THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE UNIVERSITY OF ECONOMICS

INTERNATIONAL GRADUATE AND DOCTORATE CENTER

MASTER DISSERTATION

ON THE TOPIC

“Brexit: a future of Eueconomy without the UK”

ABDULAZIZ SAUD Al-ROOMI

BAKU – 2020

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Elm andı

Mən, Abdulaziz Saud Al-Roomi and içirəm ki, “Brexit: a future of Eueconomy without the UK” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

BREXIT: A FUTURE OF EUECONOMY WITHOUT THE UK

XÜLASƏ

Tətqiqatın aktuallığı: Dissertasiya mövzusun aktuallığı ondan ibarətdir ki, Avropa Birliyi, regional sosial-iqtisadi problemlərin əlaqələndirilməsi və idarə olunması sahəsində böyük təcrübə toplayan 28 Avropa ölkəsinin ən böyük inteqrasiya birliyidir. İnkişafının bu mərhələsində Böyük Britaniyanın bu birliyindən çıxmaq problemi ilə qarşılaşdı. Bu baxımdan, Brexitdən sonra Avropa Birliyinin gələcək iqtisadi sisteminin əsas istiqamətlərinin araşdırılması çox böyük elmi və praktik maraq doğurur.

Tədqiqatın məqsədi: Tədqiqatın məqsədi Brexitdən sonra Avropa Birliyinin iqtisadi inkişaf istiqamətlərini müəyyənləşdirməkdir. Tədqiqatın məqsədi aşağıdakı əsas vəzifələri müəyyənləşdirdi: 21-ci əsrin ikinci onilliyində Avropa Birliyinin inkişafının əsas iqtisadi problemlərinin müəyyən edilməsi; London və Brüssel üçün əsas iqtisadi nəticələrin müəyyənləşdirilməsi; Brexitadən sonra Avropa Birliyi iqtisadiyyatının əsas inkişaf istiqamətlərinin təsviri.

İstifadə olunmuş tədqiqat metodları:Tədqiqat prosesində tədqiqat nəticələrinin tarixi, sistemli, struktur və funksional analiz metodları, qruplaşdırma, müqayisə, qrafik, habelə iqtisadi və statistik təsvirlərdən istifadə edilmişdir.

Tədqiqatın informasiya bazası: Tədqiqatın məlumat bazası Avropa Birliyi ölkələrinin, Eurostat, Dünya Bankı, Beynəlxalq Valyuta Fondu və digər bir sıra beynəlxalq statistika və tədqiqat mərkəzlərinin tanınmış alimlərinin işləri olmuşdur.

Tədqiqatın məhdudiyyətləri: Tədqiqatın məlumat bazası Avropa Birliyi ölkələrinin, Eurostat, Dünya Bankı, Beynəlxalq Valyuta Fondu və digər bir sıra beynəlxalq statistika və tədqiqat mərkəzlərinin tanınmış alimlərinin işləri olmuşdur.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Tədqiqat zamanı Brexitın meydana gəlməsinin əsas səbəbləri müəyyənləşdirildi və təhlil edildi, Londonun İttifaqdan çıxmasının hər iki tərəf üçün əsas nəticələri müəyyən edildi, vahid Avropa bazarının gələcək inkişafı üçün uzunmüddətli istiqamətlər nəzərdən keçirildi.

Nəticələrin istafada oluna bilacayi sahələr: Dissertasiya tədqiqatı zamanı əldə edilmiş əsas nəticə və təkliflərdən müvafiq elmi tədqiqatların aparılmasında, tədris planlarının tərtib edilməsində və elmi məqalələrin yazılmasında istifadə edilə bilər.

Açar sözlər: Avropa Birliyi, perspektivlər, Brexit.

BREXIT: A FUTURE OF EUECONOMY WITHOUT THE UK

SUMMARY

The actuality of the subject: The relevance of the dissertation is that the EU is the largest integration union of 28 European countries with extensive experience in coordinating and managing regional socio-economic problems. In this regard, the study of the main directions of the future economic system of the EU after Brexit is of great scientific and practical interest.

Purpose and tasks of the research: The aim of the study is to determine the direction of economic development of the EU after Brexit. The aim of the study was to identify the following main tasks: to identify the main economic problems of EU development in the second decade of the 21st century; identify the main directions of development of the EU economy after Brexit.

Used research methods: Historical, systematic, structural and functional analysis methods, grouping, comparison, graphical, as well as economic and statistical descriptions of research results were used in the research process.

The information base of the research:The research database was the work of well-known scientists from EU countries, Eurostat, the World Bank, the International Monetary Fund and a number of other international statistics and research centers.

Restrictions of research. The research database was the work of well-known scientists from EU countries, Eurostat, the World Bank, the International Monetary Fund and a number of other international statistics and research centers.

The novelty and practical results of investigation: The study identifies and analyzes the root causes of Brexit, identifies key outcomes for both sides of London's exit from the Union, and outlines long-term directions for the future development of the single European market.

Scientific-practical significance of the results: The main results and suggestions from this research can be used in conducting relevant scientific research, developing curricula and writing scientific articles.

Keywords: European Union, prospects, Brexit.

ABBREVIATIONS

CEE	Central and Eastern Europe
CFTA	Comprehensive Free Trade Agreement
CETA	Comprehensive Economic and Trade Agreement
ECSA	European Coal and Steel Association
ECSC	European Coal and Steel Community
EEA	European Economic Area
EFTA	European Free Trade Association
EMU	Economic and Monetary Union
EU	European Union
GNP	Gross National Product
GDP	Gross Domestic Product
UK	United Kingdom of Great Britain and Northern Ireland
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

INTRODUCTION

Relevance of the research topic: The current stage of development of the global economy is characterized by deepening integration processes between firms, companies and countries. Between the participants of the integration processes, a deep separation of labor, production and exchange of goods, services, capital, human resources is carried out.

The EU is the largest integration association of 28 European countries. The EU is a good example of overcoming mutual contradictions and problems for many regions of the world where very tense relations between countries still remain.

The creation of the EU made it possible to overcome many old problems, but at the same time generated new ones:

a. to a certain extent, it limited the independence of its member countries in the conduct of domestic economic policy. First of all, this applies to investment, fiscal and budgetary policies, the conclusion of an agreement with other states;

b. pursuing an independent foreign policy, especially in matters of trade policy and issues of emigration from outside the European Union in;

c. the debt crisis that erupted in Europe in 2011 also called into question the unity of the European Union.

All these factors have become the main reason for the UK referendum on secession from the EU. Under these conditions, it is of great scientific and practical interest to study the whole range of issues of the possible development of the European economy without Great Britain.

