister in Britain who is against Britain to leave the EU, said "Brexit means Brexit" but there are still a lot of debates about what that will mean in practice especially on the two key issues of how British firms

do business in the European Union and what curbs are brought in on the rights of European Union nationals to live and work in the United Kingdom. Theresa May thought the best deal is needed to trade with the EU in goods and services but more control is needed to lower immigration. Theresa May has said she intended to trigger this process by the end of March 2017, meaning the UK will be expected to have left by the summer of 2019, depending on the precise timetable agreed during the negotiations. Theresa May has set up a new government department, to be headed by veteran Conservative MP and leave campaigner David Davis, to take responsibility for Brexit. Former defense secretary, Liam Fox, who also campaigned to leave the EU, has been given the job of international trade secretary and Boris Johnson, who led the leave campaign, is foreign secretary. (Wheeler, Alex Hunt & Brian, 2016)

B. Research Question

From that explanation about the case of Britain leaving the European Union, we can see and make a research question on the implication of Brexit toward European Union.

What factors of politic and economy that implicate European Union during the occurence of Brexit ?

C. Theoretical Framework

Neo-Mercantilism

Neo-Mercantilism is the next theory of mercantilism that means a policy regime that encourages exports, discourages imports, controls capital movement, and centralizes currency decisions in the hands of a central government. The objective of neo-mercantilist policies is to increase the level of foreign reserves held by the government, allowing more effective monetary policy and fiscal policy.

The old political economy ideas in European Union are subsidiarity. Subsidiarity is an organizing principle that matters and ought to be handled by the smallest, lowest or least centralized competent authority. Political decisions should be taken at a local level if possible, rather than by a central authority. The Oxford English Dictionary defines subsidiarity as the idea that a central authority should have a subsidiary function, performing only those tasks which cannot be performed effectively at a more immediate or local level.

Neomercantilism is founded on the use of control of capital movement and discouraging domestic consumption as a means of increasing foreign reserves and promoting capital development. This involves protectionism on a host of levels: both protection of domestic producers, discouraging consumer imports, structural barriers to prevent entry of foreign companies into domestic markets, manipulation of the currency value against foreign currencies and limitations on foreign ownership of

domestic corporations. While all nations engage in these activities to one degree or another, neo-mercantilism makes them the focus of economic policy. The purpose is to develop export markets to developed countries, and selectively acquire strategic capital, while keeping ownership of the asset based on domestic hands.

This use of protectionism is criticized on grounds that go back to Adam Smith's *The Wealth of Nations*, which was aimed directly at classical mercantilist policies, and whose arguments are applied to neo-mercantilism. That protectionism is effective as a means of fostering economic independence and national stability; and questioning the conclusion that it allows for sustainable development of the nation's industrial base in the most efficient manner. Instead market economics has for over two centuries argued that increasing competition within the nation which will more effectively promote capital development and efficient allocation of resources. "Free traders" argue that by closing an economy, resources will spend duplicating products that could more effectively be bought from abroad, and that there will be less development of exports which offer a comparative advantage. Market economists also argue that protection denies a nation's own consumers the opportunity to buy at cheaper market prices when quotas or tariffs are imposed on imports. (Sorensen, 2016)

Regionalism

Regionalism is a study about integration of some regions which cooperate together to fulfill their common goals. Regionalism is also known as region studies. In the beginning, regionalism appears from the integrations of states that are in a certain region and geography. European Union is one of the global actors of international relations that becomes a startup of new regionalism concept. This journal will give an answer to the relevance of regionalism after United Kingdom choose to withdraw from European Union and its impact to another regional institution. Regionalism is the growth of social integration on the inside. Regionalism is also processes that affect their economic dependence among countries in a region that is “given”.

Brexit will have a wider political impact in the European Union. It does not disturb the dynamics of politics in the country and abroad. It does not have political risk of the European Union nor does it encourage the disintegrative forces in other member countries. Europe will also lose self-esteem and affect the entire world, because the European Union is one of the regional organizations that is almost perfect.

D. Hypothesis

The political and economic implications of Britain Exit toward European Union are

- Brexit will resurge the ideas of neo mercantilism as the principle political economy in European Union after the Subsidiarity ideas.
- European Union as regional forum will receive political impact that will lose the capacity in global political arena.

E. Purpose of Research

The purpose of this research is to describe the followings:

1. The reason why Britain left European Union
2. To see how the government makes a decision to Britain
3. To know the influence of Brexit toward European Union.

F. Research Methodology

This research is using descriptive-qualitative method to describe the point.

The main method of how to collect the data sources for this research could be taken from books, journals, articles, and encyclopedia. Internet is also one of the sources that is used to collect the data, since the internet technology rapidly updates new information or there is a lot of available data source online.

G. Type of research

The research describes qualitatively about Implication of Political Britannia Exit toward European Union. Qualitative research is research procedure that

produces described data such as written words people's speech and the observed behavior. Writer needs to merge two types of research because it needs qualitative data to support and describe the problem as a strong avoidance from the result of research that has to be done.

H. Organization of the Writing

This research will have five chapters that will explain and elaborate:

Chapter I: This chapter explains about background, research question, theoretical framework, hypothesis, research methodology, and organization of writing.

Chapter II: This chapter will explain about Brexit

Chapter III: This chapter will analyze and explain about political condition of European Union

Chapter IV: This chapter will analyze the influence of Brexit to European Union after Brexit

Chapter V: This chapter will conclude all the material from this undergraduate thesis.