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## **Brexit as a Challenge for the European Union**

### *Abstract*

**RESEARCH OBJECTIVE:** This article aims at analysing the results of the EU referendum in the UK and the implications and challenges of Brexit for the European Union.

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**THE RESEARCH PROBLEM AND METHODS:** The basic problem of this publication is the analysis of special status of the UK in the EU, its significance as EU Member State and the immediate effects and future implications of Brexit. The research tools used in the article include literature studies, descriptive and comparative analysis.

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**THE PROCESS OF ARGUMENTATION:** The line of reasoning consists of four essential elements. At first, the UK's membership in the EU is presented, and in particular its special status in the EU as well as the role of the UK's economy in the EU. The next part focuses on the EU referendum in the UK – its results and effects for the British politics. The last two parts concentrate on the analysis of alternatives to membership in the EU and implications and challenges for the EU resulting from Brexit.

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**RESEARCH RESULTS:** Brexit is considered one of the most dangerous events in the global economy (some believe Brexit is more threatening than global financial crisis 2008+). Brexit has created a number of political, economic and social challenges for the EU, which have been intensified by other internal and external threats for the EU.

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**CONCLUSIONS, INNOVATIONS AND RECOMMENDATIONS:**

The situation in the UK and in the EU after Brexit is quite dynamic. It is hard to anticipate all the effects and implications of Brexit. The way the EU negotiates with the UK future British-EU relations will determine its international position. The withdrawal negotiations of the UK will include operational and strategic, legal and financial issues. Brexit will considerably reduce demographic and economic potential of the EU. It will complicate financial aspects of EU integration. Brexit will necessitate reforms of the EU policies. Brexit will also limit political power of the EU.

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**KEYWORDS:**

European Union, United Kingdom, Brexit, Regional Economic Integration

**BREXIT JAKO WYZWANIE DLA UNII EUROPEJSKIEJ**

*Streszczenie*

**CEL NAUKOWY:** Celem artykułu jest przeanalizowanie rezultatów referendum w sprawie członkostwa Zjednoczonego Królestwa w Unii Europejskiej oraz implikacji i wyzwań Brexitu dla Unii Europejskiej.

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**PROBLEM I METODY BADAWCZE:** Podstawowym problemem publikacji jest analiza specjalnego statusu Zjednoczonego Królestwa w Unii Europejskiej, jego miejsca w UE i znaczenia jako Państwa Członkowskiego UE oraz obecnych i przyszłych efektów Brexitu. Narzędzia badawcze wykorzystane w artykule obejmują studia literaturowe, analizę opisową oraz porównawczą.

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**PROCES WYWODU:** Wywód składa się z czterech zasadniczych części. Zaprezentowano członkostwo Zjednoczonego Królestwa w UE, jego specjalny status w UE oraz rolę brytyjskiej gospodarki jako części UE. Następnie omówiono wyniki referendum w sprawie członkostwa Zjednoczonego Królestwa w UE oraz pierwsze efekty dla brytyjskiej polityki. Ostatnie dwie części wywodu skupiają się na analizie alternatyw dla członkostwa w UE w kontekście Brexitu oraz ocenie implikacji i wyzwań, jakie Brexit stwarza dla UE.

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**WYNIKI ANALIZY NAUKOWEJ:** Brexit jest uznawany za jedno z najbardziej niebezpiecznych wydarzeń w globalnej gospodarce (niektórzy uważają, że Brexit jest groźniejszy niż globalny kryzys finansowy 2008+). Brexit stwarza wiele wyzwań dla UE, które są dodatkowo wzmacniane poprzez inne zagrożenia wewnętrzne i zewnętrzne, przed jakimi stoi obecnie UE. Implikacje Brexitu mają charakter polityczny, ekonomiczny, społeczny.