Statement of the problem and learning level: Over the 60-year history of its existence, one of the leading member states of the European Union, United Kingdomof Great Britain, has declared its determination to withdraw from it. This process has received the world-famous abbreviation - Brexit. Issues of further development the EU after Brexit turned into one of the most hotly analyzed problems of both the global economy and economists of countries belonging to this Community. Various aspects of the reasons, factors of this historical demarcation, the prospects for separate, after Brexit, economic development, its impact on the European and world economy became the subjects of thorough research in the works of such famous foreign scientists, researchers as James Carville, Anatole Kaletsky, David Vines, Malcolm Sawyer, Paul Krugman, Joseph Stiglitz and many western research centers.

Purpose and objectives of the research: The purpose of the dissertation research is to conduct a comparative study of the historical stages of the formation and development of the European Economic Community and the UK's participation in it, to identify the reasons for Brexit. The objective of the research is to determine the influence Brexit to further development of the European Union economy.

Object and subject of the research: The object of research is the economic systems of the EU-27 and the UK in the dynamics of their development.

The subject of the research is the comparative analysis of the features of the economic development of the EU-27 and the UK, his interrelations, influence Brexit to European economy prospects.

Research methods: In the research process for the studying the stages EU genesis have been used the historical methods. For purpose to study the internal economy relations in EU were used grouping, comparisons and statistical methods. In process evaluation of influence Brexit to further development European economy have been used structural and functional analysis methods.

Research database: In purpose achieving the research goals have been used different scientific and research reports, scientific data from different domestic and international research centers in the world. Especially broadly have been used database from World Bank, UNDP, Eurostat and other European organizations, World Trade Organization, different internet resources.

Research limitations: The main limitation of the study is the limited number of scientific papers and studies on the causes of Brexit and its impact on the subsequent development of the economy of the European Union. As a limitation, one can also consider the limited information on the details of negotiations on Brexit.

Scientific novelty of the research: The role of integration processes in the development of globalization of the world economy was determined and the stages of the formation of a single European market were analyzed. The economic and trade relations between EU-27 and UK has been investigated. The study identified the main causes of Brexit, assessed its impact on the economic development of EU members. The main directions of the economic development of the EU after Brexit were also considered.

Scientific and practical significance of the results: The practical significance of this work lies in the possibility of using this study in the process of preparing students and masters in such specialties as International Economic Relations, the World Economy and several others. The results and main conclusions can be used also in the process of writing theses by students and magistrates of the indicated specialties, as well as in the process of writing scientific articles.

CHAPTER I. THE DEVELOPMENT OF INTEGRATION PROCESSES IN WEST EUROPE IN THE CONTEXT OF GLOBALIZATION OF THE WORLD ECONOMY.

1.1. The role of integration processes in the global economy.

The current stage of the global economy is characterized by increasingly deepening integration ties. It can be considered one of the most powerful tools for the development of the global economy throughout the twentieth century, increasing the competitiveness of regional world markets. International economic integration can be considered as an objective process of gradual rapprochement, interpenetration of national economic systems. The integration of world economic ties lies at the heart of its increasing globalization.

There are no unified, universally recognized views on the theory of international economic integration. There are various views on the development of world economic relations, their role in the increasing integration of the world economy. So, the classics of economics Adam Smith (H.Myint. Economica, Aug., 1977) and D.Ricardo (S.Suranovic. 2010.) considered the development of world trade as a process of free development of national economies, where everyone produces what is most profitable and accessible to him. That is, the development of world trade should be carried out in the framework of complete freedom, as well as the development of national economies. According to their views, foreign trade is based on the specialization of production and the exchange of goods on the basis of the international division and cooperation of labor. These views formed the basis of early approaches to understanding international economic integration.

For example, proponents of early liberalism believed that complete integration would occur in the process of forming a single market space on the scale of several countries, where complete freedom of competition and spontaneous market forces would be ensured. The representative of this area, French sociologist R. Aron, argued that “two different economic units can be recognized as the most integrated if the transaction between individuals, each of which is within one of these units, most closely approximates the transaction between two individuals within one and the same unit "(Aron R., April, 1953). Another supporter of this trend, William Repke, argued, for example, that integration is "a state of affairs when trade relations between different national economies are as free and profitable as those that exist within the national economy" (Repke W. Dortrecht, 1959).

Representatives of a market-institutional school, which was based on the principles of neoliberalism, also actively developed the theory of economic integration of bordering countries. The most striking exponents of this school, Maurice Allé, Bel Balasha, Hans Kramer and Klaus Meyer, considered cross-border economic integration as a natural process. This process is aimed at the gradual elimination of various forms of discrimination between national economies (Balassa B. 1962.). The elimination of discrimination meant the removal of any restrictive measures that suppress freedom of action for private business, including monopolization of the market.

So, the representative of this school, M. Allé, in 1960 argued that integration ultimately will inevitably lead to a single market, within which the absolute majority of the barriers to the movement of goods, capital and people will be eliminated, customs duties, quantitative restrictions, currency will be eliminated will be free to circulate, and capital will be free to invest where higher profitability is achieved (Allais M., 1972.). In the 70s of the twentieth century, the further development of the theory of integration was the formation of a theory of convergence. The development of integration ties inevitably leads to the emergence of processes of convergence of economies at different levels of development. This is due to the acceleration of scientific and technological progress, the wide dissemination and implementation of its achievements beyond their places of origin, the wide participation of various countries in the implementation of scientific, technical and production projects. The convergence process covers a wide aspect of scientific, technical, industrial design and social issues.

The most obvious development of convergence processes can be traced on the example of the European Union, in its corresponding structural policy. This policy aims to reduce the differences between the countries of Western and Central Europe (CEE-10) on the one hand, and the countries of Eastern Europe (EU15), on the other. As you know, the countries of Eastern Europe are at a lower level of development, in comparison with Western Europe.

Convergence, in the scientific literature is considered as a process of “rapprochement” or “catching up” of various, primarily economic areas. Leveling countries takes a special place in the process of European integration. Convergence as an economic category, however, can be considered in several areas. In a broad sense, it can be seen as nominal, real, economic, social, and technological convergence (N. Islam. June 2003.). In a narrow sense, economic convergence should be seen as a process of gradually eliminating differences in incomes and economic development between countries. Its need is due to the desire to create a comfortable business environment for the development of subjects of European integration, the creation of conditions for the free movement of production factors, to increase overall economic efficiency, the wide involvement of all participants in research and development. The train, in this case the European Union, cannot achieve its acceleration if the braking process takes place in some cars. Without solving this problem, when lagging regions seek to “catch up” with richer countries or regions, a growing process known as divergence can be obtained (Barro and Sala-i-Martin, 1992; 1996).

