

Evaluation of brexit`s potential impact on eu economy

abstract

The former president of France Charles De Gaulle is "England is a legacy; has a very characteristic and genuine habits and traditions in every thing he does ". The 'Brexit' referendum and the shocking result for Europe have once again proved this right. The British put a surprise decision to leave the EU, which led to the opening of the pandora's box. The 'Brexit' referendum will be one of the break points in terms of both British politics and European integration. In this framework, the purpose of this analysis is to analyze the result of the referendum and discuss possible implications for European integration. The main argument of the analysis is that the separation of Britain has had a weakening effect on the EU and thereafter it may tend to shift to the axis of dominant rhetoric 'differentiated integration' in European integration. This may require both EU governance mechanisms and the EU's revision of relations with other countries within the framework of enlargement and neighborhood politics.

Key Words: Brexit, Economy Eu, United Kingdom

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INTRODUCTION

The United Kingdom has made an important decision with the 'Brexit' referendum on 23 June. The British people, with 52 per cent of the vote, opposed the country's membership as an EU member and pounded the Pandora's box in terms of British politics and European integration. While the referendum is probably the most important political decision the British have made in recent history, British politics has entered into a period of intense uncertainty and debate that will bring about comprehensive changes in terms of the EU's institutional future and its place in the international system. The purpose of this analysis is to discuss the impact of Britain's 'Brexit' decision on British politics and to produce scenarios of possible impacts on European integration. In the first part of this work, the approach of the political parties in England will be analyzed before the referendum and in the second part the comprehensive changes in British politics after the referendum will be discussed in the context of the governance of the 'Brexit' process. In the third chapter, the scenarios on the possible effects of 'Brexit on European integration' will be discussed.

As of June 23, 2016, from the day that one of the key players of European politics was a member of the European Union (EU), from the day of the referendum on whether or not to continue EU membership in the United Kingdom, to do. This process is called "Brexit", which is the abbreviation of English Britain (Britain) and exit (exit). About 45 million registered voters who will vote in the June 23 referendum will answer the question "Should the United Kingdom remain an EU member, should we leave for membership?" The main objective of this referendum is to withdraw the entire powers that were transferred to Brussels in the past, ending the membership of the EU (then the European Economic Community, in which they joined in 1973) within the 50th Article of the Lisbon Treaty.

This referendum, which will bring significant economic, social and political consequences for the political history of the UK after Scotland's

independence referendum in 2014, will directly affect the future of not only the UK but also the large European project laid down in the 1950s.

Because the resurgence of the "inter-governmentalism" and "supranationalism" debate within the community will be a major obstacle to new steps taken in the integration process. Also, although David Cameron managed to become the sole ruler after the 2015 elections, the increasingly racist rhetoric against the recent Panamanian documents and immigrants in the country is gradually weakening the popularity of himself and his party. A decision to terminate the membership of the Cameron government due to its use of EU membership as a tool for building long-standing domestic and foreign policy will be launched as a new failure against the government. The main arguments of the parties who want to leave the EU, the Cameron government's demands from the EU, the results of recent surveys, and possible reflection of the referendum for the United Kingdom, EU and third countries.

CHAPTER I.

BRACKS AND THE FUTURE OF EUROPEAN INTEGRATION

1.1. Scattering Scenario

Britain's decision to abandon the EU has triggered a turbulence period in which both the EU and the United Kingdom are uncertain. Britain's decision to split is one of the most important breakpoints in EU history. Because Britain has the largest military power of the EU, the second largest economy and the largest financial center. In addition, from the point of view of enlargement policies, it should be noted that Britain has formed the face of globalization in the face of globalization¹.

For this reason, it would not be wrong to point out that the separation of the EU from the EU, such as Britain, would mean a loss of power in terms of the Union. On the other hand, the EU is also the most important economic actor for the UK. Because 50% of the foreign direct investment stock in the UK is EU origin². The assets of the UK banks in the euro zone are 70 percent more than their assets in the US. Likewise, Britain makes 45 percent of its exports to the EU and 53 percent of its imports from the EU. In anticipation of how UK-EU relations will be shaped in the face of contradictory political and economic dependence, and therefore to analyze about the future form of European integration it is quite difficult. However, it may be possible to analyze the options through the main scenarios³.

It is possible to talk about four different scenarios on the formation of UK-EU relations. The first possible scenario is the Norwegian model. Norway is deeply integrated with the EU, even though it is not an EU member. In addition to the Norwegian free trade, which has a large access to the Single Market, it also contributes to the EU budget and permits mutual free movement of Norway and

¹ Hans Vollaard, "Explaining European Disintegration," *Journal of Common Market Studies*, 52 (5), 2014, s. 1142-1159.

² <http://www.turkborsa.net/belgeler/raporlar/brexitdairhersey.pdf>

³ Deborah W. Larson ve Alexei Shevchenko, "Status Seekers: Chinese and Russian Responses to U.S. Primacy", *International Security*, Cilt 34, No 4, 2010, s. 63-95.

EU citizens. Considering that the British are in the process of free movement, the Norwegian model is not attractive for the UK, at least not in terms of the parameters determined by the separation faults.

The second possible scenario is the Swiss model. Switzerland's relationship with the EU is largely similar to the Norwegian model. However, free movement of goods and services is not part of the Swiss Single Market⁴. Switzerland is a member of the Schengen Region. In other words, if only EU citizens do not have visa-free travel, they can also travel to third country nationals who have Schengen visas, even if they are not citizens of the EU country. For this reason, the Swiss model will not be attractive due to Schengen-based free movement, even if it provides economic autonomy for the UK.

The third possible scenario is that the models walked Turkey's customs union with the EU. Technically non-EU member Turkey, 1996 the Customs Union with the EU duty-free goods are able to trade because of a decision. In addition, Turkey has to regulate foreign trade legislation in accordance with EU legislation. EU member in the form of the model developed by the Association of Turkey, thus attractive for England Will not. Because the model requires unilateral bonding The basic reason why the British say no to the EU is that the Union policies to stay connected.

The fourth possible scenario is the Canadian model. According to this model, a deep and comprehensive free trade agreement between Canada and the EU was passed. According to this, which go beyond standard free trade agreements, except for product groups. They have designed the deal in depth⁵. However, both the EU and Canada can not fully achieve their priorities in trade and economic relations with other countries, have the right to follow autonomous policies. For this reason, a deep free trade agreement in terms of, the nature of the negotiations and as a result, it appears to be a strong alternative. It can be predicted

⁴ David Cameron, "UK's Cameron Speaks on EU Membership", Bloomberg, 23 January 2013.

⁵ Charlie Cooper, "EU Referendum: Jeremy Corbyn is now Genuinely against Brexit," Independent, 21 June 2016.

that the separation of the UK from the EU will also have significant effects on the European integration.

It would not be wrong to state that the first effect of the 'Brexit' decision is psychological. Because after the referendum, the dominant rhetoric in the EU shifted to the axis of 'dissolution' rapidly from the axis of 'integration' which is the dominant theme of previous periods. Since then, the EU member states will try to manage the output of the UK with minimal damage from this point and aim to avoid creating a domino effect that would cause the disintegration to be resolved for the EU by setting a precedent for other countries. The impact of the UK's departure from the EU on the European integration will be shaped by the degree of faithfulness of European leaders to the political horizon and the European integration project. On the axis of these variables it is possible to talk about three main future scenarios for European integration⁶.

The first scenario in which the UK is likely to emerge as a result of the separation is "completely disintegrated."⁷ The loss of a large member may lead to a reversal of the EU integration process. The fact that the EU is in an intensive multi-crisis environment the management of 'Brexit' can turn into a difficult separation. Especially in the case of the racist and xenophobic parties that have rapidly risen in continental Europe, it is envisaged that anti-European projects will focus on anti-immigrant policy and will prioritize protectionist economic policies. Following the referendum in Britain, the follow-up to referendum demands in France, the Netherlands, Denmark, Germany and Sweden strengthens the thesis of 'domino effect'. However, it is appropriate to take a more cautious approach to the 'domino effect' argument if it is taken into account that the parties demanding separation in each country are not likely to come to power alone, at least not yet, and that the mainstream parties in these countries have EU programs. Nevertheless, there is no doubt that it will undermine European economies profoundly, as it is

⁶ Andrew Moravcsik, "Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach", *Journal of Common Market Studies*, Cilt 31, No.4, 1993, s.473-524.

⁷ Alan Travis, "UK Passport Applications from EU Nationals Rose 14% before Referendum," *The Guardian*, 25 August 2016.

difficult to calculate the economic and political costs that might arise in the event of the overturning of policies and, ultimately, the resolution of the EU. The EU's entry into an uncontrolled disintegration process may be the result of Mazower's return to the 1930s in terms of the economy and foreign security policies of the European continent, and again bringing about the 'dark continent' debate⁸. This, of course, can also cause great security risks for the US and its allies. Therefore, no member of the EU region can expect to see such a cost. For this reason, it is important to note that other conditions are not fixed, the EU leaders will exert maximum effort, and the probability of this scenario is very low, in order for the "totally disintegrating" scenario to fail.

1.2. Deep Integration

With the withdrawal from the EU, Britain will have to re-develop trade agreements with EU countries and other countries. However, supporters of the UK exit from the EU say that the European Union as a market is not so important for Britain, as it was before, and that the ongoing crisis in the eurozone will only strengthen this trend.

Economist Roger Bootle argues that even if the UK fails to conclude a free trade agreement with Brussels, it will not be a tragedy, as a result of which Britain will find itself in the same position as the United States, India, China and Japan, which are almost without problems export their goods to the EU⁹.

With the help of the WTO, Britain will be able to conclude bilateral trade agreements with countries with rapidly growing economies, for example, with China, Singapore, Brazil and India, as well as with Russia. Much will depend on what kind of contracts the UK will be able to sign with the EU and other countries. There are many options for maintaining trade relations with the EU countries.

⁸ Mads Dagnis Jensen ve Holly Snaith, "When Politics Prevails: The Political Economy of a Brexit," *Journal of European Public Policy*, 23(9), 2016, 1302-1310.

⁹ Шишков Ю.В. *Общий рынок: надежды и действительность*. – М., 1972

The Norwegian version: Britain withdraws from the EU and joins the European Economic Area, which will ensure its access to a single European market, with the exception of part of the financial sector of the economy. It will also free Britain from the EU rules in the fields of agriculture, fisheries, law and internal affairs.

The Swiss version: Great Britain will follow the example of Switzerland, which is not part of either the EU or the EEA, but concludes separate agreements with Brussels for each sector of the economy¹⁰.

The Turkish version: Great Britain can enter into a customs union with the EU, which will give its industry free access to the European market, but the financial sector will not get such access.

The UK can also try to conclude a comprehensive free trade agreement with the EU on the Swiss model, but with guarantees of access to the European market for the financial sector of the economy, as well as a certain degree of control over the formulation and implementation of general trade rules.

The UK can completely break its relations with the EU, and rely only on WTO rules.

In the worst case scenario considered by the analytical center Open Europe, in the case of Brexit, the UK economy may lose 2.2% of total GDP by 2030. However, according to their forecasts, in the best case scenario, Britain's GDP, by contrast, will grow by 1.6% if the Kingdom manages to conclude free trade agreements and effectively deregulate the economy¹¹.

Thus, on the one hand, in the long term, in case of withdrawal from the EU, London may lose its importance as a world financial center. On the other hand, on the contrary, becoming completely independent of EU requirements, the UK can become one of the largest economic powers, like Singapore.

¹⁰ Шемятенков В.Г. Quovadis Europa: Европейский союз перед историческим выбором // Европа. Вчера, сегодня, завтра. – М., 2002.

¹¹ Шапаров А.Е. Иммиграционная политика Великобритании: наследие прошлого – проблемы для будущего // Проблемный анализ и государственно-управленческое проектирование. – 2010. – № 6.

Speaking about macroeconomic policy in Europe, Brexit's important role can play in terms of energy policy, further strengthening German influence in this area. The UK opposes the efforts of the European Commission to intervene in the national energy policy for the purposes of energy security of the European Union. Therefore, without the UK, the EU can adopt a more centralized system for regulating the common energy market.

The UK itself was a "pioneer" in separating the transfer of energy from production, thereby increasing competition and lowering the price of energy. It was this system that was borrowed by the EU to regulate the EU energy market and implement the energy security policy. Germany, by contrast, sought to ensure the security of supplies through subsidies to renewable energy sources and through long-term contracts, including with Russia. The result of Brexit in the energy sector may be further restrictions on the use of coal in combination with a more centralized system for redirecting energy flows, including gas, to countries where they are needed. It clearly shows the desire of Germany to strengthen its control over the sphere of common energy of the European Union.

The second case for the future of the EU is deep integration. At this point, EU member states can consider the departure of the UK as a "last call¹²" and the current members can pass the deeper integration process contradictory to the British vision. In this scenario, however, a comprehensive reform / restructuring process will be required to be lifted in a short period of time in order to remove the structural constraints that cause the asymmetry of the EU's economic and political integration process. Because all the acute problems that the EU faces are directly related to the 'clumsy institutional governance' of the Union, especially the Euro depreciation and the crisis of migration. Solutions to these structural problems include eliminating the inconsistency between monetary and fiscal policies, transitioning to a federal governance system in the areas of migration, security and foreign policy, preconditions for the realization of this scenario. The very political

¹² Dejevsky M. Angela Merkel Has Exposed David Cameron's Gravest Failing as a Politician // The Guardian. – November 3, 2014.

and legal-political sovereignty of the passing of the illusion of this scenario, which is philosophically more "close Union" and politically more "federal EU"¹³, is at the forefront. This scenario is the most difficult proposal for politics to address, while pointing to optimal solution in terms of effectively overcoming the problems that the EU is facing. Because, in view of the nation-state sensitivities of the EU member states, this form of comprehensive sovereignty would mean transnational integration of nation-states from Europe, which in the current political economy conjuncture is not politically feasible, although economically desirable.

