International Journal of Education, Vocational and Social Science
https://e-journal.citakonsultindo.or.id/index.php/IJEVSS
E-ISSN : 2963 4954
IJEVSS

Post-Brexit Regionalism

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Abstract

British Exit (Brexit) is an issue that occurred after the British government's statement leaving the European Union. The main driving factor for British society to leave European Union membership is many waves of immigrants entering the UK. This study uses a research method with a qualitative approach in a causal way to show a reciprocal relationship. The research results show thatBrexitincluded in the regionalization group, which significantly impacted trade and political relations between the United Kingdom and other countries, including Indonesia. The negative impact of Brexit on the UK is that it will affect the economy, which threatens global growth, the decline in the value of stocks, and the money market in England is increasingly experiencing a crisis. At the same time, the impact of Brexit on Indonesia will make it difficult for Indonesia to export its production goods to Europe and a decline in the exchange rate of the Rupiah. On the other hand, Brexit will also positively impact Indonesia because the instability of global market conditions can provide opportunities for funds to enter Indonesia through tax amnesty.

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Keywords: ***Regionalism, British Exit, Global threats***

INTRODUCTION

The instability of the European Union is caused by problems that occur within and outside the European Union. The Nobel Award won in 2012 does not rule out the possibility that the European Union has failed to manage the economy. This was proven in 2008 when the debt crisis experienced by the Greek state spread to European Union members. The countries affected included Ireland and Portugal, which caused Europe to experience disruption in the government's economic sector, increasing the debt burden, which grew so that the European government's financial industry weakened (Winarno, 2011: 1).

The type of regionalism is based on the European Union (EU) geographic proximity group. The organization is an intergovernmental and supranational organization formed by several European countries. Since Croatia joined on July 1, 2013, there have been 28 member states of the European Union. The European Union has similarities in form with other independent countries, for example, its currency, flag, national anthem, date of formation, and various forms of domestic and foreign policy that the European Union called more integrated regionalism (Europa.eu, 2013). The European Union is considered a role model by regional integration initiatives at the international level. There were several awards carried by the Soviet Union, one of which was an award in 2012 that won the Nobel Peace Prize (Bbc.co. UK, 2012). Based on information obtained from the Bank for International Settlements (BIS), Greece's critical economic conditions also affected and spread to other European Union countries, including Britain, France, Italy, and Germany. From the Financial Stability Report, financial assistance of 750 billion Euros (USD 1 trillion) by the EU and the International Monetary Fund (IMF) aims to improve economic conditions due to the increasing burden of Greece's state debt. BOF explained that these conditions could affect and harm the UK economy (Okezone.com, 2010). These problems made the situation of the British government warm up. The emergence of the British Exit (Brexit) has increasingly focused on the impact of existing problems. Moller (2014:

On January 1, 1973, England officially became a member of the ECSC (European Coal and Steel Community) even though it was under heated debate. ECSC (European Coal and Steel Community) then changed its name to EC (European Community) (Young, 2000, p. 106). The debate peaked again after Britain joined the European Union two years later. Harold Wilson replaced Edward Heath as Prime Minister who held the referendum. The referendum determines

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whether or not the renewal stage is appropriate and the continuation of UK membership in the EC (European Community) (Lewis, 2013, p. 17).

The results of the referendum in 1975 and Macmillan's success in realizing the EEC / EC membership policy differed from the ends of the UK towards a good country when European integration was formed. Margaret Thatcher served as British Prime Minister starting in the late 80s. Thatcher is part of the Conservative Party with eurosceptic thinking. According to her, Britain is unfit to comply with the rules made by the European Union (Gifford, 2008: 83). This is because Britain has always been known as a country that emphasizes its ethnocentric feelings.

Thatcher's reign began as Britain's political isolation from Europe grew. Three forms of Thatcer's foreign policy are considered, including making Britain still respected as a controlling country with nuclear weapons that has a permanent position as the UN Security Council (DKPBB), secondly, strong interaction with the United States of America, thirdly not having European unity in depth (Evans, 2003, p. 53). The British integration controversy consisted of pros and cons, which heated up when the EU suggested establishing a common currency through the EMU (Economic Monetary Union). Previously the controversy was divided into two kinds: those who support Europe and those who are anti-Europe. Those anti-Europeans want to expel Britain from EU membership in addition to their wish to criticize Britain. The controversy arose when EMU/euro formed a new group. The party rejects the convergence rules applied by the EMU and does not approve of the euro's existence to set aside the pound but does not want to leave EU membership (Forster, 2002, p. 107).