Theories of economic growth can be considered as a theoretical basis for the development of research in the field of economic convergence. In fact, convergence theory is based on assumptions of the concept of neoclassical economic growth (Sala-i-Martin, 1996). In this context, endogenous conceptions of growth are of particular importance, considered as new theories of growth, which made it possible to take a fresh look at the process of developing convergence of income and productivity in countries (Lucas R., 1988). These augmented neoclassical models indicate the need to remove barriers to trade and mobility of factors of production, the introduction of general rules related to environmental protection, which can enhance the monetary and economic stability of the regional unification of the Member States, which demonstrate the highest rates of convergence (D. Chambers & S.Dhongde. 2017, A.Głodowska, B.Pera.2019).

The emergence of convergence, as a significant scientific trend, became possible in the 1950s of the twentieth century. The first empirical studies on this topic were published more than 30 years later (W. Baumol. 1986). The phenomenon of economic convergence in the context of the theory of economic integration has become especially attractive for scientific researchers in the light of the formation of the economic system of the European Union, as well as the introduction of the euro in 1999, the creation of the Economic and Monetary Union (EMU). The expansion of the European Union to the east, which took place in 2004 and 2007, significantly increased the interest of the scientific community in this problem. In the relevant scientific literature, one can find many opposing positions on economic integration, the development of globalization of the world economy (A.Czudec, R.Kata, 2019; Druzhinin and Prokopyev 2018).

In our opinion, the most significant expression of growing economic integration in the global economy can be traced to the development of world trade.

Table 1: World merchandise trade volume and real GDP at market exchange rates, 2008-2018

	2008	**2018**	**Indices, 2008=100**
World GDP, US$ billion	68,18	85,91	126
World trade, US$ billion	15,6	19,67	126
World merchandise exports, US$ billion	15,1	18,2	120
World exports in commercial services, US$ billion	3,8	5,63	148

Source: WTO estimates, IMF World Economic Outlook, 2019, p.8

As can be seen from table 1, in 2008-2018, the volumes of World GDP and World trade grew by 26%. In the earlier period, that is, 2000-2009, a higher growth rate of world trade was observed in comparison with the growth of World GDP. So, in these years, the average annual growth of World GDP amounted to 2%, and World trade 3%, that is, more than 1.5 times. (International Trade Statistics, 2010, p. 10).

Over the past 10 years, the highest growth rates have shown growth in world exports of finished goods and services. The average annual growth of the former was 2.3%, and of the latter 3.9%. For comparison, it can be noted that in 2000-2009, the average annual growth of these indicators was, respectively, 3 and 2.1%.

Thus, the high growth rates of world trade, especially trade in finished goods and services over the past 20 years, indicate a growing integration of the world economy, the gradual formation of regional and global markets on their basis.

1.2. Economic prerequisites the formation of the EU.

The concept of "integration" is closely interconnected with the concepts of "globalization" and "internationalization". Without exception, they denote an increase in interconnections among individual states, firms, companies, as well as societies in the most diverse fields: economic, cultural, military, and political. At the same time, these concepts also express processes for improving communications, various systems of interconnection and transport, a significant increase in the exchange of goods, services and innovations, intensive migration of residents and other cross-border operations. In modern scientific literature there is a variety of approaches to the definition of the category of globalization. Some authors (both Russian and foreign) believe that globalization manifested itself in the most intensive form in the 70-80s of the twentieth century, when information technology began its universal implementation in all areas of life, liberalization of international financial relations began to acquire everything broader nature, and the interdependence of states and regions has become a necessary component of their daily lives. In the context of this development, globalization is seen as a qualitatively new stage of internationalization. However, many researchers believe that internationalization, i.e. the formation of the global economy originates from the era of great geographical discoveries (Butorina O.V. 2004.No 6., p. 20).

Close to this position is the point of view of a number of Western economists who view economic globalization as an irreversible trend in the development of national economies as a result of the growing scale of cross-border trade in goods and services, the influx of international capital, and the widespread and rapid spread of modern technologies. It reflects the continued expansion and mutual integration of market borders and is an irreversible trend in economic development around the world at the turn of the millennium. There is a rapid increase in the volume and significance of information, as well as its implementation in all chains of production activity. Thus, this group of researchers believes that the process of globalization of world economies that has accelerated at the turn of the millennium is largely based on the rapid development of science and technology, the widespread introduction of its achievements in practice.

So, thanks to the development of science and technology, it was possible to significantly reduce transport and communication costs, which allowed us to increase the efficiency of market participants. The cost of shipping in 2000 compared with 1930 decreased by more than 2 times, the cost of air transportation amounted to 16% of the initial level, and the cost of telecommunications - 1%. The price level for computers in 1990 was only 8% of what it was in 1960, and this price level in 1998 fell again by about 80%. That is, as a result of innovation, the process of compression of space and time is constantly happening. All this made it possible to significantly reduce the cost of international trade and investment, to increase their level of organization and efficiency.

An example is also the production of mobile phones iPhone American company Apple. The design of the phone, its software part is made in the USA, and assembled in China from parts that come from more than 10 countries.

Most economists see technological progress and the development of information technology as the technological driving force of economic globalization and integration, and the market reform that has embraced most countries of the world as the driving force of this trend. Under the influence of the World Trade Organization, many countries are gradually reducing tariff and non-tariff barriers, increasingly opening their current accounts with capital. Ultimately, all of these processes contribute to the development of trade and investment, the exchange of scientific achievements. In this regard, it is especially necessary to mention the transition of the former centralized, socialist, planned economies to market economies, which played an important role in their integration into the world economy, in its political and cultural environment.

An important prerequisite for globalization is the development of integration processes. Integration should be considered as a common, joint project for absolutely all of its participants. Integration shifts the balance of benefits and costs of globalization in favor of member states and often creates preferential requirements in favor of weaker participants. The degree of rational use of the benefits of integration depends on the socio-economic conditions that have developed within states. Integration processes are carried out sequentially, as necessary conditions are formed for this. So, for example, six states that signed an agreement on the formation of the EEC in 1957 prepared the transition to a customs alliance for 11 years and it started working in the summer of 1968. The common, single market, which assumes the unhindered movement of goods, services, capital and labor, is finally took shape in the EU by 1992. That is, it happened 35 years after the creation of the Community. It took more than 40 years to form a currency alliance.

Creation and functioning of integration associations is a complex process of decision making and their implementation. The modern European Union is a complex bureaucratic organization that takes agreed decisions and monitors its implementation.