1.3. Differentiated Integration

In particular, Germany seeks to create a gas hub on its territory.

The EU-led EU can try to improve the security of gas supplies, but not through diversification from Russian gas, but by increasing imports from Russia, including through the proposed Nord Stream pipeline-2 to create large volumes of gas in the system, which will allow them to be pumped to Member States suffering from technical or political problems with supplies. Through this scheme, Germany's influence in the EU will increase¹⁴.

As for defense policy, analysts' opinions were divided on the possible consequences of Brexit on security issues. Supporters of withdrawal from the EU believe that open borders mean "open doors" for terrorists. Therefore, closing the borders will allow better control over the flow of immigrants to the UK.

However, the opponents of the withdrawal, including some senior military officials, believe that, on the contrary, the European Union is an essential element of ensuring security, especially in times of instability in the Middle East, allowing member countries to freely share information about passengers and criminals.

¹³ Hans Vollaard, "Explaining European Disintegration," *Journal of Common Market Studies*, 52 (5), 2014, s. 1142-1159.

¹⁴ Кокшаров А. Обострение островного синдрома // Эксперт. – 17.11.2014. – № 47

The security policy of the UK outside the EU is likely to shift towards NATO. But, on the other hand, the EU's security policy without Britain must shift towards NATO. The general security and defense policy of the EU was established in 1999 only after Britain and France found a way to join the EU's participation in the defense with recognition of NATO's role. The French were enthusiastic about the prospects of EU protection, and Britain then supported NATO's priority¹⁵.

Without the UK, 27 other member states could more easily promote the common defense policy of the European Union. Against the background of the sharpening of various crises and contradictions in the EU leadership, it is understood that in such a situation it is necessary to be guided by one's own national interests, and not by the interests of the United States. There is also an understanding that the further expansion of NATO will inevitably lead to the emergence of new and deepening existing dividing lines in Europe, the strengthening of fragmentation of the European security space, will further complicate the relations between Russia and the EU (for example, NATO enlargement, Ukraine and Serbia joining the alliance)¹⁶. At the same time, it is obvious that NATO forces will not be able either to stop the flow of refugees or contribute to the settlement of the Ukrainian conflict, since they were created for open military confrontation with the USSR and have never been prepared to repel such a threat.

Consequently, the countries of the European Union in the conditions of NATO inefficiency are in favor of creating a single Euroarmy, possibly creating a certain military and political bloc that is not similar in structure to NATO. Britain had previously not only criticized, but also promised to veto any proposals regarding the creation of a "Euroarmy"¹⁷. This was stated by the Minister of Defense of Great Britain Michael Fallon, arguing that there is no possibility of

¹⁵ Ziya Öniş ve Mustafa Kutlay, "Ekonomik Bütünleşme/Siyasal Parçalanmışlık Senaryosu," *Uluslararası İlişkiler*, 9 (33), 2012, 3-22.

¹⁶ The European Union as a System of Differentiated Integration: Interdependence, Politicization and Differentiation, *Journal of European Public Policy*, 22 (6): 764-782.

¹⁷ Sara B. Hobolt, "The Brexit Vote: A Divided Nation, A Divided Continent," *Journal of European Public Policy*, 23(9), 2016, 1269.

creating an army of the EU. In principle, such a negative approach of the British to innovations in the defense policy of the EU did not surprise anyone: London almost always was the conductor of Washington's foreign policy.

This time, an informal meeting to discuss the proposals of Germany and France will be held in Bratislava, but without the participation of Britain, so the conditions for the implementation of long-standing ideas about the European army are favorable.

The heads of the military departments of Germany and France developed new proposals for improving the activities in the field of defense policy of the European Union and sent them to the head of EU diplomacy. The action plan is accompanied by a letter in which the defense ministers of the two countries express confidence that the European Union will support a strong initiative in the field of protecting European citizens and their values. The proposals concern the creation of a joint command headquarters for European Union operations, a common satellite system and a system for exchanging logistic and military medical resources¹⁸.

The third and most likely scenario for European integration after 'Brexit' is a differentiated scenario of integration. This scenario indicates a sub-optimal solution somewhere between the "totally disintegrating"¹⁹ and "restructuring" scenarios. The politically feasible "reconstruction" of the "best solution" from the economics perspective, on the other hand, makes the differentiated European idea of being a "second best solution"²⁰ because of the costs that the actors will not be able to undertake. According to this model, European integration, which will be restructured into concentric circles rather than all the EU member states entering the same level and deep integration in every arena, will eventually be able to evolve in other areas an architecture in which the integration is flexible and the legal structure is introduced.

¹⁸ Aras, İlhan. *Avrupa Birliği ve Türkiye’de Euroseptisizm: Siyasi Partilere BakıŖ*, Bursa: Sentez Yayıncılık, 2015.

¹⁹ Hobolt, Sara B. "The Brexit vote: a divided nation, a divided continent", *Journal of European Public Policy*, 23/9, (2016): 1259-1277.

²⁰ Katie Forster, "Hate Crimes Soared by 41% after Brexit Vote, Official Figures Reveal", *Independent*

It should be noted that this kind of architectural structure differs from the contrary, in which governments conceive the EU on the basis of the "international Europe". Because the narrow "central group" to which the integration moves to higher levels is closer to the federal European ideal, and many powers in the nation-state control will be carried to supranational level. Again, within the framework of the same architectural structure, the EU will become an intergovernmental body in terms of members who are outside of the integration process. At this point, differentiated integration can lead to an architecture in which some countries can concentrate more deeply on integration, while others can concentrate on areas they wish to be part of less sovereignty²¹.

However, the differentiated EU model has serious barriers to implementation. First, it is difficult to establish legal and bureaucratic mechanisms that will enable each of the 28 members to integrate at different levels. Until today, the EU integration has progressed according to the principle of integration at different rates. In other words, some countries have shifted to policy areas such as the Eurozone, the Schengen Region faster than others. However, the legal and corporate logic of the integration assumes that all members except the exceptions at one point will face the same ultimate goal. Differentiated integration is the name of the governance mechanism that allows member states to differentiate not only at the rate of integration, but also at the end of their overall objectives. This situation naturally requires a different institutional and legal governance mechanism²². The EU will need to initiate such a corporate restructuring debate in the future. Secondly, even if these mechanisms are established, an EU, which is composed of different parts and struggles to develop common attitudes in international relations, may tend to lose its influence in the global system. At present, it is a question of how it is unclear how to deal with the common problems of action in the differentiated integration scenario of the EU, which is underperforming in terms of global security, migration crisis and economic crisis governance because of joint

²¹ Peter Foster, "EU deal: What David Cameron Asked for... and What He Actually Got," *The Telegraph*, 14 June 2016.

²² Oliver Franks, "A new Europe", *Daedalus*, 93(1), 1964, s. 70.

action problems. Moreover, the EU should be able to make this transformation in the course of a comprehensive transformation of the international system.

CHAPTER II.

23 JUNE REFERENCE: BREAKING POINT IN BRITISH POLITICS

2.1. Cameron Government What Demands From The European Union

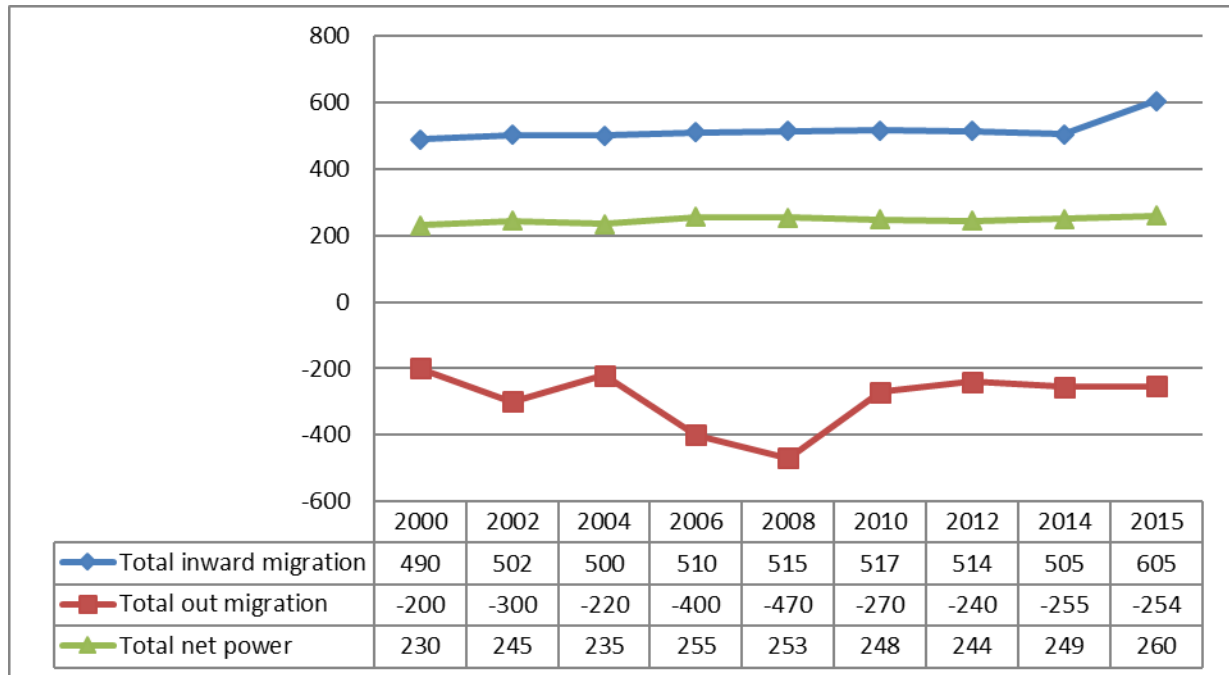
At a meeting with the Council of Europe on 18-19 February 2016 The Cameron government has made four requests from the EU in case of a decision to continue membership in the referendum.

The most important of these requests concerns the control of immigrants. In 2015, the number of immigrants from other EU Member States to the United Kingdom from various sources has exceeded 250, with a total of 350 immigrants from non-EU countries²³.

However, the idea that the number would increase even more in the near future, the government aimed to prevent the immigrants from benefiting from the state aid and demanded that the immigrants to the country should be obliged to reside for four years in order to benefit from this help.

²³ Matthew Goodwin ve Caitlin Milazzo, UKIP: Inside the Campaign to Redraw British Politics, Oxford: Oxford University Press, 2015.

Figure 1: Migration During The United Kingdom In The Period Between 1991-2015



Source: Migration Watch UK, <http://www.migrationwatchuk.org/statisticsnet/migration-statistics>.

It is about Cameron's second request from the EU to avoid new steps that would increase Brussels's authority and responsibility. The government has requested that the existing mandate transfer should not be further increased in the event of a decision to resume membership from the referendum. Despite the fact that the United Kingdom is the third most represented country with Italy after Germany and France in the European Parliament with 73 deputies, the Cameron government has sought to strengthen its national parliament by taking back some of the legislative powers formerly transferred to the European Parliament. The government also demanded the implementation of a "red card" in its own national assembly, allowing the drafts of EU legislation to be stopped or amended. Thus, between the European Parliament and the national parliament from time to time, causing the issue of power sharing authority to reduce the issue and the European Parliament's veto power was planned to weaken²⁴.

²⁴ McCormick, John. Avrupa Birliği Siyaseti, Çev: Doğançan Özsel, Ankara: Adres Yayınları, 2015.

London's third and fourth demands from the EU are more of a financial dimension. The United Kingdom did not want to take a long-term delegation of monetary policy, as Avronin is the only common currency of the EU and the decisions taken by the European Central Bank are binding on member states.

The United Kingdom, which does not use Avroy as its common currency, also observed a completely closed policy on this issue at the meeting on 18-19 February 2016 and stated that it would never use the common currency. London also demanded that the EU increase the competition rate in the common market, and demand that the cash flow be freed and the bureaucratic obstacles in front of entrepreneurs be lifted²⁵.

London and Brussels, the two main parties to the negotiations on the continuation of the membership of the United Kingdom, have reached a common memorandum of understanding as a result of the negotiations. Accordingly, the Cameron government will meet the referendum promise to the public before the 2015 general elections. If there is a conclusion about the termination of the membership, the government will completely terminate the membership in about two years. However, in the event of a continuation of the membership of the referendum, the EU will ensure that the above mentioned demands are met by holding the United Kingdom in a special status.

There are four possible models for the continuation of relations with the EU if the UK emerges from membership. As a result of the referendum, which of these models will be implemented,

Negotiations with the EU will become clear after the negotiations²⁶.

- If the first model known as the "Norwegian Model" is adopted, the UK will join the European Economic Area and remain in the single market, but will have to accept the EU's standards and regulations for it.

²⁵ David Cameron'un Türkiye'nin AB üyeliğine vermiş olduğu desteğe bir örnek için bkz. Christopher Hope, "David Cameron: I Still Want Turkey to Join EU Despite Migrant Fears

²⁶ Joseph O'Leary, "EU Immigration to the UK", Full Fact Charity, 26 Mayıs 2016, <https://fullfact.org/europe/eu-migration-and-uk>,

- In case of adoption of the second model known as "Turkish Model", the UK will sign a Customs Union agreement with the EU and this will not apply mutual tariffs to the domestic market, but the UK will need to apply a common tariff for the foreign market with the EU.