Forster (2002: 12) divides the anti-EMU/euro group into four types of groups, namely, the counterparty group, the non-party counter group, the anti-EU counter group, and the anti-EMU counter group. The UK did not agree to adopt the euro due to worsening economic conditions after becoming part of the ERM (Exchange Rate Mechanism). ERM is a mechanism whose objective is to condition currency exchange rates to remain normal by regulating interest rates. ERM's failure was caused by the British government's mistake in choosing a decision that worsened the economy. This was used as an excuse by the cons to influence the government's decision to reject the adoption of the euro.

This happened when the British state was experiencing a debate regarding European integration that was taking place at the time the European Union still has the name ECSC (European Coal and Steel Community). In 1950 Clement Attlee from the Labor Party, who led the British government, tried to take a role when planning the formation of the ECSC, but Atlle did

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not respond because he considered that the cooperation formed with the ECSC deviated from the principles of nationalism applied in England.

Cameron revealed that the election of former Prime Minister of Luxembourg Jean-Claude Juncker as President of the European Commission meant that Britain would not be responsible for the existence of its members who were part of the EU. Cameron is seen as agreeing with the idea of a European Federation. This was seen as destroying Cameron's wishes because reformers would lead the EU to strengthen relations between the EU and the UK (Kompas.com, 2014).

The existence of a survey that maps public opinion regarding the issue of British Exit shows that the issue of British Exit is not only a hot issue in the political field but also affects layers of public issues. The ICM (Independent Communication and Marketing) Research Institute conducted the survey in 2012. The survey was intended to see the response of the British public to the country's membership status in the European Union. The survey results show that 51 percent of respondents want Britain to leave the European Union, 40 percent still want to join, and the rest do not respond. It can be seen that more than half of Britons want to leave the European Union (Merdeka.com, 2012)

Ipsos MORI (Market & Opinion Research International) conducted a survey showing that 54 percent of Britons chose to be willing to settle in the 28-country part of the bloc, while 37 percent preferred to leave. Meanwhile, the survey results conducted with the same question in November 2013 showed that 48 percent of respondents wanted Britain to leave the European Union, and only 44 percent chose otherwise (Republika.co.id, 2014).

In an excerpt of Cameron's speech on January 23, 2013, he said he would carry out a referendum on Britain's membership in the European Union. Cameron promised to hold a referendum, but in reality, the referendum did not go well because the British parliament declared that the winner, the Liberal Democrats, boycotted the legislation (Cnnindonesia.com, 2014).

British Exitsarises because it is influenced by several influences that do not arise by natural processes. The notion of constructivism states that there are interrelated constructions that occur in the international world by prioritizing the ideational aspect compared to the material. Researchers revealed that Euroscepticism. Euroscepticism has a historical story in England that is not short and has a strong foundation in establishing all policies related to the European Union (Paul, 2014: 7). Based on the background of the problem, the purpose of writing this paper is to analyze the impact of Brexit on the UK and Indonesia.

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METHOD

Researchers use research methods with a qualitative approach to answer this research. Qualitative research is adapted to constructivism research. There are two types of constructivism research, namely causal and constitutional methods. The causal way shows a reciprocal relationship, while the constitutional way aims to explain the meaning of something. This research chooses a causal way of thinking to understand and discover knowledge and insights from the studied phenomenon.

DISCUSSION

Regionalism

Regionalism is a form of cooperation between several countries to form a policy to realize the nation's hopes. Regional aims to unify the realization of national goals in a regional area's political, economic, strategic, and cultural geographic fields based on the region's norms, values , and trends (Fawcett, 2005, p. 24). There is a shared form of norms, and high interdependence, which opens opportunities for other countries to join to create peace. So that other countries wish to join, especially in the security community, because there are legal norms, political experience, and regional areas that are not far apart (Tsuciyama, 2002: 88). The forms of regionalism are divided into five groups, shown in the following figure:

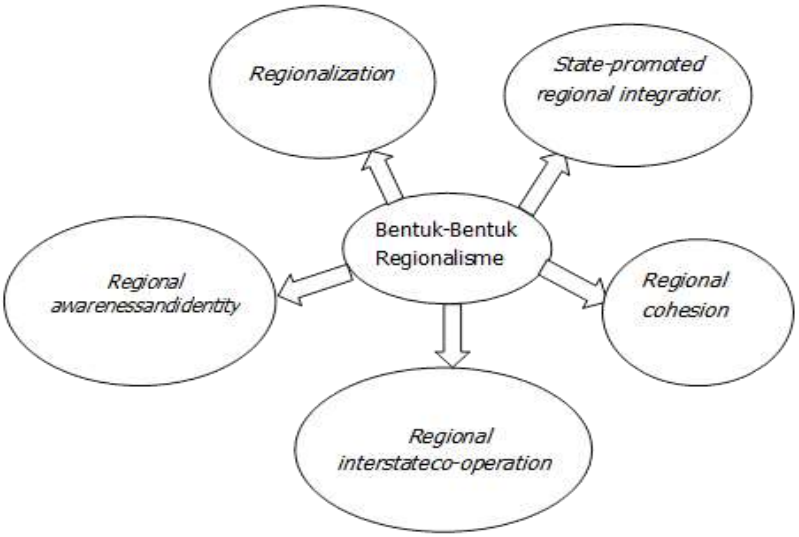


Figure 1. Regionalism Forms

Sumber: Steven In Winarno, 2011

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A regionalization is a group that leads to conditions of social and economic relations in an area that are not going well. The experts said that regionalization is an informal integration, while contemporary analysts argue that regionalization leads to soft regionalism, which means an emphasis on the stages of autonomy due to the close interaction in a geographical area compared to other regions. Regional awareness and identity, namely subjective restrictions on all regions (regions), and understood in the context of cognitive regions. Regions are a society that emphasizes their superiority and ignores other characteristics. Regional interstate cooperation is a negotiation activity to reach an agreement between nations or governments in a region. Cooperation from several regions spurs the formation of several official institutions and often becomes a loose structure. Moreover, includes patterns of meetings that are binding and sustainable. State-promoted regional integration includes approval of government policies aimed at minimizing the exchange of goods, services, capital, and people (mutual exchange of goods, services, capital, and people). Specific processes, opportunities, and relationships occur in the other four processes (Steven in Winarno, 2011). Based on this grouping, Brexit is included in the regionalization group because the emergence of Brexit caused the European Union's failure to process the economy to a crisis, so the UK wanted to leave the European Union membership.

Impacts Of Brexit On The Uk

From a political point of view, Brexit has formed three types of divisions, including European countries, parties in the UK, and the British population. One of them is the figure of Prime Minister David Cameron and former Mayor of London, Boris Johnson. PM Cameron and Johnson generally have the same attitude, but because of Brexit, the unity of the political parties has split. There is a split opinion regarding the existence of Brexit. Johnson wants Britons to leave the European Union (EU), and PM Cameron is campaigning to express a desire not to leave the United European Union (EU)(Nainggolan, 2016: 6). On June 23, 2016, the UK held its last referendum after 1975. The British public agreed that as much as fifty-two percent leave the European Union (Irwin, 2015). Britain is a powerful entity in increasing the glory of the European Union. The public believes the European Union is a business partner for strategically developed countries. It is suspected that the loyalty of the European Union will decrease. The main driving factor for British society to leave European Union membership is many waves of immigrants

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entering the UK, so the British people think that by leaving the UK from the European Union, the immigrant problem can be resolved (Mediaindonesia.com, 2016).

British public anxiety about the lack of jobs and the high crime rate due to different population backgrounds. Immigrants also feel that their existence will be threatened post-Brexit. Hate speech through words that have directly or indirectly intimidated them. The British economy experienced a setback in crisis. Food supplies are hampered, and many industries and businesses need more workers because foreigners have absorbed them. The views of the British people are divided into several arguments because of Brexit. The argument is divided into views on seeing opportunities; some are worried about the adverse effects. The pros and cons have a balance point in terms of quantity. The pros think that the UK will develop more and positively impact its members. Besides that, the UK is also considered to have given up its identity as a member of the EU. In addition, Britain's national sovereignty will be regained, and it will be able to establish economic relations with China, India, Russia, and others through the WTO. With this relationship, job opportunities will be available, and immigrant control can be monitored (Nainggolan, 2016: 6). The views of the counterparties argue that the UK no longer gets protection from the EU, especially in the social field. England must give freedom to immigrants through a network of markets so that tax payments will be reduced.

Investors are looking for a safer investment instrument by diverting investment from the Pound Sterling so that the value of the Yen and French Franc, and gold gets more robust. It is feared that Brexit will pressure German banks, which have close ties with Britain. Besides that, Germany will also provide an opportunity for Frankfurt and Paris to shift London's position, which plays a vital role in Europe as a strategic financial center. With Brexit, business opportunities from the UK will move to EU countries and other parts of the world (Nainggolan, 2016: 7).

Table 1.Comparison Between Pros and Cons Brexit

Issue	Pros of Brexit	Cons of Brexit
Export-Import	The United Kingdom (UK) can open trade agreements with other major countries more broadly without ties as a member of the EU.	Exports to other EU member countries dominate UK exports. UK membership in the EU gets export tariff-free facilities in non-tariff barriers.