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**WNIOSKI, INNOWACJE, REKOMENDACJE:** Brexit powoduje dynamiczne zmiany w Zjednoczonym Królestwie i w UE. Trudno przewidzieć wszystkie efekty oraz implikacje Brexitu. Sposób, w jaki Unia Europejska będzie prowadziła rozmowy negocjacyjne ze Zjednoczonym Królestwem na temat przyszłych unijno-brytyjskich relacji, zdeterminuje międzynarodową pozycję UE. Brexit istotnie zmniejszy potencjał demograficzny i ekonomiczny UE oraz wymusi reformy unijnych polityk, w tym zmiany w ich finansowaniu. Brexit wpłynie ograniczająco na siłę polityczną UE.

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**SŁOWA KLUCZOWE:**

Unia Europejska, Zjednoczone Królestwo, Brexit, regionalna integracja gospodarcza

### INTRODUCTION

The European Union (EU) is one of the most important regional economic integration groupings in the world. It is an example of both deep and broad integration (Borowiec, 2011; McCormick, 2010; Orłowski, 2016). As a result of gradual enlargement of the EU it evolved into a block of 28 Member States. The majority of them co-operate as eurozone. Eleven out of 28 EU Member States (EU MS) are not inside eurozone (Moussis, 2015). The United Kingdom (UK) constitutes one of the major subjects of the EU. However, it is a member state with a special status, not accepting all aspects of EU integration. 23<sup>rd</sup> June 2016 marked a turning point in the EU history. Negative result of the EU referendum in the UK inevitably changed the future of the EU. The paper aims at discussing the position of the UK in the EU, presenting detailed results of the referendum and making analysis of the effects of Brexit and its implications for the EU.

### THE UNITED KINGDOM AND ITS MEMBERSHIP IN THE EUROPEAN UNION

The United Kingdom joined the European Economic Community, European Coal and Steel Community and European Atomic Energy Community in 1973. In the beginning of the 1990s the UK participated

in creating European Union. However, the UK's membership in the EU can be described as an arm's-length relationship. The UK has never been keen on deepening the EU integration. The UK has always been restraint in delegating authority to the EU institutions. The UK has always been for the inter-governmental model of integration and decision making (Moussis, 2015). It has resulted in a sort of a special status in the EU: the UK is not a part of eurozone, the UK does not belong to Schengen area, the UK did not sign Fiscal Pact in 2011, the UK enjoys the opt-out possibility in the case of Home and Justice Affairs (the UK's co-operation on issues of international security, helps tackle crime and terrorism across borders to keep the UK safe, while keeping the legal right not to take part in EU measures that are not in UK's national interest), the UK benefits from the so called British rebate, i.e. permanent annual rebate on payments to the EU budget that reduces the UK's contribution to the EU budget, and last but not least the UK citizens can live, work and travel freely across the EU, but the UK has the power to take action where there is abuse of its welfare or immigration systems ("Alternatives to...", 2016).

Nonetheless, the UK is considered one of the main members of the EU. Table 1 presents the EU, the UK and the UK as part of the EU in terms of total area, population, GDP, engagement in international merchandise trade and trade in commercial services, as well as participation in international transfer of capital in the form of foreign direct investment (FDI). The total area of the UK amounts to almost 250 thousand square kilometers, which represents 5.6% of total area of the EU. With almost 65 million people the UK's share in the EU population is close to 13%. What's more, the UK represents 17.5% of the EU's GDP (In 2015 the UK's GDP amounted to USD 2850 million). When it comes to participation in international trade in goods and services the significance of the UK is the biggest: the UK stands for 23% of the EU merchandise exports and for almost 33% of the EU merchandise imports; the UK accounts for almost 38% of the EU commercial services exports and for more than 28% of its commercial services imports. In 2015 inward FDI stock in the UK amounted to around USD 1460 billion, i.e. 18.7% of inward FDI stock in the UE. At the same time outward FDI stock for the UK reached USD 1538 billion, which stood for 16.5% of outward FDI stock for the EU.