- The adoption of the third model, known as the "Swiss Model", will create a common market between the UK and the EU that covers only certain sectors, but it seems unlikely that this model will be preferred for the EU.

- In the fourth model, the UK will have to sign a free trade agreement (FTA) with the EU member states separately, but it will take a long time to implement this model because the UK will have to negotiate with 27 countries separately.

The question arises, why does Europe need its own armed forces, when the security of its citizens is reliably protected by NATO troops. In addition, the EU has its own military units - rapid reaction forces, numbering about 60 thousand people, ready to withstand threats from outside.

First, Europe has seriously thought about restoring its prestige, because now, according to many analysts, it is just an American "vassal" that pays its own security for the conflicts that the US unleashes over the Atlantic. The presence of its own army would allow Western countries to conduct operations themselves, to bear responsibility for them and to choose allies outside the European Union, including in the post-Soviet space²⁷.

Secondly, not all the countries that are members of the European Union are members of the North Atlantic Alliance. Among them are 6 countries: Sweden, Finland, Austria, Ireland, Cyprus and Malta. According to the NATO-EU Partnership for Peace agreement, all these countries can also count on military support for the alliance. But with respect to the bloc, these states are trying to maintain neutrality.

²⁷ Özalp, Güven. "Ġngiltere'nin AB'den çıkması Türkiye'yi nasıl etkileyecek?", Hürriyet, 24.06.2016.

Third, from the economic point of view, the creation of a unified army in Europe will significantly reduce military spending. Experts have already calculated that the savings will be about € 120 million. According to the European officials, if the armies are pooled, the funds will be distributed more rationally, the single army will become more efficient.

Thus, after Brexit, the EU loses one of its most capable military powers in Europe and one of the few EU countries that spend 2% of its GDP on defense. Opportunities to project its strength and strategic assets will be catastrophically short of Europe. It is possible that Brexit may encourage EU member states to increase funding for the common European defense project. However, on the other hand, the desire to create defense structures outside NATO in a shrinking EU will decrease due to the risk of duplication and ineffective spending of funds that prefer to save²⁸.

Now the EU is actively working towards applying uniform market rules to the European defense industry in order to limit duplication of defense programs and scientific research, as well as to increase competition and stimulate innovation. In the case of Brexit, the supporters of competition in the MIC will be less, and France - a supporter of the protectionism of its defense industry - will get more influence.

NATO did not support the UK's withdrawal from the EU. NATO Secretary General Jens Stoltenberg said that NATO needs a strong UK, in a strong Europe. According to the politician, now the alliance is facing "unprecedented challenges to security, with terrorism, with instability and unpredictability. The fragmented Europe will only aggravate these problems. " Of particular concern to NATO is the fact that after Brexit, the established communication system between Washington and the EU, within the EU and within NATO will be disrupted²⁹.

²⁸ Alesina, A. Glaeser, E. Sacerdote, B. (2001), Why Doesn't The United States Have A European-Style Welfare State?, Brookings Papers On Economic Activity Vol. 2001, No. 2, 187- 254.

²⁹ Çayhan, E. And Ođurlu, E. (2014), Turkey Overview Of Political Parties Relations With The European Union, Istanbul.

Thus, of course, the withdrawal of the UK from the EU can, on the one hand, be positive, on the other hand, it has a negative impact on both the UK and the Union itself. London is threatening to reduce the authority in Europe. The question is about 1.4 million Britons living in other European countries, as they lose the right to free movement in the EU, as well as about 2.5 million citizens of EU member states residing in the UK. The economic issue is becoming more acute. Currently, more than half of the British foreign trade falls on the EU countries. For the European Union, Britain's withdrawal may call into question the whole of the European project and lead to the withdrawal of other countries whose population also does not sympathize with integration.

2.2. Public Medications: Survey Results

Survey companies have come to different conclusions about the possible outcome of the referendum that will determine the UK's EU accession process. When the table below is analyzed, it is seen that there are differences between 3 points and 9 points in the questionnaires made by ICM and ORB on May 29, 2016. On May 19, 2016, Com Res and Opinium surveys show differences between 1 and 9 points³⁰.

In this case, careful attention should be paid to the analyzes that will be carried out from the questionnaires. However, when an overall assessment is made, an average of 42 percent of the samples taken from over 18 years of age and over 45 million registered voters are still in favor of termination, while 45 percent are still voting. The remaining 13 percent constitute the undecided. It is quite clear that the outcome of the referendum will determine the undecided. Coalition partners and the repressive groups in the country are also working in this direction to make particularly undecided votes. It is expected that a similar participation will take

³⁰ "Meeting on EU-UK", European Council, <http://www.consilium.europa.eu/en/meetings/european-council/2016/02/18-19>

place in this referendum since the average elections held in the United Kingdom in the UK from the other side attended an average of 65 percent³¹.

Surveying Organization	Date	The number of participants	who want to leave membership (percent)	Prospective customers (per cent)	Unstable (%)
ICM	29 May 2016	1.004	45	42	13
ORB	29 May 2016	800	42	51	7
Survation	24 May 2016	1.013	38	44	18
Com Res	19 May 2016	1000	41	52	7
Optinium	19 May 2016	2.008	40	44	16
TNS	12 May 2016	1.222	41	38	21

2.3. Possible Reflection Of The Reference

If an important state, such as the United Kingdom, terminates its EU membership, significant consequences for both sides will emerge in the short and

³¹ General Election Turnout 1945-2015 ", UK Political Info, [http:// www. ukpolitical.info/Turnout45.htm](http://www.ukpolitical.info/Turnout45.htm), (Access date: June 11, 2016).

long term. For the United Kingdom, a conclusion on the termination of EU membership implies the complete nationalization of the political and economic decision-making process. Because it will not have to comply with the political and economic decisions taken by the EU bodies.

In the event of the end of your subscription, the United Kingdom will be free of approximately 18 billion pounds each year sent to the EU. However, if a decision is made to terminate the membership in the referendum, the next election process for David Cameron and his party, which is increasing confidence in himself and his party after the Panama Documents, will be troubled. Although the government that launched the referendum process is in favor of staying in the EU in the near future, the failure to achieve the desired achievement will be launched as a new failure of the government by the far right parties, which are gaining strength in the country. In addition, it is strongly possible for the country to have difficult economic and financial difficulties in the long run when the UK emerges from the EU³². The OECD senior economist, Catherine Mann, said in a statement that the UK would be tariffed by the EU if it terminated the membership of more than half of the trade done by the UK with other EU countries, which would create a major problem for the country's economy in the long run³³.

For the EU, the other side of the process, this referendum means much more. If the United Kingdom departs from the EU, this long-term project will begin with a long-term project, beginning with a common European vision of peace in the 1950s and adopting the "unity in diversity" ¹⁰ and the EU will be geographically 250,000 km, population 65 million, will be reduced by 2.233 trillion euros.

³² Larry Elliott, "EU Referendum: Brexit Bad for UK, Europe and the World, Warns OECD", The Guardian

³³ "The Global Financial Centres Index 19", Qatar Financial Centre (QFC), Mart 2016.

These debates will also intensify as a significant member of the EU in the context of the recent functional and Euro-skepticism debate in the political and economic integration process³⁴.

In relation to this, the UK may become the first country to leave the EU, and it may come to a standstill that the countries that are not in closer integration, such as Denmark, will also be separated from the EU. Moreover, the emergence of the UK from membership will also lead to a great loss of prestige in global politics for the EU. It is also a historical fact that David Cameron recently stated that the EU succeeded in reconciling hostile countries to each other, but that if the United Kingdom left the EU, Europe would return to the age of competitive nationalism. On the other hand, the separation of the United Kingdom from membership may be a positive step for the future of the integration process, which constantly questions the conditions for greater integration and membership in the EU and thus leads to a pessimistic environment within the community. The third countries are also involved in the debate on the EU referendum on 24 June 2016. The United States (USA), which supports the Great Europe project from the first day on all sides and acts as a bloc with the EU on many global issues, believes that this bloc will lose strength, especially economically and financially, if the United Kingdom emerges from membership³⁵. For example, US Trade Representative Mike Froman said that in the case of the United Kingdom emerging from membership, the conclusion of the ongoing Transatlantic Trade and Investment Partnership (TTIP) negotiations between the US and the EU would be delayed and this would create serious losses for the parties. In addition, Froman added that the US would not be willing to engage in a separate trade deal with the United Kingdom in the future and stressed that the UK should continue to be a member of the UK in this framework³⁶.

US President Barack Obama also said in an interview that the UK is one of the most important allies in Europe, and that the UK remains in the EU has vital

³⁴ "UK's EU Referendum", Financial Times, <https://ig.ft.com/sites/brexit-polling>

³⁵ Anthony Reuben, "Reality Check: How Much Does the EU Budget Cost the UK?", BBC

³⁶ Erhan, Ç. Ve Akdemir, E. (2016), Türkiye – Avrupa Birliği Müza- Kere Sürecinde İlk On Yılın Muhasebesi (2005-2015), Bilig, 78.

prospects for the future of transatlantic relations. Obama also said that if the United Kingdom is to be separated from membership³⁷, He also stressed that he would suffer. Many international organizations While warning that there should be no separation from the EU, Republican US presidential candidate Donald Trump, on the other hand, pledged that it would be beneficial for the United Kingdom to leave the country and that he would cooperate with the United Kingdom on more terms in all circumstances when he was elected president.

On the other hand the United Kingdom who want to leave the EU "Rate Separation" supporters of the campaign a little time to process voter referendum on Turkey's EU membership have begun to use in order to influence their decision. As Turkey's population in the campaign's focus on the case of very large and that the EU accession of millions of Turkish citizens of the United Kingdom to the realization of this membership using arguments will migrate the United Kingdom as soon as possible is done emphasis should leave the EU³⁸. The public of this campaign as soon as possible before the result of finding an echo in Turkey on EU membership open to supporting Prime Minister Cameron on May 9, 2016 as his statement in a television program, Turkey's current rapid early 3000 year positively related to Turkey before the referendum stating that EU members may Avoidance of attitude³⁹.

In Cameron said in a statement later used by groups opposed to the pro-separation of Turkey's EU accession process as a political material. However, shortly after this statement the United Kingdom as long as it dismissed his finance minister George Osborne said in a statement by the Turkey never argued can not be an EU member. When Cameron and Osborne's statements are taken into consideration, it seems that the bloc who conducted the "Vote for Leave" campaign

³⁷ Shawn Donnan ve Geoff Dyer, "US Says Britain's EU Referendum Threatens Transatlantic Pact", ft.com, 21 Nisan 2016, <https://next.ft.com/content/bc52b646-077d-11e6-96e5-f85cb08b0730>

³⁸ David Francis, "Obama to Britain: Stay in the EU or Pay the Price", FP, 22 Nisan 2016, <http://foreignpolicy.com/2016/04/22/obama-to-britons-stay-inthe-european-union-or-pay-the-price>,

³⁹ Ulusoy, K., (2009) The Changing Challenge Of Europeanization To Politics And Governance In Turkey, *Ernational Political Science Review / Revue Internationale De Science Politique*, Vol. 30, No. 4, 363-384.

for a short period of time in the referendum was greatly influenced by this latest tactic that emerged to influence the public⁴⁰.

In the United Kingdom between 1990-1997 who served as prime minister, John Major, I said it carried out by Turkey, too much is damaging to being taken into account by the people and the Turkey-United Kingdom relations⁴¹. According to the American political adviser Luke Coffey also carried out this anti-immigrant, xenophobic and even Turkey (xenophobia), there is no discourse gained something as strategic to the government.

Strategic relationship between because Turkey and the United Kingdom military forces in NATO Turkey, Turkey and the United Kingdom, Russia and embrace almost common policies on the dais and importance in global politics have close relations of Turkey with increasing Central Asian Republics Cameron's government of this campaign his support for the meaningless kılmaktadır⁴². "Rate Separation" campaign will take the government after the referendum is whether to continue this discourse partially anti supported Turkey and migrants by the unearthed by carrying out the blocks and the government will depend on the attitude.

The results of the referendum for many in the United Kingdom and the world have become a serious challenge. In this regard, the UK will inevitably face a number of problems. First, there is a serious uncertainty as to how to continue building relations with the European Union, how to exit. There was no precedent yet, and the exit procedure itself was complicated and unworkable. Secondly, the referendum demonstrated the obvious vulnerability and need for modernization of the British constitutional and political system. The existing state institutions and management mechanisms, which have been formed for centuries, are clearly failing today. Britain is a country of representative democracy, and a referendum is an institution of direct democracy. The fact that it has been resorted to more often

⁴⁰ Mac William Bishop ve Alastair Jamieson, "Brexit Vote: Why Britain Could Quit EU and Why America Cares", NBC News,

⁴¹ Brexit Camp's Turkey Claims 'Nonsense', Says ex-UK PM", Anadolu Agency, 5 Haziran 2016.

⁴² Luke Coffey, "I Support Brexit but the Turkey Bashing Needs to Stop", Aljazeera, 10 Haziran 2016.

than ever has shown that traditional institutions are increasingly failing and the British political elite are trying to find some alternative sources of decision-making.

For the European Union, this is also a colossal challenge and a shocking precedent. Even before the referendum, many leaders of the countries stated that the example of Britain and the outcome of the referendum would be a kind of reference point that, possibly, a number of other EU countries would think, if not about holding a referendum, at least about bargaining for certain specific conditions following the example of Great Britain. The list of such countries is quite wide. From the point of view of influence on the processes of globalization this is a colossal blow to the reputation of the European Union, which for a long time was considered an exemplary form of integration processes. This is an important signal that the EU should actively intensify its modernization processes - from developing some common strategic goals and tasks to reforming existing institutions and bodies.