Obviously, the interests of individual member countries of integration associations on a number of issues may not coincide. These differences can be reflected in the following four main groups of contradictions:

A. Among common and national interests. This contradiction was especially evident in resolving the debt crisis that arose around Greece in 2009-2016, in view of the country's desire to bring the standard of living of its population to the level of developed EU countries.

B. Disagreement between state sovereignty and group powers. The development of the EU is accompanied by an increase in the number of issues, the solution of which is transferred to supranational bodies. In fact, this means submission of governments to the will of the majority, common interests. State governments, without exception, are often obliged to submit to the collective will, including the interests of other member states. This form of integration integration management gives it a form of mobility and controllability in the process of making and implementing the most important decisions.

B. The disagreement between the progress of integration and the integrity of the group. The development of integration inevitably gives rise to pessimistic sentiments among some of its members regarding participation in new projects. The unwillingness of the UK to participate in projects for the reception and placement of immigrants in their country was one of the reasons for the decision to withdraw from the EU.

G. The contradiction between the legal capacity and legal capacity of the group.

The process of integration in its development inevitably moves towards the transfer of a number of important functions to supranational bodies, which creates a gap between the plans of the organization’s leaders and public opinion. This is reflected in the growing misunderstanding of the population and, accordingly, their non-acceptance of the goals of this process and methods of its achievement. A consequence of the growing misunderstanding among the population of the goals of integration is a gradual decrease on their part of the level of support and approval of this process. Over time, the organizers of this integration process are faced with a choice: to implement decisions disregarding public opinion or to reduce the pace of integration. As a result, social support for integration decreases, and the management of the association faces a problem: implement decisions without regard to the opinions of residents (which contradicts the foundations of democracy), or reduce the pace of integration. It is with a similar situation that the EU faced in 2017-2018.

Nevertheless, despite the many contradictions, disagreements, several factors contributed to the pan-European unification. First of all, it is an urgent need to establish a lasting peace. The history of the two world wars has shown that the absolutization of the concept of a nation state, sovereignty leads to growing nationalism and ethnic conflicts. Already at the final stages of World War II, ideas began to spread in Europe from a single European space with supranational structures. Involvement in it and Germany would make it possible to coexist in peaceful coexistence with relevant international agreements (Klaus-Dieter Borchardt, 2015. p.45).

Secondly, the political elites understood that the financial recovery of the region can only be realized if it is closely consolidated. The receipt of American support according to the Marshall Plan ended in 1951. In their subsequent economic development, Western European states could rely mainly only on each other. To do this, it was necessary to stimulate their foreign trade and normalize broad industrial cooperation.

Thirdly, the creation in 1949 on the territory of Eastern Europe of the Council for Mutual Economic Assistance, which included European countries of Soviet orientation (Bulgaria, Hungary, Poland, Romania, the USSR, Czechoslovakia and East Germany), led to the fact that the countries of Central and Eastern Europe, which until 1945 were stable sources of raw materials and markets for Western European companies, were in the sphere of influence of the USSR. This fact also contributed to the formation of the idea of the need to unite the countries that denied the communist ideas coming from Moscow.

Summarizing the above, it is necessary to draw the following conclusions:

First, the theoretical and practical activities of regional integration are the most widespread in Europe in the second half of the 20th century. It occurs in parallel with the development of integration and globalization processes. These processes are based on the recognition by the ruling elites of these countries of common economic and political interests.

Secondly, regional integration allows us to solve such important tasks as: achieving and maintaining a stable political situation in the region, shaping the economy and increasing the well-being of the participating countries, and also strengthening the position of the group in the region and in the whole world.

Thirdly, the functioning of an integration union inevitably causes constant contradictions. They are the result of the mismatch of common and national interests, the need to transfer part of the functions of national sovereignty to supranational bodies. Integration processes are also complicated by the need for its support from all sectors of the population.

The formation of the European Union became possible as a result of a combination of a number of factors: the presence of a highly developed industry, deep cooperation ties between them, territorial proximity, close cultural and historical proximity of European peoples (Klaus-Dieter Borchardt, 2015, p, 28).

Among all the prerequisites that contributed to European integration, a special role belongs to economic factors. Of particular note is the dominance of a developed market economy throughout the countries under consideration. The enterprises located here produced a wide range of industrial goods and were connected with each other through deep cooperative ties.

History shows that the difference in the economic and cultural level of development of nations is a serious obstacle to their long-term unification. Thus, the Council for Mutual Economic Assistance, created as an association of the socialist countries of Europe, 30 years after its creation, collapsed due to the lack of strong interfirm relationships.

Attempts to unite a number of countries in Latin America and Africa also failed, in view of both the differences in the levels of development and the multistructure of their economies.

The presence of a polycentric structure played an important role in the creation of the EU. Initially, these were France, the Federal Republic of Germany and Italy, similar in size, population, level of economic development. Subsequently, England and Spain also joined them (Kargalova M.V. 2009.p.75).

A characteristic feature of the EU was also the presence of some significant countries of approximately the same size. At first it was France, the Federal Republic of Germany and Italy, later England and Spain joined them. This feature is very rare for a regional grouping. Currently, it is characteristic only for the EU.

The great proximity of cultures and history of the peoples inhabiting Europe. For more than two millennia, as a result of the interaction of the peoples of the region, the formation of what is called European culture has been taking place. The following most common features of European culture and lifestyle can be distinguished: democracy and human rights; the system of separation of powers and the rule of law, political tradition, urban autonomy and a formed local identity; presentation of property as an absolute right and a market economy (Borko Yu. A., p. 12,13). Thus, in a multinational, densely populated and intertwined with many different bonds of Europe, the need for unification has been plagued by its entire history. At the same time, in Europe, limited in territories and raw materials, which has lost its raw materials markets and markets for the sale of finished products, unification has become a matter of further development of its economy, its sustainability and competitiveness.

1.3. The main stages expansion of the EU.

Economic processes have played a decisive role both in the unification of the EU and in the emergence of the Brexit phenomenon. Therefore, before considering the prospects for the development of the European economy without the UK, we will consider the main stages in the formation of a united Europe, the reasons for the integration of London into it.

Historically, the period 1951-1957 can be considered the first stage in the formation of the European Union. The start was given as a result of the signing on April 18, 1951. in Paris of the Treaty establishing the European Coal and Steel Association (EUSC). This Agreement unites the Federal Republic of Germany

(Germany), France, Belgium, Holland, Italy and Luxembourg. In these countries, the main sector of the economy was the production of coal and steel. The sources of integration were prominent French politicians of the 50-60s of the XX century, Robert Schumann and Jean Monnet. In its Declaration of May 9, 1950 French Foreign Minister R. Schumann proposed putting an end to the fragmentation of Europe, traditional Franco-German rivalry and establishing equal partnerships between countries in the framework of international cooperation (The Schuman Declaration, May,1950). Thus, the construction of a single European House was begun with the unification of coal and steel production in France and Germany under the general supreme leadership. In the ECSC Treaty of Paris (ECSC), 6 countries of Europe united, which at that time already had close cooperation ties (The historical development of European integration, EU, 2018, p. 2).