Table 1  
*The United Kingdom as part of the European Union – selected issues*

Specification	European Union	United Kingdom	UK as part of EU
Total area (thousand sq. km)	4463.4	248.5	5.57%
Population (million)	508.4	64.9	12.8%
GDP (million USD)	16302.0	2848.7	17.47%
GDP <i>per capita</i> (USD)	34786.0	44106.0	
Merchandise exports (billion USD)	1985.0	460.5	23.2%
Merchandise imports (billion USD)	1913.7	625.8	32.7%
Commercial services exports (billion USD)	914.7	345.0	37.7%
Commercial services imports (billion USD)	732.3	207.7	28.4%
Inward FDI flows (billion USD)	439.5	39.5	9.0%
Outward FDI flows (billion USD)	487.1	-61.4	
Inward FDI stock (billion USD)	7773.0	1457.4	18.7%
Outward FDI stock (billion USD)	9341.8	1538.1	16.5%

Source: UNCTAD (2016), WTO (2016), GUS (2016).

Table 2 presents main socio-economic indicators for the EU and the UK in 2015. With respect to demographic indicators the situation in the UK was better than the EU average: in 2015 the UK noted natural increase of 3.2‰, while the average natural increase for the EU28 was only 0.4‰; life expectancy in the UK reached 81.4 years and the average for the EU28 was 80.9 only. What’s more, the share of population aged 30-34 with tertiary education in the UK amounted to 47.5%, i.e. almost 9 percentage points higher than the EU28 average (which was 38.7%). The situation on the British market of labour was also better than the EU average: employment rate in the UK reached 76.9% and for the EU28 it was 70%; unemployment rate in

the UK was pretty low – 5.3% and the EU28 average equalled 9.4%. The UK noted 2.3% GDP growth, while the average GDP dynamics for the EU28 was 1.9%. Harmonized index of consumer prices in the UK equalled the EU28 average. Gross domestic expenditure on R&D on the level of 1.7% GDP positioned the UK below the EU28 average (which exceeded 2% GDP in 2015). The analysis of public finance sector in the UK showed considerable general government deficit and general government gross debt: the UK noted general government deficit amounting to 4.3% GDP (the average deficit for the EU28 was much lower – 2.4% GDP) and general government gross debt over 89% GDP (while the EU28 average equalled 85%). The importance of trade with the EU constituted another element of the analysis. The share of exports to the EU constituted 44.5% of total UK's exports; imports from the EU represented 53.6% of total UK's imports. The average for the EU28 was much greater both in the case of exports and imports – it exceeded 63%. The importance of Single European Market for the UK is much greater than the significance of the British market for the EU; it may become an important element during EU-UK withdrawal negotiations.

Table 2

*Main socio-economic indicators for the European Union and the United Kingdom in 2015*

Specification	European Union	United Kingdom
Natural increase	0.4‰	3.2‰
Life expectancy*	80.9	81.4
Employment rate	70.0 %	76.9%
Unemployment rate	9.4%	5.3%
GDP dynamics (previous year =100)	101.9	102.3
Harmonized index of consumer prices (previous year =100)	100.0	100.0
Gross domestic expenditure on R&D	2.03% GDP	1.70% GDP
Share of population aged 30-34 with tertiary education	38.7%	47.5%
General government deficit (-) /surplus (+)	-2.4% GDP	-4.3% GDP
General government gross debt	85.0% GDP	89.1% GDP

Share of exports to the EU in total exports	63.2%	44.4%
Share of imports from the EU in total imports	63.3%	53.6%

\* – 2014

Source: EUROSTAT (2016), GUS (2016).

### EUROPEAN UNION REFERENDUM IN THE UNITED KINGDOM

In January 2013 David Cameron promised the British society to organize EU referendum if Conservative Party wins the 2015 general election. On February 20<sup>th</sup>, 2016 Prime Minister D. Cameron officially set the date of referendum: 23<sup>rd</sup> June, 2016. The question asked in 2016 referendum was: “Should the UK remain a member of the European Union or leave the European Union?” The EU referendum in the UK was organized in accordance with Article 50 (Lisbon Treaty => Treaty on European Union & Comments => Title 6 Final Provisions => Article 50). According to Article 50

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements. 2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament. 3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period. 4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of

the European Council or Council or in decisions concerning it. (...) (Lisbon Treaty, 2007, Article 50).