Britain's withdrawal from the European Union will also mean an economic reorientation. In terms of the economy, the UK has always insisted on a fairly liberal and open policy. Whether the EU countries will be able to withstand protectionist aspirations without the UK is a serious matter. Membership in the EU also implies the existence of a single market. This is a form of integration, including the free movement of goods, works and services, capital, labor. The withdrawal of the UK from the EU implies for the country the loss of such privileges, an increase in customs duties, duties. In a number of cases it will be necessary to create special subordinations from scratch, because the country will have to conclude a new trade agreement with 27 EU countries. There is also a variant of the search for new agreements with the EU as a whole, but for each point of the structure of trade turnover⁴³.

⁴³ <https://setav.org/assets/uploads/2016/07/brexit-sureci-kuresel-ekonomi-ve-turkiye-pdf.pdf>

The results and consequences of the referendum are different. Everything will depend on the diplomatic steps of the UK, the decisions of the EU and the member countries of the Eurozone. But the vote was held, the supporters for secession from the EU won. Now only time will tell what this will lead to.

CHAPTER III.

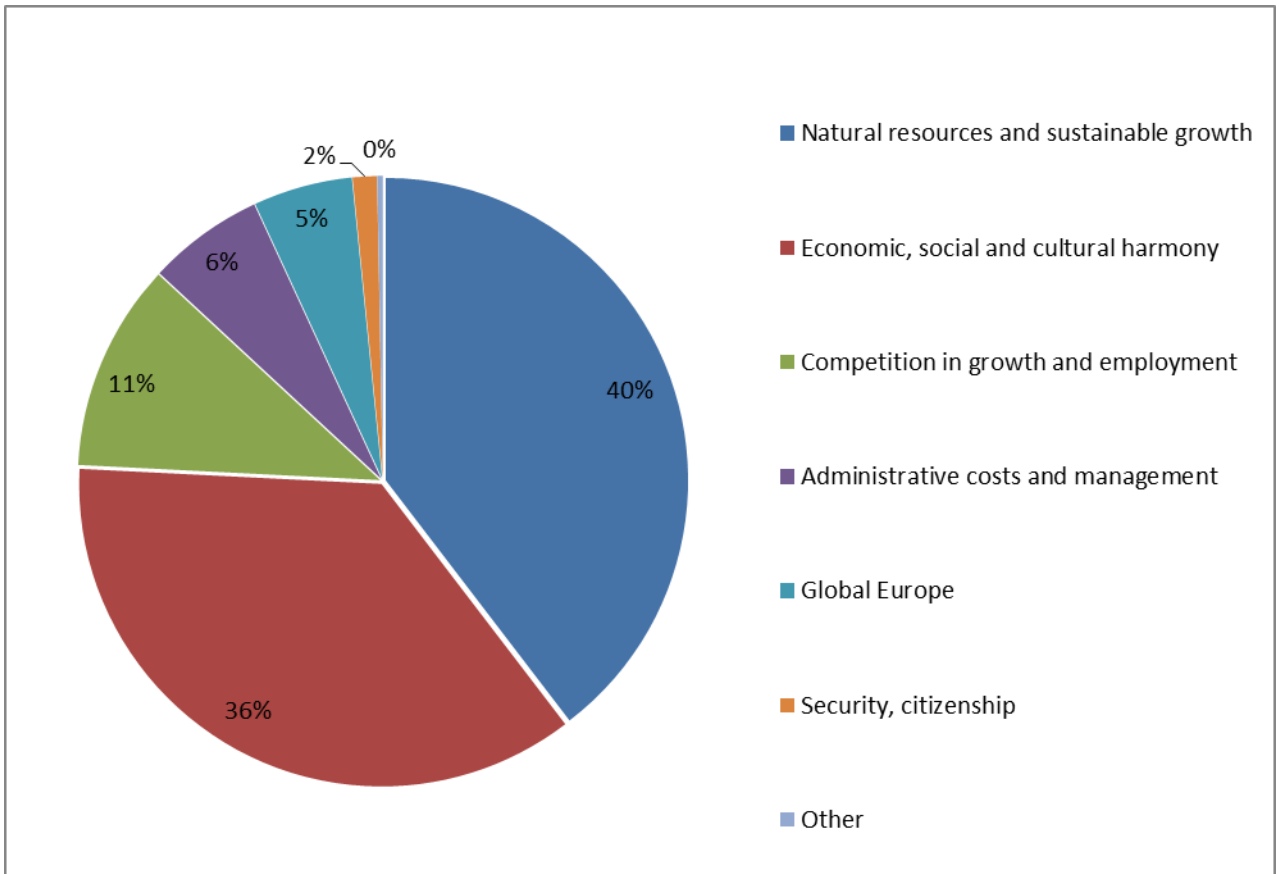
CONTACT BREXIT GLOBAL ECONOMY EFFECT

3.1. The Effects Of Brexit On Eu And England Economy

If we look at how the EU budget is spent; The two largest spending capitals (which account for 76% of total budget expenditures) are divided into natural resources and sustainable growth, as well as economic and social regional cohesion. The 2016 EU budget, which was adopted on 26 November 2015, was € 155 billion in revenues and € 144 billion in expenditures, and expenditure projections increased by 1.8% compared to the 2015 budget⁴⁴.

Figure 2. 2015 budget spending

⁴⁴ Wissenschaftliche Dienste des Deutschen Bundestags, 2016. Finanzielle Leistungen Norwegens Zugunsten der EU.



Source: European Union

It is also necessary to mention some of the remedial processes (UK replies) that the UK has used while the EU budget is being created.

The UK is receiving 66% of the difference between the contribution to the EU budget and the expenditure made on the budget itself. All countries except Germany, the Netherlands, Austria and Sweden, which have a high contribution to the EU budget, participate according to the share of national income in the EU. The four countries mentioned pay 25% of their share⁴⁵.

According to the Multi-Annual Financial Framework for the period between 2014 and 2020, UK / UK replies, which have been going on since 1985, are expected to continue in the relevant period.

⁴⁵ Wang, Z., S.-J. Wei and K. Zhu (2013). Quantifying International Production Sharing at the Bilateral and Sector Levels. NBER Working Paper 19677.

Considering these remittances, it is possible that the contribution made by the UK to its national income can be compensated by means of refunds, though it is important in the EU budget.

Considering that the EU budget is 142.7 billion euros and the contribution of the UK is 11.3 billion euros according to EU official data of 2014, it is seen that the contribution to EU budget is significant with 8%. Spending for the UK is 4.9% of the total budget. The figures for the year 2015 indicate that the contribution rate has increased to 12.6%⁴⁶.

Therefore, if the Brexit scenario is realized, it will lead to a narrowing of the EU budget, but it can be said that the contraction will be limited if the replies are taken into consideration.

The UK economy, which is negatively affected by the global financial crisis of 2008, is showing a steady growth profile as of 2013 with the support of exports, consumer spending and business investments.

In 2014, the fastest growth rate since 2006, the GDP growth of 2.9%, while the economy in 2015, due to the global economic conjuncture is seen to lose momentum. Nevertheless, due to the low oil prices, domestic demand and business investments allow the outlook to remain relatively stable.

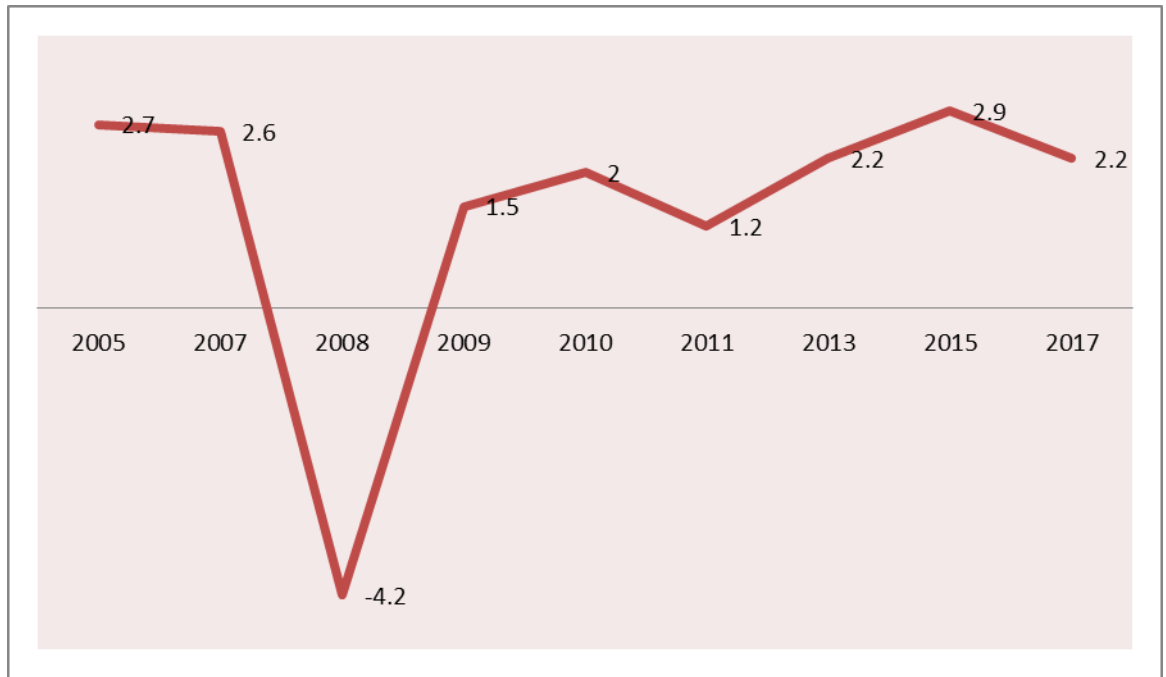
Compared with the services sector, the manufacturing sector, which constitutes 10% of employment in the present case, is more important for the economy than the services sector, which constitutes 80% of employment.

At the last meeting, the Bank of England's BOE predicted growth for 2016 would be 2.0 percent from 2.2 percent, 2.3 percent from 2.4 percent for 2017, and 2.5 percent for 2018 to 2.3 percent⁴⁷.

Figure 3. GDP (annual,%)

⁴⁶ Timmer, M., Dietzenbacher, E., Los, B., Stehrer, R. and G. Vries, 2015. An Illustrated User Guide to the World Input–Output Database: the Case of Global Automotive Production. *Review of International Economics* 23 (3), 575–605.

⁴⁷ Santos Silva, J. and S. Tenreyro, 2006. The Log of Gravity. *Review of Economics and Statistics* 88(4), 641–658.



Source: World Bank

When we look at the development of the consumer price index in the economy; prices have shown a downward trend since the last quarter of 2011, and even the global inflation rate is at the level of the monthly inflation rate, which also tested gold.

The BOE, one of the central banks that implement expansionary monetary policy in order to create economic viability and deliver inflation to the targeted 2% levels, decided to keep the interest rate at 0.50% and the asset purchase program at 375 billion pounds at the meeting in May 2016. .

BOE 2008 continues to keep interest rates at 0.5% to support the economy since March 2009 after the Global Financial Crisis, but especially in the last few years the impact of the difficulties faced by developed countries in creating inflation in the global economy has been on the rise since the second quarter of 2014, economy has become evident.

In the UK, a structural foreign trade deficit, the trade deficit, which stood at 44.9 billion pounds in 2008, tested the highest level of the period 1999-2014, followed by a declining trend followed by foreign trade deficit of 33.7 billion pounds in 2014 . The data released by ONS (National Statistical Institute) show

that in January-March of 2016, the UK's foreign trade deficit was at the highest level since 2008 with GBP 13.3 billion. The slowdown in economic growth and the decline in global demand have limited the increase in exports, while the increase in imports of machinery, clothing, cars, and other items has accelerated the rise in imports and exports⁴⁸.

When we look at the impact of EU on trade before a critical agenda like Brexit, it seems that the share of non-EU countries in exports has been increasing since 1999, while the share of EU in imports seems to have regained a slight momentum since 2012.

According to the data of the year 2014; The EU accounts for 44.6% of UK goods and services exports while it accounts for 53.2% of goods and services imports⁴⁹.

When we look at the export and import sub-items according to the March 2016 data of the UK's commercial relations with the EU, While motor vehicles, mechanical vehicles, pharmacological products, mineral fuels and electronics are in the first place in export, motor vehicles, mechanical vehicles, electronics, pharmacological products and plastic products stand out in imports.