In accordance with the ECSC, all import and export duties, various quantitative restrictions, and discriminatory measures in the trade in coal, iron ore, and steel were abolished. For countries not included in the Common Coal and Steel Market, uniform duties were imposed on the import of these goods and related services. In order to regulate general issues related to production, modernization processes, reconstruction of relevant sectors of the economy, the highest governing body (la Huate Autorite) was elected from among the representatives of the Community countries. He was given supranational powers, the decisions of which were binding on all participating countries and all enterprises in these sectors of the economy. The highest governing body coordinated its activities, first of all, with the Council of Ministers, in which the participating countries had the right to veto decisions. Thus, the first ever attempt was made on the peaceful, voluntary integration of European countries.

The initial steps towards the unification of Europe had a pronounced economic goal, had no analogues of such a unification. Contradictions were inevitable along this path, but subsequent successes inspired its participants and other European countries to create closer integration ties. Institutional innovations that were used in the process of functioning of the Eurasian Economic Union have strengthened the process of international cooperation on a wider range of issues and thereby created the prerequisites for deepening cooperation ties.

Six years later, the founders of the first European community decided to move to a second, higher level of unification. This stage covers the period of the late 50s - early 70s and went down in history as the “golden age” of the Community. March 25, 1957 France, Germany, Italy, Belgium, the Netherlands, Luxembourg - sign two Rome treaties on the establishment of the European Economic Community and the European Atomic Energy Community (Euratom) (The historical development of European integration, EU, 2018 p.2). The content of the last agreement - Euroatom - was a repetition of the model of the ECSC agreement, had an industry specialization, providing for the coordination and cooperation of all work in the field of nuclear energy.

The most significant was the Treaty on the Establishment of the European Economic Community, which envisaged further expansion of economic integration by creating a common market within which free movement of goods, labor, capital and scientific ideas is not limited by any borders. The agreement on the creation of the EEC consists of 275 articles, in which the following main objectives of the unification are proclaimed:

• consistent elimination of bureaucratic obstacles to trade between member countries of the Community;

• formation of a single customs tariff in trade with countries that are not members of this Community;

• removal of all restrictions on the free movement of goods, capital, labor and services;

• implementation of a single policy in the field of agriculture and transport services;

• unification of tax systems;

• formation of uniform competition rules within the Community;

• approximation of the legislative framework of the participating countries;

• development of general principles for harmonizing economic policies.

The above agreements provided for the formation of common approaches in a number of areas of domestic and foreign policy, the transfer of a number of rights to supranational bodies. Great Britain opposed such a deep integration of politics and economies of the contracting parties and refused to negotiate with the founding countries of the European Community. London only planned to create a free trade zone. To this end, seven other European countries, Great Britain, Austria, Denmark, Norway, Portugal, Sweden and Switzerland, May 4, 1960. signed an agreement on the establishment of the European Free Trade Association (EFTA).

Thus, the intensification of work on the implementation of the provisions stipulated by the Rome Treaty of 1957 was launched. Actively implemented institutional reforms. In early July 1968, work was completed on the creation of a customs union, which allowed to eliminate trade restrictions in domestic trade and establish a unified customs tariff in relation to third countries. The principles were developed within the competition policy, economic legislation, the process of transforming the national monopolies of the member countries of the Community into transnational, more liberalized forms accelerated the movement of the main factors of production: capital, labor and ideas. A significant achievement of that period was the development of the Common Agricultural Policy (ECAP) within the borders of the entire European Community.

The next third stage of integration of European countries covers the period from the beginning of the 70s to the mid 80s of the twentieth century. These years were characterized by sluggish economic growth of the participating countries relative to other Western countries, relatively high unemployment, which strengthened the mood of Euroscepticism. Nevertheless, in January 1973, the EU expanded its borders by integrating countries such as Britain, Denmark and Ireland. After 5 years, the process of currency integration came into effect. Currency integration has become a significant step in the further deepening of regional integration, the creation of new supranational bodies for the development of this integration. The corresponding actions were intensively introduced into the production and scientific-technical sphere. The year 1981 was marked by a new EU enlargement, which occurred at the expense of Greece. As the EU developed, the ideas of European integration began to gain more and more popularity.

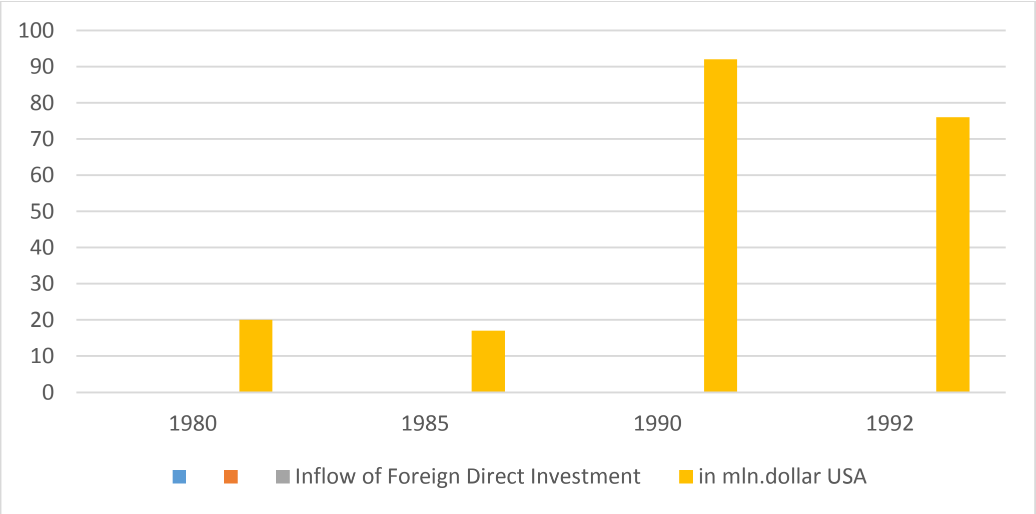
The fourth stage covers the period from the mid-80s to the beginning of the 90s. Its feature was the completion of integration processes, expressed in the creation of a single domestic market (EUR) within the borders of the EU. In 1985 The Commission of the European Communities published “The White Book” (White Paper from the Commission to the European Council (Milan, 28-29 June 1985), which noted that despite the successes achieved in the development of the European single market and the abolition of customs duties, the unity of the European Community can still not be considered complete for either citizens or economic structures. Borders between member countries and many trade restrictions for intercountry trade continued to persist. Administrative formalities; customs supervision; differences in technical specifications and norms in different countries; protectionism in some areas; restrictions that prevent enterprises from operating at the EU level as well as at the national level - all this impeded the development of the economy and cost several billion ECU per year (White Paper from the Commission to the European Council (Milan, 28-29 June 1985 p. 37).