Table 3  
*The EU referendum results by regions and nations*

Region/Nation	Leave the EU	Remain in the EU
Scotland	38.0%	62.0%
Northern Ireland	44.2%	55.8%
Wales	52.5%	47.5%
England	53.4%	46.6%
South East	51.8%	48.2%
London	40.1%	59.9%
North West	53.7%	46.3%
East	56.5%	43.5%
South West	52.6%	47.4%
West Midlands	59.3%	40.7%
Yorkshire and the Humber	57.7%	42.3%
East Midlands	58.8%	41.2%
North East	58.0%	42.0%

Source: BBC (2016b).

The EU referendum took place on June 23<sup>rd</sup>, 2016 as planned. Over 30 million people voted, which means that the turnout was high at 72.2%. 51.9% (over 17.4 million) voted “*leave*”, while 48.1% (16.1 million) voted “*remain*” (BBC, 2016c). The referendum results differed a lot by regions and nations. “*Leave*” option won in Wales (52.5% voted “*leave*”) and England (53.4% voted “*leave*”). On the other hand, “*Remain*” option won in Scotland (62.0% voted “*remain*”) and Northern Ireland (55.8% voted “*remain*”). One should add, that the situation in England was quite diversified: seven regions voted for Brexit, while London voted for the UK in the EU (In London 59.9% voted “*remain*” and only 40.1% voted “*leave*”) (see table 3).

Age was another key factor determining the way the UK citizens voted. In general older voters were more likely to vote for Brexit and younger voters more often decided to vote for the UK in the EU.

The results of the referendum by age groups are presented in table 4. In the age group 18-24 73% voted “remain” and only 27% voted “leave.” On the other side, in the age group 65+ 60% voted for Brexit and only 40% for the UK in the EU (BBC, 2016b).

Table 4  
*The EU referendum results by age groups*

Age group	Leave the EU	Remain in the EU
18-24	27%	73%
25-34	38%	62%
35-44	48%	52%
45-54	56%	44%
55-64	57%	43%
65+	60%	40%

Source: Lord Ashcroft Polls, BBC (2016b).

The referendum was organized in nearly 400 voting areas. In 270 counting areas “Leave” option won and “Remain” option came first in 129 counting areas. “Leave” option was the strongest in the following nine voting areas, where more than 70% voted for Brexit: Boston (75.6%), South Holland (73.6%), Castle Point (72.7%), Thurrock (72.3%), Great Yarmouth (71.5%), Fenland (71.4%), Mansfield (70.9%), Bolsover (70.8%), East Lindsey (70.7%). “Remain” option was the strongest in the following 17 voting areas, where 70% or more voted for the UK in the EU: Gibraltar (95.9%), Lambeth (78.6%), Hackney (78.5%), Foyle (78.3%), Haringey (75.6%), City of London (75.3%), Islington (75.2%), Wandsworth (75%), Camden (74.9%), Edinburgh, City of (74.4%), East Renfrewshire (74.3%), Belfast West (74.1%), Cambridge (73.8%), Southwark (72.8%), East Dunbartonshire (71.4%), Oxford (70.3%), Hammersmith and Fulham (70%) (BBC, 2016b).

The outcome of the referendum resulted in a number of political actions taken in the UK and by the EU institutions. Prime Minister D.Cameron officially informed the European Council about the outcome of the referendum in the UK on June 28<sup>th</sup>, 2016 (European Council, 2016b). One of direct and immediate effects of the EU referendum result was the change of a person on Prime Minister position in the

UK: D. Cameron has been changed by Theresa May. It seems quite important to note that Boris Johnson, former Mayor of London and declared Brexiteer, was appointed UK Foreign Secretary by T. May (BBC, 2016a). In addition to that David Davis was appointed Secretary of State for Exiting the European Union by Prime Minister T. May. (Malhotra, 2016).