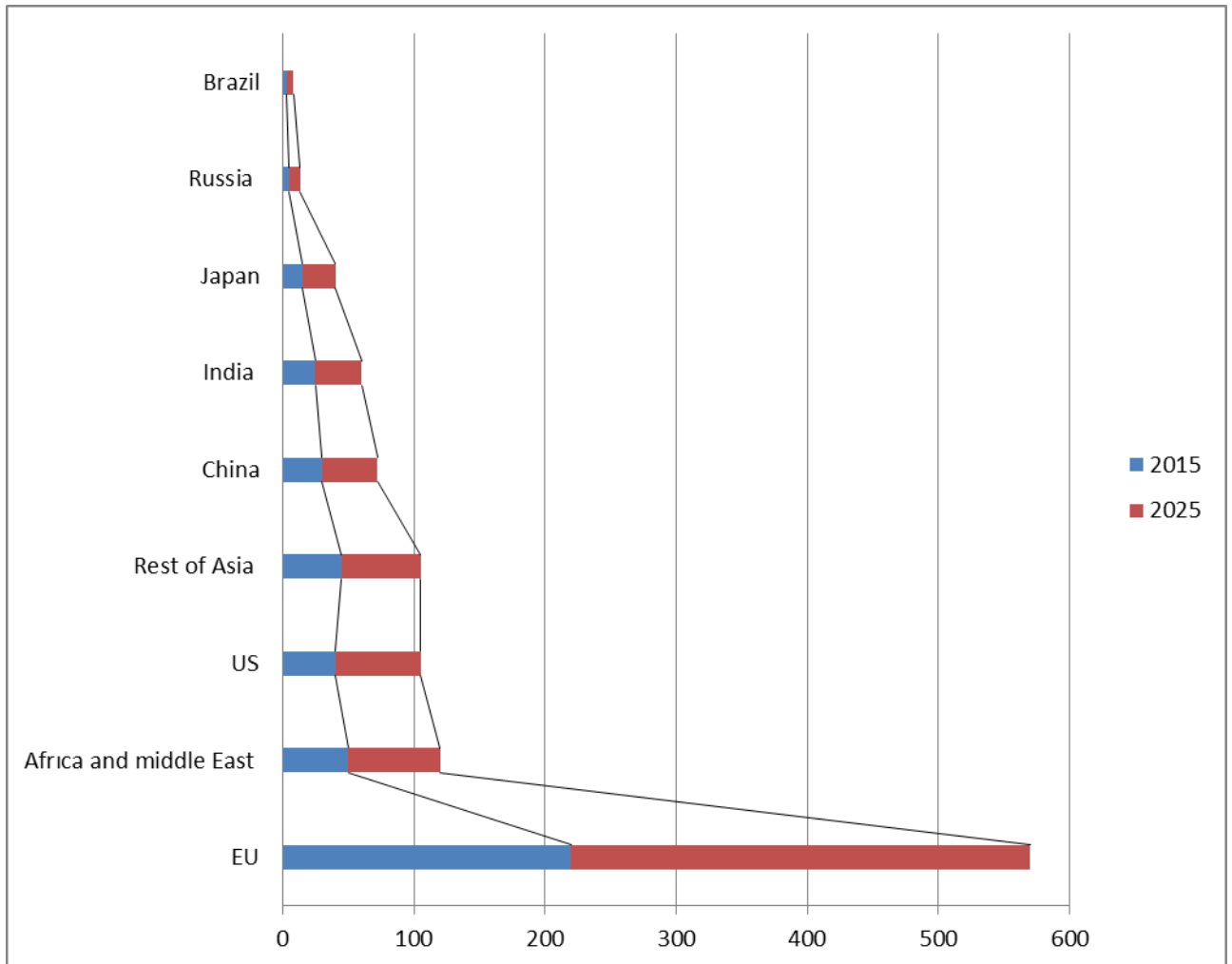
According to a study by Open Europe, automotive, chemicals, clothing, food, beverages and tobacco items, which constitute 35% of exports in commodity trade, may be subject to new and high tariffs in the case of Brexit.

In a study by Oxford Economics; The export performance of the United Kingdom has been estimated by 2025. According to the work done; it is expected that the European Union will continue to be the UK's largest export market in the next 10 years.

⁴⁸ Sampson, T., 2016. Dynamic Selection: An Idea Flows Theory of Entry, Trade and Growth. *Quarterly Journal of Economics*, 2016, 131 (1): 315-380.

⁴⁹ Aichele, R., Felbermayr, G. and I. Heiland, 2014. Going Deep: The Trade and Welfare Effects of TTIP. CESifo Working Paper 5150.

Figure 4. Exports from UK to the rest of the world from 2015-2025



According to ONS data; Between 2004 and 2013, the ratio of non-residents to non-residents increased by an annual average of 5.4% while direct investments by non-residents increased by 11.6%⁵⁰.

Foreign direct investments have been the most important factor in the current account deficit, which saw a record level in 2014, as well as trade deficit.

When you look at the distribution of investments; 43.2% of UK direct foreign investments come from EU countries while 46.4% of UK direct investment inflows come from EU countries. In 2009, 53.2% of foreign direct investment inflows to the UK came from EU countries.

⁵⁰ Baldwin, R. and D. Taglioni, 2007. Trade Effects of the Euro: A Comparison of Estimators. *Journal of Economic Integration* 22 (4), 780–818.

As can be seen from the graphs on the right, UK investment in the EU has been on a declining trend since 2010, while foreign direct investment inflows from the EU and the EU remain trending upward.

In terms of sectoral distribution, the financial services sector is at the forefront in terms of receiving 45% of direct investments⁵¹.

The UK economy has been giving a chronic budget deficit since 1980. Following the 2009 financial year, the impact of the Global Financial Crisis also gave a budget deficit of £ 154.7 billion. In the fiscal year 2015-2016, the deficit declined to 74 billion sterling, which is the lowest budget deficit since the 2007-2008 fiscal year when historical benchmarks are made.

Although the budget deficit has been on a declining trend since the peak of the 2010/2011 fiscal year, the Public Debt / GDP ratio continues to show a bullish trend since the global financial crisis.

According to ONS data; Though the number of immigrants from the United Kingdom from 1964 to 1979 is above the number of immigrants coming in, the number of immigrants from the United Kingdom since 1994 has been above the number of divisions each year.

Since 1998, the number of migrants who have arrived each year in the last 20 years is over 100,000.

The ONS estimates predict that in 2015, 630,000 people will emigrate to live in the United Kingdom and 293,000 will emigrate from the UK, thus giving a net migrant estimate of 333,000 people⁵².

The immigration issue is one of the most fundamental arguments of the pro-separation groups of the EU, as the graph on the previous page shows that the contribution from other EU countries has increased and this has limited the job opportunities of the British.

⁵¹ Barker, A., 2017. The €60 billion Brexit bill: How to Disentangle Britain from the EU Budget. Centre for European Reform.

⁵² Berger, H. and V. Nitsch, 2008. Zooming Out: The Trade Effect of the Euro in Historical Perspective. *Journal of International Money and Finance* 27 (8), 1244–1260.

One of the most decisive elements of the UK's screening of the EU, called Brexit, is how trade agreements and tariffs will be shaped. At present, the UK is located in the Free Trade Area, Economic Area and Customs Union in Europe. In this way, the United Kingdom can take advantage of the advantages offered by trade liberalism, despite the fact that it does not co-exist in monetary terms and is subject to less EU regulation.

We think that the possible market effects of this disintegration may be more limited if the output process is governed by a smooth transition, such as through bilateral agreements to be implemented by applying Norwegian * or Swiss * models so as not to create burden on schedules. (* Although Norway does not have the right to vote, it is largely in harmony with EU regulations and enjoys free circulation of capital and individuals as well as goods and services in the position of a member of the European Free Trade Association, while Switzerland has commercial relations with the EU bilateral agreements.)⁵³

What is important at this point is how a possible breakdown will be primarily reflected in the UK and EU economies, and what it will reflect indirectly and eventually in the global economy and the markets.

Norwegian Model: You can do business in the European Economic Area (EEA) agreement without a member of the EU, but in commercial agreements, independently of the EU, while continuing to maintain commercial relations as an actor in a single market. There are no barriers or taxes between partners in the single market. Besides this jazz; this model will continue to contribute to the EU budget, even if the UK is out of the EU (the Norwegian contribution to the EU budget per capita is more than 80% higher than that paid by the UK), to comply with the EU's rules on export and anti-dumping measures to the EU will stay⁵⁴.

⁵³ Bergstrand, J., Larch, M. and Yotov, 2015. Economic Integration Agreements, Border Effects, and Distance Elasticities in the Gravity Equation. *European Economic Review* 78, 307-327.

⁵⁴ Bun, M. and F. Klaassen, 2007. The Euro Effect on Trade is not as Large as Commonly Thought. *Oxford Bulletin of Economics and Statistics* 69 (4), 473-496.

Bilateral Agreements: Free movement of goods and persons can be achieved through 'bilateral' agreements with the EU without being a member of neither the EU nor the EEA. It can also make commercial agreements independently of the EU. Switzerland manages EU relations through 17 agreements and over 120 bilateral agreements. It took 16 years for the first part of current regulations to become available for 9 years. This model will have to pay a participation fee for EU programs, though not as much as the EEA agreement.

European Free Trade Association: As an alternative to the EU, the UK can conduct free goods trade with the EU. This union will not require the UK to contribute to the EU budget and to comply with EU economic policies and regulations. But in this model; In the absence of free movement of persons with the EU, there is no access to EU markets for service providers, and in the trade to the EU, products must meet EU product standards.

World Trade Organization: You can make commercial agreements independently of the EU, you do not have to comply with EU economic policies and regulations, and you do not contribute to the EU budget. But in this model; While there is no free movement of people with the EU, there is no access to EU markets for service providers, and in the trade to the EU, products must meet EU product standards, tariffs applied to the EU for Most Favored Nation and World Trade Organization (WTO) agreements with non-tariff barriers.

3.2. Energy Economy Overview In The Framework Of EU Relations

The “Brexit” referendum has been the main shaping of recent discussions in UK politics. The parties, which formed different colors of British politics, tried to persuade their people according to the position they had about 'Brexit'. Leaders of the Conservative Party and Prime Minister David Cameron were among those who campaigned to stay in the Union. In an announcement in 2013, Cameron

stated that the UK would renegotiate the status within the EU if it were to be the sole ruler, and that it would hold a referendum on the issue, depending on the conclusions it obtained⁵⁵.

When the British people were surprised by the survey companies in 2015, bringing the Conservatives to power alone in the general elections, Cameron had the time to fulfill the commitment in 2013. Cameron has also made a strong deal with EU leaders in Brussels with his promise. As a result of the negotiations, it was announced that the basic issues that Cameron was sensitive were agreed upon. These issues include the recalculation of state aid for migrant workers' children outside the country, the compromise of state aid to immigrant workers, the increase of the national Parliament's voice, the fact that the UK is not victimized by Eurozone regulations and the protection of London's financial center identity, including market regulations that would encourage competition⁵⁶.

Throughout the referendum, Cameron has argued that what you have achieved is enough to stay in the Union. Because, although he did not get everything he wanted, he did not return completely empty from Brussels. For this reason, it has taken a clear stance that by staying within the EU it is necessary to fight for "changing from inside" the Union. The referendum has emerged in the process that the majority of the MPs of the Conservative Party think more like themselves. But Cameron's arguments have not convinced all of the Conservatives with European skepticism. About 130 deputies have launched an intense campaign to split up on 'Brexit', as they are convinced that the gains achieved are "too inadequate and showcased". Among these names are Boris Johnson, Mayor of London and Cameron's powerful heir, and Justice Minister Michael Gove. The opposition Conservatives claimed that staying in the EU would benefit Britain very much. They argued that adhering to EU laws and regulations restricted Britain's maneuvering area and that it could not increase Britain's economic prosperity at a

⁵⁵ David Cameron, "UK's Cameron Speaks on EU Membership", Bloomberg, 23 January 2013,

⁵⁶ Peter Foster, "EU deal: What David Cameron Asked for... and What He Actually Got," The Telegraph, 14 June 2016.

potential rate due to excessive bureaucracy. The fact that Britain can not control its borders against immigrants is often mentioned as a major problem throughout the campaign. The pro-secession Conservatives predicted a "Canadian model" -like relationship between the EU and England, which Johnson insists on. According to this model, while mutual trade freedom is provided, it has been claimed that the United Kingdom may have absolute control over the free movement of persons⁵⁷.

The split within the Conservative Party has made the position of the Workers Party even more important. In fact, the Labor Party leader, Jeremy Corbyn, in the first instance, has raised questions about his unclear attitude about 'Brexit' .⁴ After a while, however, Corbyn's Labor Party announced that it would campaign for the UK to remain in the EU, with the exception of seven deputies . However, the anti-Brexit attitude has not been an attitude that the Labor Party can easily internalize and convince the electorate. Because the Labor Party was a long-standing supporter of Europe, increasingly thought that the neoliberal line-work, the pro-capitalist politics, destroyed workers' rights and the understanding of the social state.

Critically criticizing the EU's Euro-crisis and excessive austerity, Corbyn stressed the need for a new 'third way' for the EU and the UK during the campaign. In order to achieve this goal, he argues that struggling to stay within the Union is the most effective way of alternatives. In other words, the British Labor Party, like Cameron, moved from the motto of 'stay in the EU and try to reform.' However, it should be noted that Europe, where social democrats dream, is very different from the Europe of the Conservatives. The more liberalization the Conservative Party saw as healing throughout the campaign was criticized throughout the campaign, on the grounds that there was a set of policies that would create further destruction on the part of the Labor Party⁵⁸.

⁵⁷ Charlie Cooper, "EU Referendum: Jeremy Corbyn is now Genuinely against Brexit," Independent, 21 June 2016

⁵⁸ Büttner, T., Broer, M. and C. Fuest, 2017. The future of EU finances: New Way of Financing and Distribution? ifo Schnelldienst 70 (06).

The ongoing struggle between the Labor Party and the Conservatives pointed to a vital debate at the very center of the debate in the context of the multi-crisis environment within the EU.