In 1985, on the instructions of the EU Commission, a group of experts led by Paolo Ceccini conducted a study to determine the degree of effectiveness of the unification of European countries within the EU. In the course of a detailed study, it was found that up to 9 billion ECUs, or 1.8% of the total amount of all trade operations between member countries of the Community, are spent on the execution of various border formalities. Even greater losses occurred in the industry of these countries due to the lack of a unified system of standards, as well as the presence and various trade restrictions that cost European countries more than 40 billion ECU annually (White Paper from the Commission to the European Council (Milan, 28-29 June 1985, p. 28). All this negatively affected the international competitiveness of the EU member states, prevented organizational and structural restructuring, the creation of the necessary incentives for technological and organizational innovations.

Initially, the need to establish the Single Internal Market (EBP) was proclaimed the most important goal of creating the EU, which was once again reflected in the Single European Act (EEA) adopted in 1987. The EUR was conceived as a single space without internal borders, in which the free movement of goods, capital, services and civilians is ensured. The beginning of this organization was envisaged by December 31, 1992. In addition, it was planned within the framework of this association to completely eliminate physical, technical, tax and other barriers in the EU space, which in fact meant the complete elimination of national borders, the creation of a homogeneous economic space. The goal set for the creation of the EBR was realized by January 1, 1993. Against the background of these radical decisions, another enlargement of the EU took place, which included such countries of Southern Europe, Spain and Portugal.

The effectiveness of the unification of European countries manifested itself in the second half of the 80s of the twentieth century.

Graph 1: EU-12–Inflows of foreign direct investments

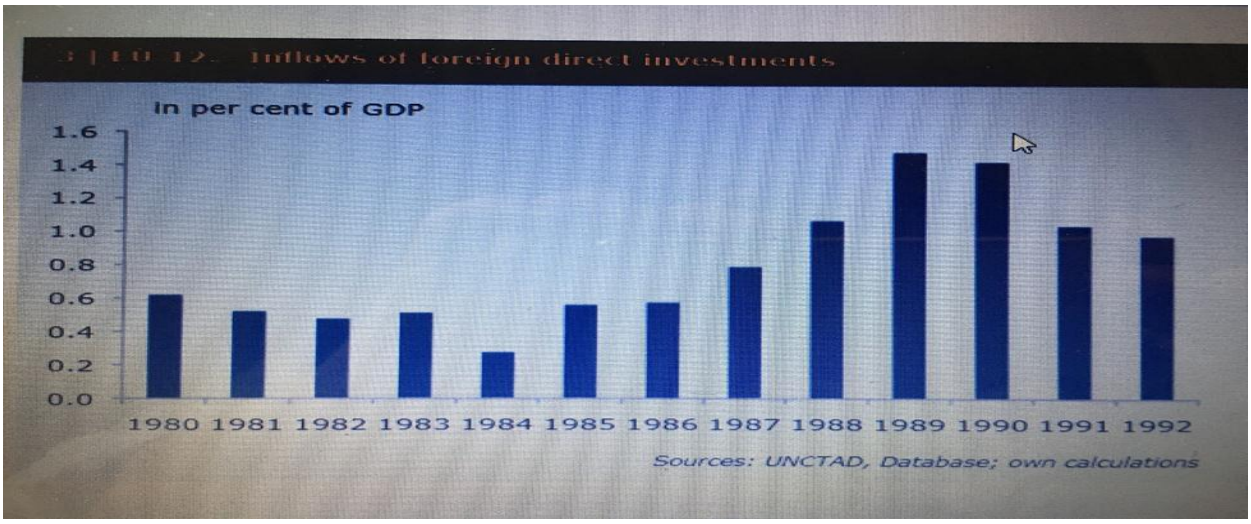


Source: https://ec.europa.eu/eurostat/data (26.10.2019)

The relevant legislative measures taken and the reaction of the business world to them led to an investment boom in the EU member states. If in the early 80s the volume of foreign direct investment in the twelve participating countries averaged about 16 billion US dollars per year, by the beginning of the 90s it reached 66 billion US dollars. Of course, new, larger-scale investments have accelerated the pace of economic growth of these countries, and contributed to the high-quality technical and technological renewal of their production and social infrastructure.

A significant increase in foreign direct investment was also noted in relative terms, as a percentage of the gross domestic product of these countries.

Graph 2: EU-12 – Inflows of foreign direct investments (in per cent of GDP).



Source: UNCTAD https://unctad.org/annualreport/2010 (18.10.2019)

As can be seen from Graph 3, incoming foreign direct in the EU for the period under review increased as a percentage from 0.5% in the early 80s to 1.2% of GDP in the early 90s. The greatest results in this activity were achieved by countries such as Belgium, the United Kingdom, Portugal and the Netherlands (White Paper from the Commission to the European Council. Milan, 28-29 June 1985).

The fifth stage covers the period from the end of the 80s of the XX century to 2004. At this stage, the further development of integration processes necessitated the formation of an economic, monetary and political union. In December 1991, the Maastricht Treaty on the European Union was prepared and in 1992 signed, which entered into force in November 1993 and renamed the European Community into the European Union. In accordance with this Treaty, a single European citizenship was established, a political union, which assumed full coordination in the field of foreign and internal affairs, as well as the formation of an economic and monetary union.

The Economic and Monetary Union (EMU) came into effect on January 1, 1999. From that day on, a new currency, the euro, was introduced into non-cash circulation, which for three and a half years operated in parallel with the national currencies of the EMU member states, and from June 1, 2002. finally replaced them. In the years under review, the full economic convergence of the national economies of the member states was successfully carried out, which allowed us to switch to a single monetary policy of the EU. The growing successes of the European Union made it possible to attract countries such as Finland, Austria, Sweden to its ranks in 1995, and thus bring their total number to 15 states. Since the beginning of the 21st century, the process of admitting new members to the EU has intensified. The most widespread character he had in 2004. So, on May 1, 2004, it included 10 new countries participating in Eastern and Southern parts of Europe: Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Cyprus, Malta. Thus, their total number was brought to 25 countries.