Both the European Commission, the European Parliament and the European Council took actions with regard to Brexit. President of the European Commission, Jean Claude Juncker appointed Michel Barnier as Chief Negotiator in charge of negotiations with the UK on July 27<sup>th</sup>, 2016. In September European Commission decided to set up a Task Force for the preparation and conduct of the negotiations with the United Kingdom (i.e. "Article 50 Task Force"). M. Barnier took up his duties as Chief Negotiator on October 1<sup>st</sup>, 2016. He is ranked at the Director-General level (European Commission, 2016). What's more, European Parliament appointed Guy Verhofstadt to lead negotiations concerning the UK's withdrawal. The appointment was announced by European Parliament President Martin Schulz after a meeting of political group leaders in Brussels on September, 9<sup>th</sup> 2016 (Banks, 2016). President of the European Council, Donald Tusk called for the UK to take immediate actions and officially notify the will to withdraw from the EU. The EU leaders agreed not to negotiate with the UK until the government invokes Article 50. T. May revealed to the public the plans of her government to trigger Article 50 by the end of March 2017 (Czarnecki, 2016). The whole situation, however, became even more complicated in the beginning of November 2016 because of the High Court ruling on Article 50. According to the High Court the British government must consult Parliament before proceeding with formal negotiations over its withdrawal from the EU (Armstrong, 2016). It is quite likely that an appeal will be presented by the Government to the UK Supreme Court (Tolhurst, 2016).

## ALTERNATIVES TO FULL MEMBERSHIP IN THE EUROPEAN UNION

As far as withdrawal negotiations with the UK are concerned, the existing models of European Union relations with non-EU states,

which constitute alternatives to full membership may be taken into consideration (Borońska-Hryniewiecka, Kaca, Płóciennik & Toporowski, 2016). The following scenarios of co-operation with the EU should be considered:

- Norway model,
- Switzerland model,
- Turkey model,
- Canada model.

Norway model is based on European Economic Area (EEA). Norway's membership in the EEA means it has to respect four freedoms: free movement of goods, services, capital and people. In addition to that Norway has to comply with EU regulations regarding the above mentioned four freedoms, as well as EU competition and state-aid rules, EU regulations regarding company law, consumer protection, environmental protection, social policy and other areas. Norway does not have full access to the EU market: there are some limitations in the case of agriculture and fisheries. EU-Norway relations do not include creating customs union. Norway has the right to deal with autonomous foreign trade policy. Norway is a member of Schengen area. As a member of European Economic Area Norway has to adjust its domestic regulations in the field of single market to the EU's law. It seems important to note that Norway is obliged to make a significant contribution to the EU budget but it has no representatives in EU institutions ("Alternatives to...", 2016).

Switzerland model results from a number of agreements concluded between the EU and Switzerland. Switzerland does not participate in European Economic Area. It has partial access to Single European Market. The exceptions include agricultural products, professional services like legal services, auditing, accounting. Switzerland used to respect free movement of people but after 2014 referendum it introduced quotas. Switzerland used to participate in EU educational and research programmes (e.g. ERASMUS), now it is not included in ERASMUS+ or HORIZON 2020. Switzerland is in Schengen zone. Switzerland does not have to adjust its regulations to the EU ones. Switzerland is not represented in the EU institutions. Swiss contribution to the EU budget is much lower than the one of Norway (Borońska-Hryniewiecka, Kaca, Płóciennik & Toporowski, 2016).

Turkey model is based on customs union between the EU and Turkey. The EU-Turkey customs union embraces manufactured goods and processed agricultural products. Turkey is not a member of Schengen area. Turkey is not represented in EU institutions. It co-operates with the EU in the area of foreign and security policy. In the beginning of 2016 Turkey decided to support the EU in the field of fighting migration crisis. It should be noted here that Turkey applied for EU membership in 1987 and started accession negotiations in October 2005 (“Alternatives to...”, 2016).