It is. With the 2008 crisis, the EU was short-lived with 'multiple crises'. First, the Euro crisis has done great damage to the spirit of solidarity within the EU. The EU, which can not effectively combat the economic crisis, has begun to suffer acute economic growth problems. Between 2010 and 2014, the eurozone could only grow by 0.7 per cent, while the UK grew by 2.5 times the eurozone average in the same period. For this reason, the British have started to perceive the EU as a problem-producing block rather than an increasingly prosperous welfare state. Secondly, tens of thousands of refugees forced European gates uncontrollably caused new concerns about the British, who are already hesitant about the freedom of movement and settlement within the Union. The UK-based refugee crisis, which emerged when Britain thought it would cut off state aid for those coming from other member states and put restrictions on their work, not only did not paralyze the EU, but also mobilized the Euro-skeptical fault line in Britain. Finally, the EU's sharpening of international relations, especially the Ukrainian and Syrian crises, has triggered a sharp criticism of the British as a declining actor. The simultaneous Euro crisis, refugee crisis and a deep crisis of identity cause the extremist parties to rise all over the continent. In an environment where mainstream politics can not solve the problems, the peoples tend to go to extremist parties that produce politics in extremist extremes. The extreme right / left trend rising in Europe has recently covered the horizon of British politics⁵⁹. For this reason, the UK Independence Party (UKIP), known for its extremist tendencies and anti-immigrant policies, has acted as another actor in the "Brexit" debate, which should be taken into consideration and determining the outcome of the referendum. The third largest party, the UKIP, has made an enormous leap with a percentage of votes in the last elections, and has conducted an effective referendum campaign,

⁵⁹ Caliendo, L. and F. Parro, 2015. Estimates of the Trade and Welfare Effects of NAFTA. Review of Economic Studies 82 (1), 1-44.

claiming that Britain should definitely leave the EU. The UKIP, led by Nigel Farage, focused on the dimension of immigration and border control that triggered people's sensitivities from sophisticated economic and foreign policy dimensions that required sophisticated debate, followed by the attractiveness of the concept of 'sovereignty' and the British electoral persuasion policy over the country 'promise to stop the migrant movement'⁶⁰.

The results of the June 23 referendum have created a shock in terms of both British and European politics. The proportion of voters who voted for the EU to leave the referendum in which 72 per cent of registered voters voted (33.6 million people) is 51.9 per cent; The rate of voters who stay in the EU is 48.1 percent. The results of the public opinion surveys made before the referendum have caused a great shock because the mistakes of staying in the EU are expected to get more votes. In a referendum on 263 of 382 constituencies in which they obtained more than half of the 'pro-separation' votes, the total number of 'pro-resident' votes in all of the 32 electoral districts on the Scottish borders was more than half. When the referendum results are analyzed, it turns out that two basic parameters are decisive. First, the young population within the British electorate has clearly taken a "pro-EU" attitude. When analyzed according to age groups, it is seen that the voters between the ages of 18-24 voted 64% with EU pro vote. The population over the age of 50 voted largely for 'separation from the EU'. In addition, the rate of going to the polling station is very high compared to the young population⁶¹.

⁶⁰ Camarero, M., Gómez, E. and C. Tamarit, 2014. Is the Euro Effect on Trade So Small After All? New Evidence Using Gravity Equations with Panel Cointegration Techniques. *Economics Letters* 124 (1), 140–142.

⁶¹ Egger, P. H., Larch, M. and K. Staub, 2012. Trade Preferences and Bilateral Trade in Goods and Services: A Structural Approach. CEPR Discussion Paper No. DP9051.

Table 3. Voter behavior by age groups

Age group	Stay (%)	Separation (%)	Average living without EU membership
18-24	64	24	69
25-49	45	39	52
50-64	35	49	31
65+	33	58	16

Source: YouGov

Secondly, the result of the referendum clearly shows the divergence between the pro-globalization regions of the UK and rural areas. In Northern Ireland and Scotland, where there is a strong sense of "pro-Union" results emerging in London and its surroundings and strong support for EU membership, which are more integrated into the globalization process and dominated by cosmopolitan cultures, the opposite trend occurred in rural areas where the level of education is low. According to Hobolt's research, only 25 percent of the graduates with a graduate degree and only 35 percent of those with a university degree voted to leave, while this level increased as the level of education declined and the percentage of those who did not have qualifications increased to 67 percent.

These results show that the 'Brexit' referendum is a sharp divergence between the pro-integration sector, which benefits from the globalization process, and 'globalization'. The results of the referendum, including the Conservative Party, show that there is a turning point in terms of political parties, not only for growth, but also for concentrating on the divisive consequences of the growing.

After the referendum, Theresa May, who sat in the Prime Minister's seat, and his cabinet were subjected to criticism of whether there was a plan for the Brexite process. For about two months, the single market has continued to remain

uncertain because of the free movement and the situation of migrants, as the concerned government refrains from making a comprehensive statement⁶².

As a result of the June 23 referendum on the other side, a dissatisfied group initiated a signature campaign on the second referendum, reaching over 4 million people in a short period of time. Another group, including judges and judges, academics, media representatives and opinion leaders, including opinion leaders, said that the passage of the 50th article of the Lisbon Treaty, which would allow the UK to get out of the EU, must be approved in Parliament and the results of the indirect referendum must be approved by Parliament they have begun to signal that they may be validated by voting. The second referendum expressed with the signing campaign was directly rejected by the government.

Prime Minister May, who gave the message "we should focus on opportunities outside the EU" at the first cabinet meeting held, also argued that the parliamentary decision was not needed to put the 50th item into action.

For all these discussions and criticisms of the government's lack of a plan for the Brexit process, Prime Minister May first gave a clear answer at the National Congress of the Conservative Party on October 2nd: "British society voted for change on June 23rd. A silent revolution has occurred in our country. Brexit is Brexit and we are going to conclude it successfully." May also emphasized that the UK will regain sovereignty and take over all control, although it has signaled that it will be 'hard Brexit', even if it is not explicitly stated in his speech. Finally, he stated that the 50th commission, which will start the formal process for the separation of the UK from the EU, is preparing for the preparations by explaining that in March 2017 there will be a mischief. Prime Minister May's statements have not been delayed by both the financial markets and the politics as well as by the pro-EU members. In particular, the uncertainty of having a single market and the fact that the 50th material was passed on to life, without clear targets, was the

⁶² Felbermayr, G., V. Grosmann and W. Kohler, 2015. Migration, International Trade, and Capital Formation: Cause or Effect?, in: Barry Chiswick, Paul W. Miller (eds.): Handbook of the Economics of International Migration 1B, 914 – 1025 (Elsevier).

target of criticism of May in domestic politics. The government's position has been changed by an investor to the High Court in London. Prime Minister May said that the UK will not use back doors to stay in the EU at every opportunity and that the government's decision to pass the death sentence on the 50th may be taken by the government alone. This time, the Supreme Court's decision to start the 2-year countdown on the Brexit process, has been shaken by the decision that parliamentary vote should be. Journalists such as The Daily Telegraph, The Sun, The Daily Express, and Daily Mail were late in proclaiming "the enemy of the people" by citing the judges' pictures of the next day, while the Karara government's first reaction was to "appeal"⁶³.

Beyond the political debate, the most destructive effects of the referendum results in the UK were on the immigrants in the short term.¹¹ On one hand, according to the Ministry of Interior, the number of people applying for UK citizenship by EU citizens increased by 15% between October 2015 and March 2016, there was a worrisome increase in the number of hostility and hate crime. According to a report prepared by the United Nations Anti-Racism Commission, 3198 hate crimes were committed in the UK between June 16-30. This number represents a 41 percent increase over the year 2015.

The result of the referendum has also created short-term shock effects in the EU ranks. The first reaction of EU leaders has been to express their sadness. While German Prime Minister Merkel called this development a major blow to the EU integration process, French President Hollande stated that Britain's decision was a serious blow to Europe. Martin Schulz, President of the EU Parliament, Donald Tusk, President of the EU Council, and Jean Claude Juncker, President of the EU Commission, have called for crisis negotiations at various levels and invited the UK to start negotiations without losing time. On the other hand, prominent anti-EU parties such as the National Front under the leadership of Marine Le Pen in France, the Party of Freedom under the leadership of Dutch

⁶³ Felbermayr, G., Gröschl, J. and M. Steininger, 2017b. Britain Voted to Leave the EU: Brexit through the Lens of New Quantitative Trade Theory. Mimeo: ifo institute.

Geert Wilders and the Five Star Movement under the leadership of Beppe Grillo in Italy without having to go through a referendum in their own country⁶⁴.

At the first EU Summit in October, when Theresa May joined as Prime Minister, there was a cold wind between the EU leaders and the message that the negotiations would be tough in the case of Britain's 'hard Brexit' request. Thus, throughout the Brexit process, it can be predicted that the negotiations between Prime Minister May and the EU leaders will be tense over the political, social and economic pressures on the one hand as the UK tries to complete negotiations with the least harm. As a matter of fact, due to the upcoming elections in Germany, France and Holland, the new status of post-Brexit UK in the EU domestic politics and any possible privileges to be obtained will be used as domestic policy material in election campaigns and will not cause Brexit's possible domino effect. It can be expected to be exposed to a negotiation process.

3.3. Global Crisis and Brexit

Britain had the best agreement with the European Union from all possible, as it became a member of the common market, while retaining its national currency and having managed to achieve a number of other concessions in fulfilling the requirements of the European Union. Nevertheless, this was not enough for the United Kingdom voters to vote for the preservation of the country within the European Union.

The answer to this question can be found in the results of public opinion polls, which were held regularly for several months before the referendum on Brexit. The European migration crisis and the controversy surrounding Brexit fueled each other. Supporters of the withdrawal of the country from the European Union enjoyed the deterioration of the situation with refugees - its main symbol became the images of thousands of refugees gathered in Calais and desperate to get to the UK by any possible means - to frighten the "uncontrollable" influx of

⁶⁴ Haas, J. and E. Rubio, 2017. Brexit and the EU Budget: Threat or Opportunity? Jacques Delors Institute Policy Paper 183.

immigrants from other EU member states. And the European authorities postponed the moment when decisions on migration policy were taken to avoid their negative impact on the results of the British referendum, and thus firmly entrenched in the minds of people the scene of chaos similar to the chaos in Calais⁶⁵.

The decision of German Chancellor Angela Merkel to open the doors of her country to refugees was a pretty impressive gesture, but it was not fully thought out, because it did not take into account the factor of attraction. A sudden influx of refugees destroyed the habitual way of life of people throughout the European Union.

Moreover, the lack of adequate control measures provoked a panic that affected all: the local population, the authorities responsible for public security, and the refugees themselves. This also created favorable conditions for the rapid rise of xenophobic and anti-European parties, such as the United Kingdom Independence Party, which led the campaign for the country's withdrawal from the EU - as national governments and European institutions were unable to cope with the crisis.

Now the catastrophic scenario, which many feared, materialized, making the disintegration of the European Union virtually irreversible. Ultimately, Britain can be relatively better without the European Union, and maybe worse, but its economy and citizens will have to face serious difficulties in the short and medium term. Immediately after the vote, the pound collapsed to the lowest level in the last 30 years, and instability in financial markets around the world is likely to continue as long as a long and complex process of negotiations on the issue of political and economic "divorce" with the European Union continues. The consequences of the exit for the real economy can only be compared with the financial crisis of 2007-2008⁶⁶.

⁶⁵ Micco, A., Stein, E. and G. Ordoñez, 2003. The Currency Union Effect on Trade: Early Evidence from EMU. *Economic Policy* 18 (37), 315–356.

⁶⁶ Sampson, T., 2016. Dynamic Selection: An Idea Flows Theory of Entry, Trade and Growth. *Quarterly Journal of Economics*, 2016, 131 (1): 315-380.

Undoubtedly, this process is fraught with even greater instability and political risks, because at stake is not only some real or imaginary benefit for the UK, but the very existence of the European project. Brexit will open floodgates for anti-European forces in other EU countries. As soon as the results of the referendum in the United Kingdom were announced, the French National Front party called for *Freight*, and Dutch populist Geert Wilders called for *Nexit*.

Moreover, the United Kingdom too can not survive Brexit. Scotland, where the majority of voters voted to remain in the European Union, may again attempt to gain independence, and some Northern Ireland officials, who also supported the "Stay" campaign, have already called for reunification with Ireland.

The reaction of the European Union to Brexit can also turn into serious mistakes on the part of European officials. In their desire to keep other members from trying to leave the union, European leaders may not offer the United Kingdom such conditions - especially with regard to access to the EU's single market - that could help alleviate the negative consequences of the gap. Since the EU accounts for half of the UK's trade, the consequences of a "divorce" for British exporters can be devastating (despite a more competitive exchange rate). And given that in the next few years financial institutions will transfer their operations and employees to the euro area, the City of London (and the London real estate market) will also face serious difficulties⁶⁷.

But the consequences for Europe can be much worse. Tensions between EU members reached an extreme point not only because of the refugee situation, but also as a result of the exceptional tension between creditor countries and debtor states within the eurozone. And at this time, the weakened leaders of France and Germany focused only on internal problems. The fall of the Italian stock market by 10% immediately after the announcement of the results of the referendum clearly demonstrated the vulnerability of this country in the face of a large-scale banking crisis - which may well lead to the "Five Star Movement" in the next year.

⁶⁷ Santos Silva, J. and S. Tenreyro, 2006. The Log of Gravity. *Review of Economics and Statistics* 88(4), 641–658.

Current events will negatively affect the program for the reform of the eurozone, which should include the creation of a direct banking union, a limited financial union and more effective mechanisms for democratic accountability. And the time now is not on the side of Europe, because pressure from such states as Turkey and Russia - which are trying to use strife in their interests - only exacerbate political problems within the European Union.

It was in this situation that we were today. All European countries, including Great Britain, will suffer from the loss of the common market and the loss of common values that the European Union should protect. Nevertheless, the European Union has really failed and has ceased to satisfy the needs and aspirations of its citizens. Now it is moving towards disorderly disintegration, which will put Europe in a more difficult position in comparison with what it could be if the European Union never existed.