The sixth stage of EU development covers, in our opinion, the period 2006-2018. This is the most difficult period in the development of the EU since its inception. First of all, from January 1, 2007, such countries as Bulgaria and Romania joined, and in 2013 - Croatia. Thus, the total number of member states of the European Union was brought to 28. A feature of EU enlargement since 2004 is that it includes countries that, in terms of their socio-economic development, were significantly behind the Central European countries. In addition, in these countries there were significant shortcomings in the establishment of a democratic regime and a market economy. The fact of the unification of so many countries within the framework of a single Community testifies to the predominance of general points over various, particular features. As follows from the table 2., to date, the European Union (EU) has become one of the largest, multinational, integration associations in the world. Within the framework of this association, in the territory of 28 states, a population of more than 513 million people lives, which produce about 29% of world GNP.

Table 2: The European single Market in a global comparison.

	GDP in billions of dollars	Population in millions
EU -28	18,756	513.213
European Economic Area (EEA)	16,927	327.167
NAFTA	22,213	464.0
– incl.: USA	20,494	314.3
China	13,608	1,392.7
Mercosur	6,170	398.5
ASEAN	3,457	2,328
India	2,726	1,352

EEA: EU-28 plus Iceland and Norway. Mercosur: ten countries, incl. the associated countries.
Source: IMF, WEO database, world bank, 2018.

As follows from the table 2, to date, the European Union (EU) has become one of the largest, multinational, integration associations in the world. Within the framework of this association, in the territory of 28 states, a population of more than 513 million people lives, which produce about 29% of world GNP (world bank, report 2018). Over the past 60 years, tremendous progress has been made in the field of economic integration, and the single European currency, the euro, has become the second in the global financial markets, after the US dollar. The European Union has become one of the most important centers of the world economy, science and politics. He makes a huge contribution to the progress of the European continent and of all mankind, in defense of universal values. Along with the successes achieved, certain contradictions and problems have accumulated. Perhaps the largest of these is the Brexita problem, i.e. withdrawal from the EU of Great Britain and its consequences for the development of this integration union.

CHAPTER II. ANALYSİS OF THE MAİN CAUSES OF BREXİT.

2.1. Features and problems of the institutional structure of the EU.

The modern world can be characterized as a continuously complicated system, first of all, of socio-economic characteristics, caused by an increase in participants in market processes in which everyone pursues his own interests. Under these conditions, the uncertainty of economic situations and the multivariance of decisions are growing. At the same time, the deepening division and cooperation of the world economy dictates the need for joining efforts, first of all, of countries with many years of production relations and intensive border trade. In addition, the world is increasingly confronted with global problems, such as climate warming, the need to protect nature from pollution of industrial waste, and to join efforts in conducting global research and development. It is obvious that the cooperation of the joint efforts of these countries increases their adaptability to challenges, the combination of production and financial resources allows us to find a solution to interregional, continental and planetary solutions. It is no accident that the 20th century is characterized by an intensive process of creating regional and interregional associations. One of the most successful such associations is the creation of the European Union in the 1950s. For more than 60 years, the process of its institutional development and improvement has been going on. Consider the main features and problems of the institutional structure of the EU.

One of the most important features that still cause much controversy in the community itself is that the EU is empowered with a supranational structure to address a number of issues that are most important to all EU members. So, at present, the European Union in the international arena has the opportunity for autonomous international political action from member states. The Court of the European Communities already in 1970 established the principle that allows supranational institutions to play the role of its external representative in some general matters. For example, given the high level of economic integration, the European Commission has been granted a special right to represent member states in international trade negotiations. For this purpose, according to the Lisbon Treaty of 2007, the EU General Diplomatic Service was established. Thus, while at the initial stages of the development of the European Union, covering the 50-80s of the twentieth century, regional integration was focused on solving mainly the internal problems of the member states, in the last thirty years the EU has strengthened its ability to act independently in the international arena. These EU actions represent the implementation of the theoretical concept of “normative power” put forward as far back as 2002 by European researcher Ian Manners (Manners I.,2002, 2015)

The emphasis on legal regulation within the European Union and its foreign policy is expressed in advancing and supporting efforts to create and strengthen multilateral regulatory bodies in relations between countries. The European Union declares and supports, first of all, such norms as peace, freedom, democracy, human rights and the rule of law in resolving all issues. The next group of values declared by this international association is social solidarity, non-discrimination, sustainable development and good governance (Manners, 2002, p. 240). Manners believed that transmission (transmission) of the above values and norms inside and outside the European Union is carried out through institutionalization, that is, building a certain system of relations both within the EU and with other international organizations, or through an open presence (EU representation in third countries and international organizations). At the same time, the EU assumes the role of a mentor, a “benchmark” of strategies and exemplary methods of international cooperation, such as mutual recognition and respect. The Dutch specialist in the field of institutional structures, Dieter Kerver, believes that the development of the EU institutional structure testifies both to its successes and problems: “Despite the appearance of the EU as an influential player, there is a lot of evidence of the conflict around subjectivity (between the organization and its states members), which is typical of international organizations” (Dieter Kerver.2001). The current situation is due to the fact that the EU did not fully receive monopolies for representing its interests in the dominant, vital spheres of international activity.

The EU member states still continue to implement, albeit in a limited form, their foreign policy towards both third countries and international organizations. For each issue, they have to enter into a complex and lengthy process of coordinating their positions. With all this, the highest EU authorities often talk about the continuing possibility of autonomous action. Even in foreign trade, where the European Commission has wide powers to represent the EU as a whole, member states are directly involved in developing a mandate for international negotiations. Thus, the EU has developed a situation in which efforts are being made to combine supranational and national interests in the process of joint decision-making by state governments and European institutions.

The end of the twentieth and the beginning of the twenty-first century are characterized by faster growth of world trade in comparison with the growth of world GDP. Especially high growth rates are demonstrated by trade in services. In this regard, issues of international regulation of cross-border economic activity have become particularly relevant. Various states and international institutions are claiming to regulate this ever-growing flow of goods and services. Moreover, the organizational and legal regulation of these issues is closely related to the enormous size of economic benefits.

Where there is a specific benefit, there is always the likelihood of a conflict of interest, a conflict between jurisdictions. Each of the parties involved in this process seeks to actively influence the procedure and content of the adopted rules in force in global markets. The growing scale of such conflicts and disputes, conflicts of interest and positions of various regulators is constantly observed, especially in relation to the markets of such industries as the market of petrochemical products, banking, automobile and air transportation, telecommunications.