Canada model can be described as an extended free trade area. It is based on Comprehensive Economic and Trade Agreement (CETA). CETA agreement includes provisions on market access for goods, services, investment and government procurement, as well as on intellectual property rights, sanitary and phytosanitary measures, sustainable development, regulatory cooperation, mutual recognition, trade facilitation, cooperation on raw materials, dispute settlement and technical barriers to trade. CETA agreement, however, does not include free movement of people or free movement of investment in banking sectors. CETA agreement does not provide for Canada’s participation in EU institutions. CETA agreement will be applied on a provisional basis once the European Parliament has consented to its conclusion, pending ratification by all of the member states (Council of the European Union, 2016a; Council of the European Union, 2016b).

In addition to that one should also consider other scenarios of UK’s cooperation with the EU after it exits the EU:

- Free trade area;
- Relations based on World Trade Organization only;
- Completely new model of relations, being a result of EU-UK withdrawal negotiations.

According to my opinion, it is unlikely for the EU and the UK to fully adopt Norway model, Switzerland model, Turkey model or Canada model. I think the future EU-UK co-operation will be based on a completely new model of relations. The possible options range from Norway plus model (i.e. quite deep relationship) to bare WTO membership (the most significant break of economic ties). Both the UK and the EU will try to balance advantages and disadvantages of a new form of relationship (Walker, 2016). The new form of the relationship between the UK

and the EU is unknown and uncertain. Is a soft, flexible Brexit possible? Or should we anticipate a hard Brexit? (Milliken, 2016; O'Toole, 2016). Will T. May prioritise strong immigration controls and a substantial reduction of contributions to the EU budget over continued access to the single market? (Dennison, 2016). Will it be possible to negotiate the withdrawal of the UK and reach the agreement of reciprocal benefits? Undoubtedly, the EU will do its best to protect its integrity. It has to prevent further disintegration of the block: if it agrees for too many concessions, it may result in "a domino effect" and similar disintegration tendencies in other EU Member States. (PAP, 2016a)

### CHALLENGES FOR THE EUROPEAN UNION AFTER BREXIT

Brexit creates challenges for both the United Kingdom, the European Union and its Member States (Castle, 2016; Goyder, 2016; Haskins, 2016; Jones, 2016; McBride, 2016; McDonald, 2016; McDonald & Duncan, 2016; O'Carroll, 2016a; O'Carroll, 2016b; Roberts & Smith, 2016; Worstall, 2016). As far as the EU is concerned Brexit generates political, economic and social consequences for the block. The decision of the British society has been widely commented across Europe (PAP, 2016e) and worldwide (PAP, 2016c). The implications of leaving the EU for the British economy had been studied even before the referendum (Springford, Tilford & Whyte, 2014; Irvin, 2015).

A highly negative impact of Brexit on the EU must be viewed in both short-term horizon and long-term one. Brexit adversely affects the EU in economic, political, social and financial aspects. The effects of Brexit include:

- weakening political and military power of the EU (the UK spent USD 57 billion, i.e. 2.4% GDP on military purposes in 2013);
- reduction of demographic potential of the EU (by 65 million, i.e. 12.8%);
- reducing economic potential of the EU (reduction of GDP by 17.5%, reduction of merchandise exports by 23% and reduction of commercial services exports by almost 38%);
- reducing the EU budget (as a result of Brexit the EU will lose an important net contributor: in 2015 the UK paid GBP 13 billion

to the EU budget and received GBP 4.5 billion, which means net financial effect for the UK amounted to minus GBP 8.5 billion; if not for the British rebate it would have been minus GBP 13.5 billion) (European Commission, 2016b).

The result of Brexit referendum was instantly reflected in the reaction of stock markets and and response of currency market (MacKenzie & Platt, 2016). It is expected that the UK's decision to leave the EU will reduce eurozone's GDP by 0.5% in the years 2016-2017 by fuelling uncertainty, hurting trade and tightening monetary and financial conditions (De Vijlder, 2016). Brexit will adversely affect export activity, supply chain, investment and policy interests of many large corporations which operate on the territory of the European Union (in that on the British market). All EU Member States will feel the political and economical impact of Brexit, though they will be affected in different ways and to different extents depending on the so far relations with the UK (Irvin, 2015).