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Authority in Drafting regulations	Authority over employment, health, and safety regulations rests entirely with the UK government.	The existing regulations so far refer to EU standards and have provided business benefits for the UK. The presence of the UK in it is expected to influence the drafting of regulations.
Labor	No longer following EU standards which require the UK to open up opportunities for immigrants from Regional countries. With this flexibility, the UK can filter incoming immigrants to get better quality human resources, especially for those outside the EU.	Leaving EU membership does not necessarily reduce the flow of immigrants from fellow EU members.

Source: Ministry of Finance of the Republic of Indonesia, 2016

The UK's national finances experienced a US $ 42.4 billion burden or 30 billion Pounds Sterling. The income tax that must be increased and the existence of budget cuts mainly guarantees in the national health sector through the National Health Service, have implications for the UK's financial sector. In addition, the increasing number of Brexit supporters has made the financial market in England increasingly experience a crisis. This led to a reduction in spending on schools, hospitals, and the British armed forces. The reduction in the budget will affect the British people's welfare level. The negative impact of Brexit was shown in 2008 when the volatility index was at its highest since the crisis. The impact of Brexit has affected the economy, threatening global growth and declining stock values, causing panic among investors.

Even though the presence of the UK in Europe plays an important role, the UK has the most significant economic potential in the world, and about 50% of UK economic activity is related to the EU. Therefore, the increasing issue of Brexit has resulted in increasingly unstable money market conditions and capital flow conditions (Nainggolan, 2016: 7). It is predicted that England will experience a downturn, but on the other hand, the UK will also have a good impact given that the repayment of British debt is denominated in Pounds. The declining value of the pound sterling will strengthen the UK's export competitiveness because local production, for

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example, cocoa and natural gas contracts, are exported using the pound sterling-denominated system. On the contrary, if viewed from a specific angle, the occurrence of Brexit has made the national level more sensitive. Brexit is also considered to improve the condition of the national economy. In addition, the strong desire for power and anti-immigrant attitudes threaten the EU's political stability. The UK is not expected to get clarity on its relationship with the EU for at least the next seven years (Nainggolan, 2016)

Impact Of Brexit On Indonesia

Even though Indonesia was also affected by the Brexit event, especially in trade transactions, it took much work for Indonesia to export its production goods to Europe. However, Brexit also had a positive impact on Indonesia. Negative sentiment on the departure of the UK from the European Union (British Exit/Brexit) accompanied by the ratification of the Act (UU)tax amnesty or tax amnesty makes the Composite Stock Price Index (IHSG) penetrate 5,000, foreign investor funds flood the Indonesian Stock Exchange(solopos.com. 2016).

The definition of tax amnesty is a tax subject with a limited time to pay taxes in a certain amount and time in the form of exemption from interest or fines arising from completing tax obligations beyond the specified time limit or period and exemption in the form of criminal law. The tax amnesty program is created to increase tax revenues but not through additional burdens in terms of types and tax rates set for the community, both in the business sector and workers as taxpayers. This tax amnesty aims to change the public perception that considers tax officials as arbitrary parties to turn into a separate awareness (Ministry of Finance of the Republic of Indonesia, 2016). This shows that the tax amnesty will allow foreign funds to enter Indonesia. The tax amnesty program is an innovation implemented in Indonesia and is expected to attract funds originating from abroad to enter the country in the long term. In addition, the tax amnesty also has the opportunity to boost investment, which positively impacts national economic growth. Tax amnesty is widely applied in various countries and is used to increase state revenues in a brief and short period. This tax amnesty policy aims to obtain state revenue, especially for returning funds still stored abroad.

CONCLUSION

Brexit significantly impacted trade and political relations between the UK and the rest of the European Union, leading to the emergence of regionalist tendencies in the UK. In the 2016

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referendum, Brexit expressed its desire to remain in the European Union. Since then, the Scottish government has called for another Scottish independence referendum in order to join the European Union as an independent nation. The same goes for Northern Ireland, which is part of the United Kingdom but borders the Republic of Ireland, a member of the European Union. Brexit has created border issues between the two countries, leading to calls for the unification of Ireland. In addition, parts of the United Kingdom, such as Wales and Northern England, have been hit hard by the adverse economic effects of Brexit and have expressed dissatisfaction with the government. The impact of Brexit on the State of Indonesia, Indonesia will find it difficult to export its production goods to Europe and the weakening of the Rupiah exchange rate. However, Brexit also positively impacts Indonesia because these conditions provide opportunities for funds to enter Indonesia through tax amnesty.

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