But we must not give up. Undoubtedly, the European Union is a faultless structure. After Brexit, all those who believe in the values and principles that the European Union was called upon to support must unite in order to save it through reconstruction. I am convinced that when in the coming weeks and months people will personally see the consequences of Brexit, our ranks will begin to grow steadily.⁶⁸

For Britain, the very idea of giving up part of its sovereignty and transferring it to a supranational level has become a very difficult decision.

The peak of the power of Great Britain came in the 19th century. However, by the beginning of the First World War, it had lost its economic superiority. The Second World War had a strong impact on its policies. Britain withdrew from the war as the undisputed winner, along with the United States and the USSR, unlike, for example, Germany, which was shown to be defeated. Thus, the peoples of Germany and a number of other European states emerged from the war with the

⁶⁸ Timmer, M., Dietzenbacher, E., Los, B., Stehrer, R. and G. Vries, 2015. An Illustrated User Guide to the World Input-Output Database: the Case of Global Automotive Production. *Review of International Economics* 23 (3), 575-605.

awareness of the perniciousness of nationalism and the willingness to sacrifice part of their sovereignty for peace, while the British people, by contrast, were proud of their victorious state and sought to strengthen its position in the world. The British ruling circles still saw their country as a world power and tried to preserve its exceptional position.

The main direction of the country's foreign policy was the establishment of "special relations" with the United States and the preservation of the British Commonwealth of Nations. For this, it was required, first, to retain complete freedom of action, which should not be limited to any political commitment to a future integrated Europe. Secondly, it was necessary to preserve the system of imperial preferences of England with the countries of the Commonwealth. In this regard, during the negotiations on the creation of a broad integration group - the European Free Trade Area (EFTA), the UK put forward its plan, the main provisions, which were set out in the memorandum on February 17, 1957. First of all, it sought to preserve both these principles of its foreign policy. She also insisted on preserving the immunity of her agricultural sector, living at the expense of the grants of the treasury, which allowed English consumers to purchase food at prices close to the world. However, this plan was not adopted by the other negotiators, since it provided for a more advantageous position of Great Britain in comparison with other countries⁶⁹.

In 1957 Britain did not sign the Treaty of Rome, the main document of the European Economic Community (EEC) on the elimination of all obstacles to the free movement of people, goods, services and capital. In January 1960, the UK created its integration group without the participation of major European countries: EFTA (European Free Trade Association), which, in addition to Britain, included Austria, Switzerland, Portugal and all Scandinavian countries. Subsequently, the ruling circles of the UK come to the realization that the country's economic potential does not correspond to the status of a global power. The process of eco-

⁶⁹ Wang, Z., S.-J. Wei and K. Zhu (2013). Quantifying International Production Sharing at the Bilateral and Sector Levels. NBER Working Paper 19677.

colonization has sharply intensified, it became obvious that further foreign trade orientation to the Commonwealth countries has no prospects. British industry began to feel dependent on continental Europe. Therefore, already on July 31, 1961, British Prime Minister G. Macmillan announced the intention of the UK to apply for membership in the EEC on conditions that would suit London, on August 10 it was sent to Brussels. But Charles de Gaulle was against Britain's accession to the EU, so the application was rejected. Only on January 1, 1973, after the formation of new governments in France and Germany, the United Kingdom, along with Ireland and Denmark, was admitted to the EEC.

Britain joined the EEC with certain privileges. Thus, the country has not joined the largest integration projects of the European Union - to the euro area and to the Schengen agreements providing for the abolition of visa control at common borders, thereby seeking to preserve elements of political and economic independence. Britain conducted a much more selective migration policy than France and other EU members⁷⁰.

Despite all the privileges, talks about the withdrawal of Britain from the European Union have been conducted since 1973, from the very moment when the country joined the association. The June 23 referendum is not the first, a similar vote was held in June 1975, then the supporters of the EU won 67.2 percent of the vote.

The accession did not cause approval in the country, the Laborites and Conservatives presented this step to the public as forced: if the United Kingdom did not join the Union, it would lose its positions in Europe. British leaders invariably stressed that the country has more important foreign policy tasks than participation in integration. Thus, since the beginning of the EU presence, the UK has acted as a "partner involuntarily". For a quarter of a century, it did not put forward any major initiative that would promote the development of integration. On the contrary, whenever the partners came up with such initiatives, they "put the

⁷⁰ Wissenschaftliche Dienste des Deutschen Bundestags, 2016. Finanzielle Leistungen Norwegens Zugunsten der EU.

wheels in the wheel". This position naturally led to sharp disagreements with other European countries in the preparation of the Maastricht Treaty. The British government insisted on adopting a protocol that would allow the UK not to participate in the third stage of integration - the creation of an economic and monetary union (EMU). The ratification of the Maastricht Treaty sparked an intense political struggle in the British Parliament: about 600 amendments to the bill proposed by the government were put forward.

The change in policy towards the EU occurred during the time of the office of British Prime Minister Tony Blair. His task was to show that the UK is a strong partner in the development of integration. The main efforts were focused on the development of the new economic strategy of the EU, the establishment of the European Central Bank and the election of its president, the early start of Europol's functioning, negotiations with the candidate countries.

At the present stage, there are many contradictions between the EU and Great Britain. The anti-integration sentiments of the British are connected both with the historical past of the country, and with the relations with the European Union⁷¹.

Speaking about the country's historical past, one of the groups of people who voted "for" in the referendum was conservative pensioners who want to keep England the very UK that it was before entering the EU, with its own unique culture, customs

and traditions. In their opinion, Britain loses its authenticity, and it is necessary to radically change something, even if it is a way out of the country from the EU.

Speaking about the contradictions with the EU, the main points of the demands of the British government: economy - sovereignty - migration. The very principle of supranational control over the economy, finances, laws of many in the

⁷¹ Ritschl, A.O. and Wolf, N. (2011), 'Endogeneity of currency areas and trade blocs: evidence from a natural experiment', *Kyklos*, 64, 2, pp. 291–312.

UK does not suit. The government of the country often called for weakening the regulation of the European economy, limiting the expansion of the single market and enabling member states to block the Brussels directives.

In addition, in the United Kingdom, supporters of transatlantic cooperation traditionally have a great influence: Britain has much more in common with the United States than with the United States in the field of law, traditions and business principles. There are many supporters of the need to orient the development of the British economy to the United States. The British economy and business cycles are unique and different from European ones, they are more in line with the American ones, and in some areas of communication between Great Britain and the United States, at the moment, they remain closer. Great Britain is a state oriented to the development of private property, traditional market relations, freedom, market, entrepreneurship, competition. And the EU (especially France and Germany) are states with socialist potential, with regulation, regulation, bureaucratization. This is what is the antithesis of conservative traditional capitalist values⁷².

Despite the fact that before the referendum, Cameron held talks with the European Union, as a result of which the UK managed to negotiate a number of "bonuses": Brussels agreed to carry out reforms in the fields of economy, competitiveness, UK sovereignty and immigration, and the majority voted for Britain's withdrawal from the EU.

The choice of the country "for" the exit from the EU is also due to the fact that the EU no longer represents a strong and successful unification. The European Union was once perceived as promising in the geopolitical, socio-economic and cultural aspects of the organization. However, at this stage, the EU is experiencing a systemic crisis. The financial crisis that has been going on for many years, the economic decline, the spiritual crisis, the destruction of moral values, the growth of radical sentiments in society are no longer considered accidental.

⁷² Webb, D. and Keep, M. (2016), 'In brief: UK-EU economic relations', House of Commons Library Briefing Paper 06091.

At the heart of the collapse of the Big Europe project lies precisely the uncertainty of the policy pursued by the West over the years. Experts note that when the EU collides with crisis situations, European politicians can not objectively and constructively treat the situation.

Despite the fact that the EU has achieved quite large economic and technological successes, against the background of this progress, the crisis in the spiritual sphere of society is deepening. This tendency, along with all spheres of social consciousness, manifests itself in the political consciousness. So, if among the young people such psychic conditions as parasitism, depression due to unemployment, radicalism, intolerance to other cultures increase, then among politicians Islamophobic tendencies become more pronounced. And instead of looking for solutions to the problems that have arisen inside, there is a growing tendency in official circles to look for an enemy on the sidelines⁷³.

Attempts are being made to blame other countries for trumped-up issues. The EU, under various pretexts, is trying to interfere in their internal affairs, while hiding behind beautiful phrases such as democracy and human rights. This organization further exacerbates internal problems, instead of solving them.

Thus, Great Britain is very profitable to leave the EU, because it has never entered the European monetary system and the Schengen zone. Today it is the most powerful international financial center. And tomorrow it can become a country that will be the center of a separate Atlantic autonomous civilization.

Britain has a huge zone of states that are part of the commonwealth, where, in fact, the Queen is the head of these countries: Canada, Australia, the UK's position in India is strong, not to mention that it controls the zone of bank offshores, including Virgin Islands, Cayman Islands, Barbados and others. More

⁷³ Abadie, A. and Gardeazabal, J. (2003), 'The economic costs of conflict: a case study of the Basque country', *American Economic Review*, 93(1), pp. 113–32.

and more members of the UK government are guided by their own geopolitical and geo-economic path⁷⁴.

The main objective reasons for Britain's withdrawal

from the European Union can be identified:

the reluctance of the UK to subsidize weaker economies, to contain other states, whole nations;

social policy of the EU in relation to migrants and the principle of

on the freedom of movement of labor;

economic disagreements on a number of issues; the principle of supranational control over the economy, finances, laws;

agricultural policy of the EU;

labor law, oriented to social benefits;

growing instability in the world; the discontent of the population with the solution of the issue in the sphere of security;

the European Union's systemic crisis: the financial crisis, economic decline, the spiritual crisis, the destruction of moral values, the growth of radical sentiments in society.

The European Union has never been homogeneous economically, politically and culturally. In recent years, this heterogeneity has only increased.

The sharpest migration crisis that followed the euro zone debt crisis has already led to a sharp decline in solidarity within the EU. Migrants once again experience the European Union for strength: illegal entry into the EU in violation of national norms and the Schengen rules, violation of Dublin criteria. In almost all of these issues, the leadership of the EU countries went over the issue of migrants and expressed their readiness to change the existing migration rules. In this society

⁷⁴ Lane, P. (2016), 'A financial perspective on the UK current account', National Institute Economic Review, 234, F67-72.

and state bodies in most European countries are absolutely not ready for the integration of migrants. Continuation of the indecisive policy of the European authorities seriously undermines the effectiveness of the existing European legal system, as well as the very idea of European integration.

The existing model of the European Union is far from perfect.

The EU needs serious modernization, or it will be in a state of crisis all the time and tend to disintegrate.

In the European Union there is a very cumbersome and complex system of decision-making, when all countries must take the most important decisions by consensus. And this is becoming increasingly difficult as the EU expands. The system becomes extremely bureaucratic and inefficient in terms of management. The vote of the United Kingdom will transform the configuration of forces in Europe and call into question the future of the European Union in its present form. The union, which was considered the most attractive integration project, including for the post-Soviet space, where everyone wants to enter and where no one wants to leave, has lost the image of the political dream of the people⁷⁵.

The holding of the referendum caused great resonance in the society, two diametrically opposite groups appeared. Both groups use different media resources. There were many illustrations of both supporters and opponents of Britain's withdrawal from the EU.

The withdrawal of the UK from the EU will in the future have its positive and negative consequences for the country itself and for the European Union.

From the point of view of foreign policy, Britain will lose its influence in Brussels, Paris, Berlin. The British government has always seen the EU as an important tool for carrying out its foreign policy goals. After the referendum, Britain will lose this resource.

⁷⁵ Riley, R., Rosazza Bondibene, C. and Young, G. (2015), 'The UK Productivity Puzzle 2008-2013: Evidence from British Businesses', Bank of England Working Paper No. 531; also as NIESR Discussion Paper No. 450.

On the other hand, the EU without Britain will become weaker in the sense that only France will represent Europe in the UN Security Council. For the UK itself, Brexit has no meaning in this regard, Britain will still remain a key member of NATO and the UN Security Council, and, crucially, a nuclear power.

The EU because of Brexit may become less active on the world stage. For example, without the UK, the EU will have less chance of using sanctions as an instrument of pressure on countries such as Russia. Britain has always been one of the most active supporters of the application of EU sanctions as instruments of influence on unwanted countries. So, after the accession of the Crimea, Prime Minister David Cameron determined that Russia must pay for this action. His support for sanctions against Russia played an important role in persuading other member states that they must incur some economic costs to exert pressure on Russia. In addition, because of the UK's exit, the EU's position in Asia, already weakened by the crisis of the Eurozone, will be weakened further. It can also happen that due to the withdrawal of the UK, ASEAN countries will no longer see the model of regional political integration in the EU. In addition, the loss of the second largest economy of the EU will lead to a reduction in the negotiating positions of the EU in free trade negotiations with countries such as Japan and India⁷⁶.

It is obvious that the withdrawal of Great Britain will increase the prevailing influence of Germany in the EU. At the same time, this can heighten suspicions in Member States regarding the growth of German hegemony. Brexit will exacerbate the "German problem" in the European Union. Without Britain, one part of the EU led by Germany can move towards a political union, while others will try to get a special status within the EU. But the main steps towards integration of the Eurozone are extremely unlikely before the French and German elections of 2017.