Brexit has already resulted in weakening the image of the EU in Europe and in globalized world economy (Broniatowski, 2016). What's more, Brexit should be viewed as a threat for the integrity of the European Union: the disintegration of Europe, in a political and ideological sense. Therefore the EU has to prevent domino effect (Orłowski, 2016; PAP, 2016b). It should also intensify actions directed towards increasing cohesion of the EU. It will be necessary to reform common policies and the way they are financed.

The long-term economic impact of Brexit is uncertain and unclear. It will largely depend on the new form of relations between the EU and the UK. It seems necessary for the EU to negotiate hard with the United Kingdom. Being too soft in relations with the UK government could be too expensive for the EU in the long run (it could result in other Member States' decisions similar to Brexit) (PAP, 2016a; PAP, 2016d). On the one hand, the EU should try to keep its links with the UK in the areas where all will benefit from co-operation. On the other, however, the EU must clearly distinguish the areas where being too accommodating to the UK would be dangerous.

It is important to mention a number of elements which strengthen the negative effects of Brexit. The EU struggles with plenty of other challenges (Daianu, 2016; Pawlas, 2016):

- economic instability following global financial crisis 2008+;

- unresolved dilemmas of the eurozone;
- rising general government gross debt in many EU Member States;
- unemployment, in that high level of youth unemployment;
- social and economic insecurity;
- insufficient innovativeness of the EU against the background of the US, South Korea, Japan;
- need to counteract climate change and to build “green economy” in Europe;
- situation in Ukraine (lasting tensions in Eastern Ukraine);
- situation in Middle East and North Africa;
- foreign policy of Russia;
- global terrorism, terrorist attacks in EU countries;
- migration / refugees crisis;
- rising nationalism, xenophobia in Europe;
- current events in Turkey;
- changes on the political scene in the US – unpredictability of D. Trump’s presidency (Becker, 2016; Kroet & Winneker, 2016).

The Bratislava Summit of 27 Member States took place on September 16<sup>th</sup>, 2016 and was devoted to diagnosing the current state of the EU and discussing the priorities for the future. In the Bratislava Declaration they admit that the EU is not perfect but at the same time they agree it is the best instrument they have for addressing the new challenges (European Council, 2016b). The Bratislava Roadmap stressed the importance of showing unity and ensuring political control over developments in order to build the common future. It prioritized the needs to: fully control migration and protect external borders, support Member States in ensuring internal security and fighting terrorism, strengthen EU co-operation on external security, promote economic and social development. In addition to that the importance of loyal co-operation and communication of Member States and institutions was underlined (European Council, 2016c).

## CONCLUSION

Brexit is a difficult lesson for Brussels. The European Union is in “a critical situation” not only because of the Brexit referendum but

also because of other internal and external threats and challenges. The EU has to respond to a number of external conflicts and crises. Brexit means the end of the EU we know. Brexit finishes the period when the EU gravity was so strong that it resulted in successive enlargement of the EU with no disintegration cases. Brexit may stimulate attempts of some EU Member States to integrate even more deeply. At the same time other EU Member States may try to increase the role of national states in the EU. Brexit disrupted internal political dynamics of the EU. Brexit necessitates introducing difficult reforms of the EU itself. It happens in a difficult period for the EU: the EU is weakened by global crisis 2008+ and its negative effects and it is receded by numerous other internal and external challenges. Brexit may induce domino effect: it may encourage disintegrative forces in other EU Member States. Brexit adversely affects the international position of the EU both in Europe and in the global economy: as a result of Brexit the EU has lost esteem and influence around the world.

It is hard to predict all the implications of Brexit for the EU. A lot will depend on the way the EU negotiates with the UK its disintegration and future relations with the EU. It is important to observe the actions taken in the UK, the EU and its other 27 Member States. It is necessary to observe the development of EU-UK relations and to participate in their creation through the activity in EU institutions. When the UK actually leaves the EU it will be necessary to adjust co-operation with the UK to new realities. The role of European Union integration for the development of the Polish economy necessitates participation in attempts aiming at strengthening EU international position and improving its internal power thanks to the introduction of necessary reforms.

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