⁷⁶ Straathof, S., Linders, G.-J., Lejour, A. and Mohlmann, J. (2008), 'The internal market and the Dutch economy: implications for trade and economic growth', CPG Netherlands Document No. 168

The chain reaction for the EU, according to some experts, the withdrawal from the second largest economy can lead to the domino effect and the disintegration of the European Union. In the Old World, Eurosceptic moods are intensifying against the background of the strongest migration crisis. Brexit can cause a chain reaction among other members of the EU. Thus, the leader of the French National Front, Marín Le Pen, has already called for a similar referendum in France. She stated that a successful vote for Brexit in the UK would be like the fall of the Berlin Wall in 1989. Eurosceptics throughout the EU will gain the hope that they will be able to win.

The same statement was made by the leader of the extreme right Dutch "Party for Freedom" Gert Wilders: "We want to be responsible for our own country, our money, our borders, our immigration policy."⁷⁷

A bad signal was given by Switzerland, which withdrew its application for membership in the EU. In Spain, EU support has weakened by 16% and now stands at 47%.

The danger for the UK in the event of withdrawal from the EU will be the likelihood that Scotland will hold another referendum on separation from the United Kingdom. Last time, supporters of independence lost only 10%. Then the key argument for keeping in the UK was that Scotland, leaving the United Kingdom, could not be accepted into the EU as an independent country.

Together with Scotland, the United Kingdom has a population roughly comparable to France, as well as an economy slightly larger than France, making the UK the third most powerful country in Europe after Germany and Russia. Without Scotland, the power of Great Britain will be greatly weakened. Together with part of the population, Scotland will deprive the UK of significant oil reserves, and also be able to deny the United Kingdom the possibility of using several Navy bases on the territory of the country. Having lost almost six million

⁷⁷ Augier, P., Gasiorek, M. and Tong, C.L. (2005), 'The impact of rules of origin on trade flows', *Economic Policy*, 20, pp. 567–624

inhabitants of Scotland and \$ 300 billion of GDP, Great Britain will no longer occupy a place between France and Germany, descending according to the indicators on the mark between France and Italy.

There are fears that Brexit will strengthen the forces of Catalonia, seeking to withdraw from Spain - especially if, due to withdrawal, Scotland will require a new referendum on separation.

Thus, the withdrawal from the EU can, on the one hand, wake up the nationalistic passions in the inhabitants of the EU. On the other hand, this step may lead to the fact that London's geopolitical influence will significantly weaken, and the country will lose territory and economic potential, having lost the mechanisms for protecting its interests. The United Kingdom will no longer be able to use the influence that it will have as freely as before, and the center of forces will shift from Britain to France and Germany.

As for domestic policy, supporters believe that an exit from the European Union will only strengthen democracy, as the parliament will become fully sovereign. European laws and regulations will also not apply to Britain.

On the other hand, the UK will no longer be subject to European legislation in the social sphere and occupational safety. British citizens will lose the advantage of free movement and residence in Europe.

According to official statistics, currently 942,000 East European citizens work in the UK, including Romanians and Bulgarians, as well as 791,000 Western Europeans. At the same time, the share of workers from non-European countries is 2.93 million people⁷⁸.

Proponents of EU membership argue that, despite some difficulties related to the allocation of housing and the provision of public services, in general, immigration from the EU countries has had a positive effect on the economy of Britain. Agitators for Brexit say that immigration figures should be significantly

⁷⁸ Kimura, F. and Lee, H-H. (2006), 'The gravity equation in international trade in services', *Review of World Economics*, 142(1), pp. 92–121.

reduced, and the only way to do that is to regain control over borders and independently establish immigration rules.

Brexit will allow the government to regain control over labor laws and the national health system. Also, the reduction in immigration theoretically should mean more jobs for the people remaining in the country, but, on the other hand, a shortage of labor can have a negative impact on the growth rate of the British economy⁷⁹.

The same can be said about salary levels: their probable growth in the case of Brexit may be beneficial for employees, but not for employers. The fencing policy of Britain can lead to the fact that the most bright and talented citizens of the EU will not enter the country, and employers will have to choose from a narrower range of candidates. Of course, this will have negative consequences for the economy of Britain⁸⁰.

Proponents argue that in the absence of EU bureaucracy and its innumerable rules, small and medium-sized enterprises will thrive, which will lead to increased employment, since they are less than other companies that trade with other EU countries.

Opponents of the exit say that millions of jobs will be lost, as transnational companies will transfer production to other EU countries. In particular, this will affect the automotive industry, which almost all belongs to foreign companies.

The financial sector, which employs 2.1 million Britons, also fears the possible consequences of Britain's withdrawal from the EU, since the success of the sector is built on free access to the European market, and the loss of such access carries very serious risks.

From the political point of view, one of the first results of the referendum was the resignation of the British European Commissioner Baron Hill on June 25,

⁷⁹ Dustman, C. and Frattini, T. (2014), 'The fiscal effects of immigration to the UK', *Economic Journal*, 124, pp. 593–643.

⁸⁰ Egger, P., Larch, M., Staub, K. and Winkelmann, R. (2011), 'The trade effects of endogenous preferential trade agreements', *American Economic Journal: Economic Policy* 3, pp. 113–43

2016. On the evening of Tuesday, June 28, as part of the European Council summit in Brussels, a symbolic descent of the flag of Great Britain in front of the European Commission took place⁸¹.

Discouraged by the outcome of the referendum, David Cameron decided to leave the post of leader of the ruling party and the head of the Cabinet. July 11, the victory was won by Interior Minister Teresa Mei, who already on the morning of July 13 began forming a new government. She immediately created two special ministries - on leaving the EU and international trade. The foreign minister unexpectedly became the main supporter of Brexit in the ranks of the party Boris Johnson. Thus, the conservatives remained in power so that by December 2018 they would finalize the withdrawal from the "United Europe".

From the economic point of view, being a member of the European Union was a huge boon for the UK, given that the EU is a single trade space, and therefore the goods sold inside it are not subject to import and export duties. The EU is the UK's main trading partner, accounting for 52% of UK exports of goods and services. A full exit from the European Union will lead to the emergence of trade barriers. This means, for example, that cars produced in Britain will be subject to a 15% tariff, and 10% to cars imported from Europe.

⁸¹ Bruno, R., Campos, N. and Estrin, S. (2016), 'Gravitating towards Europe: an econometric analysis of the FDI effects of EU membership', mimeo, London School of Economics.

CONCLUSION

The referendum process of the United Kingdom, which is a member of the EU but is referred to as a "guest member" since the beginning of membership, will bring with it several important consequences as a result of the 67 per cent of the referendum in which the 65 per cent of the UK voters voted in 1973 . It is very difficult to predict what kind of outcome will result from the June 23 referendum, as public opinion surveys show that the votes of both sides are very close together.

However, it seems more probable that a referendum will result in a continuation of membership. In the event of a decision to terminate the referendum, the United Kingdom will emerge from the EU according to its own legal regulations, but will have to act as an active member for almost two more years due to the integration between institutions.

In case of the decision to leave the referendum on June 23, 2016, in general;

- Decline in growth in consumer confidence, decline in investments and weakening of exports (due to the development of new trade agreements) in the UK economy, which has been displaying a steady growth profile since 2013 with respect to export, consumer spending and business investment support,

- Additional depreciation losses against other major currencies such as euro and dollar,

- Sterling depreciation leads to export competitiveness (but how to re-establish trade agreements will have an impact on the use of this competitive advantage)

- Decrease in labor participation in the EU,

- The deterioration in consumer confidence and therefore the decline in expenditures,

- The decline in the number of immigrants and the decrease in housing prices,

- "Increase in public expenditure and this expansion of budgetary budget", "financing of budget deficit becomes more expensive,

- Sectors with a high foreign currency liability and a high share of foreign currency in their expenditures (eg air transport) and the negative effects of the depreciation of the sterling in companies,

- Increased volatility and portfolio investment outflows due to the Brexit effect in the financial markets, and current outflows / GDP ratio of 5% in the case of long-term outflows.

- If the UK departs from the EU, the sterling may lose significant value due to a sharp drop in external financing, and there may be a major contraction in investment and consumption, which may reduce production, slow growth, and increase prices. Looking ahead, the ongoing and increasing uncertainty has the potential to increase the investor risk premium for British assets. This could

increase the sterling's depreciation, reduce funding for the borrowers in the UK, and increase costs.

- The emergence of the UK would open the door to some other countries and could adversely affect the global economy by causing a disruption in Europe to disappear into financial markets and destabilize trade,

- the end of separation from the EU; New trade agreements with the EU may need to be made (about 100), and UK may have to adhere to World Trade Organization rules if they come from a common market. This could lead to trade of around £ 200 billion a year and loss of £ 200 billion in foreign investment each year over the next 15 years.

- According to the Financial Studies Institute (IFS) in central London; The departure of the UK from the EU can cost public financing between £ 20 and £ 40 billion until 2019-2020. It may alleviate some of the UK's need for public financing by holding around £ 8 billion a year to the EU, but the negative effects of the UK's exit from the Union may leave this savings in the shadow,

- In the case of Brexit the economy can contract by 6% until 2030. Until 2020, employment will shrink by about 950 thousand,

- The impact of Brexit may be at the same level as the slowdown in China, and the trade with Britain with Brexit may reduce the chances of these two countries competing with British competitors,

- If Brexit occurs, the independence referendum in Scotland will be restored. (The reason why the previous Scottish independence referendum did not come to a standstill was the fact that Scotland would be out of the EU if the Cameron government declared its promises and independence that could be described as "more autonomy".) If England departs from the EU and Scotland joins the EU, the local financial centers can be moved to Edinburgh, not to Europe.

- In the worst case scenario, the different layers of the poor can receive tax credit and social assistance payments in 2020 from £ 1,861 to £ 5,542 (\$ 2,692 to \$ 8,018).

- The visa status of British citizens traveling to and from the EU will be determined by agreement with the EU. British nationals will continue to work in EU countries if they stay in the common market despite the exit.

Brexit could pose a threat to the security and sovereignty of Gibraltar. If the United Kingdom departs from its EU membership, Britain's ability to defend the interests of Gibraltar can be compromised if it is taken away from the table where decisions are taken in Brussels. We see this as the Gibraltar government's president Picardo saying that if the UK segregated from the EU, Spain could bring back the common sovereignty proposal on Gibraltar.

- If Brexit takes place on the other side, the impact on Germany may be anticipated as a slower growth since the second half of this year. It is Germany's largest trading partner after England, the United States and France. The volume of foreign trade between Germany and the UK is more than 50 billion euros in favor of Germany.

- The Bertelsmann Foundation of the German research institute, Bertelsmann Foundation, says that the UK's output will have a yearly contraction of 2% in German gross national product, in which case the Germans will have to make more contributions to managing the bloat at the same time, which is an extra \$ 2.8 billion per year It has announced. Britain may be able to provide flexibility in its legislation to attract foreign investors, which could reduce investment in Germany. Germany may also find it difficult to defend free trade against economic protectionism without the UK within the bloc.

- Hungarian, Belgian, Polish and Dutch economies will be more affected from Brexit than Germany, as they are countries that proportionally increase the trade surplus relative to the United Kingdom. If Brexit takes place, volatility will rise in Poland's Zloty and Hungarian forint.

- If the UK decides to withdraw from the EU, Ireland may stand out as the primary choice for international financial institutions, and it may be possible to establish a branch or affiliate in Ireland because of its legal framework and English speaking.

- The philosophical separation of Britain, which represents a much more liberal view over continental Europe; a more formal and flexible EU formation.

Although the theses of the dissenting folks include the establishment of more favorable trade agreements, the words of Michael Froman, an adviser to US President Obama, which is featured in the Financial Times, are remarkable. Froman, trade adviser, said that the US is not on the side of free trade agreements with independent countries, contrary to the thesis of the campaign run by supporters of the EU.

With the UK's departure from the EU, the loss of voting rights in the EU, as well as the potential for new potential regulations, may have negative implications for almost all the exporting sectors.

Even when preferential trade agreements are established, barriers to trade, such as the fact that sectors such as food and chemicals are subject to relatively much more detailed regulation in foreign trade, are seen as another disadvantage.

Center for European Reform "The Great British Trade-Off" Due to its highly integrated structure with the EU, the food industry will be adversely affected by Brexit and attention is drawn to the computer software industry, one of the leading sectors of foreign capital. In addition, Nissan and Jaguar Land Rover (the two largest investors in the industry) are commenting that in the case of Brexit the United Kingdom will lose its appeal as a production base.

The UK's trade relationship with the EU is currently based on external deficits in goods trade and foreign trade in service trade. The most fragile sector for the realization of the EU withdrawal scenario is seen as financial services and insurance because Britain has around 20 billion pounds in financial services, and

the insurance sector is less vulnerable to potential impacts on the EU integration and risks.

According to a study by Open Europe; The financial services sector, which provides foreign trade surplus with the EU, faces the most important risk and barrier to face new and additional regulations in case of a possible separation. Also, in addition to the new regulations, companies in the financial services sector may need to set up affiliates in other EU countries in order to provide uninterrupted access to the common market, which may create additional cost pressures.

In the exit scenario, it would be a matter of banks to focus more on international activities rather than the UK-focused banks to accelerate their participation in other EU countries. Fitch Ratings shows banks such as HSBC and Barclays among these open to potential impacts.

In addition, Goldman Sachs, one of the largest foreign investors in the UK banking sector, has announced that if UK moves out of the EU, it will relocate its London operations to other European financial centers. In addition to Goldman Sachs, JP Morgan's CEO Jamie Dimon said that about 4,000 employees in Britain's operations could be affected if Brexit took place.

Another negative effect is; net interest margins. The volatility in interest rates among price pressures that can be created by the depreciation of sterling with the loss of momentum in the expected growth with Brexit will be able to suppress the banks' net interest margins.

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