At the same time, it should be noted that the solution to the manageability of global trade and economic relations requires a constructive attitude to this type of conflict from all its participants and stakeholders, and joint compromises. It should be noted that the achievement of such consensus is hindered by the fact that many currently functioning national market regulation rules were formed before the emergence of modern forms of globalization. In this regard, states in which national rules have not yet been formed or differ significantly from emerging global rules require serious legal and material concessions in the process of adapting to emerging global rules if adopted.

The trade war unfolding between the US and China is evidence of how serious these problems are, how important it is to find appropriate compromise solutions. At the same time, the lack of regulation of these issues has an extremely negative effect on both the economies of direct participants and the global economy. The specific facts presented here of institutional problems in resolving issues of trade and economic relations, leading to a conflict of interests, great bureaucracy in resolving these problems, the desire of individual countries to protect their national interests to the detriment of regional and global, were also one of the catalysts for shaping the reasons for the United Kingdom Great Britain from the European Union.

Another important issue of the European Union since 2015 is migration. As you know, in 2015-2017, more than 2 million arrived in Europe migrants. The EU border service Frontex reported 1.8 million people crossing the borders of the European Union in 2015 (Frontex Annual Risk Analysis for 2016). In 2018, as a result of the measures taken, their number was significantly reduced. However, starting in 2019, the process of increasing refugees was again outlined, especially in Italy, Greece and Cyprus, which require proportional resettlement of migrants across all countries of the European Union. The problem of migrants is one of the most acute in the EU over the past 5 years, requiring an agreed solution. One of the countries that do not agree with this approach, i.e. proportional participation in resolving this problem is London. One of the main arguments of the Eurosceptics, which was heard during the campaign for Brexit, was the inability of the British government to control immigration from other EU countries. But the accusations against European migrants are completely unfounded, emphasized in an interview with DW Christian migration expert, professor at University College London Christian Dustmann (Christian Dustmann. https://www.dw.com/ru/BFbrexit https:). Not the desire of the British to participate in resolving this problem is also one of the most serious institutional reasons for Brexit. Moreover, this is due to the adoption of serious political and economic decisions at the national level, which the United Kingdom categorically refuses to make.

2.2. Economic problems of EU member countries and their foreign trade relationships.

The current stage of economic development is a complex and multilateral process. This is especially evident in the example of regional unions, the activity of which allows, on the one hand, to solve complex problems caused by the dynamism of the time itself, and on the other hand, to identify problems, areas where there is a conflict of interests and positions. With good reason, this can be attributed to the trade and economic activities of the EU. Features, contradictions of this activity can be traced on the example of the financial system and their foreign trade activities.

The creation of the Economic and Monetary Union - EMU (economic and monetary union), which is the essence of the EU, involves the introduction of a single currency and a single monetary policy. This allows for the creation of an integrated money market. As a result of monetary integration, exchange rates are fixed and the currencies of member countries are fully convertible.

However, guaranteeing the invariability of financial policy requires an appropriate monetary and foreign exchange (balance of payments policy) policy and the delegation of many of these powers to a supranational body, which should also be given the right to control the aggregate foreign exchange reserves of the countries of the union. As a result of this policy, countries are deprived of access to monetary credit (outside the previously agreed framework) and the budget deficit of the countries participating in the union should be financed in the capital market. The creation of EMUs and the unification of money markets increase the effects of previous stages of integration based on the integration of product markets and customs unions, contribute to more efficient functioning of food and factor markets, more proportional to the geographical distribution of economic activity, as the national markets of the regions included in the union become more integrated.

The creation of the Economic and Monetary Union allows you to get the economic benefits generated by:

1) fixing of mutual rates.

Currency risks in mutual trade are eliminated. According to R. E. Baldwin's calculations, risk reduction tends to accelerate economic growth (Baldwin, R. E. 1990.). Favorable conditions are created for increasing competitiveness and increasing the possibilities of pursuing anti-inflationary policies. In conjunction with this factor, it is possible to achieve higher economic stability by reducing dependence on currency market fluctuations;

2) the transition to a single currency. Significantly increase the possibility of reducing transaction costs for international operations, conversion costs with the introduction of a single currency. Greater transparency of relative prices is ensured, and information exchange costs are reduced.

Companies receive economies of scale in the financial market, which translates into lower public costs of financial intermediation and the transformation of savings into investments; a significant increase in the range of available financial instruments (with a wide range of term and risk). As a result, firms succeed in raising the criteria for optimal financing, and the liquidity of financial assets is growing. An increase in the scale of operations reduces the likelihood of shocks and increases the liquidity of financial resources. Making payments in trade with third countries in the single currency of the EU also helps to reduce transaction costs;

3) conducting an integration monetary policy. Increased confidence in the Central Bank of the EU, especially if countries with a strong banking system are directly involved in the creation of this bank. As a result of an effective monetary policy, inflation can be reduced, confidence of other banks in the region can increase, a zone with low inflation and a reliable monetary policy, low interest rate on loans, and common currency reserves can be created.

At the same time, the functioning of the Economic and Monetary Union is faced with certain problems. The positive aspects of the creation of EMU had been the next:

-increase in price stability, optimal allocation of resources;

-a decrease in the amplitude of fluctuations in exchange rates, an increase in the growth of trade and investment flows;

- a significant reduction in transaction costs and the achievement of price transparency, stimulating the growth of trade and investment;

-a decrease in the cost of servicing public debt due to a decrease in commission interest rates and risk premiums;

- saving of foreign exchange resources through their unification and the implementation of a centralized monetary policy;

-increasing the dynamism and scale of operations.

Consider the negative aspects of this Union, which manifested themselves during the crisis of 2008-2009 and subsequent years. First of all, the costs are associated with the complete or partial loss of control by countries of their national monetary policy. This crisis revealed the absence within the EU of effective tools for integrated crisis management, which complicated the economic and political conditions in many countries of the Union. The Chairman of the European Central Bank, Mario Draghi (Draghi M., 2011), warned of the grave consequences that would follow the attempt to withdraw a country from a monetary union.

Similar warnings were made by the famous American economist Nuriel Rubini, who spoke many times about the need to deepen integration to save the euro zone (Roubini N., 2011.). The crisis of 2008-2009 primarily affected the banking sector of the EU, due to the role it plays in the economy of the Union. So, in the USA, firms and companies receive additional financial resources, primarily in the securities market, while European companies at the expense of bank loans. According to the ECB, 70-75% of the needs of firms and households for financial resources in Europe are covered by attracting bank loans, and in the United States this indicator is 20-25% (European Banking Sector: Facts and Figures. 2012. p .28).

The EU banking sector plays a prominent role in financing the private sector and developing trade and economic ties. So, in 2015, the ratio of bank loans to the country's GDP in these countries amounted to 1.4% of the total GDP.

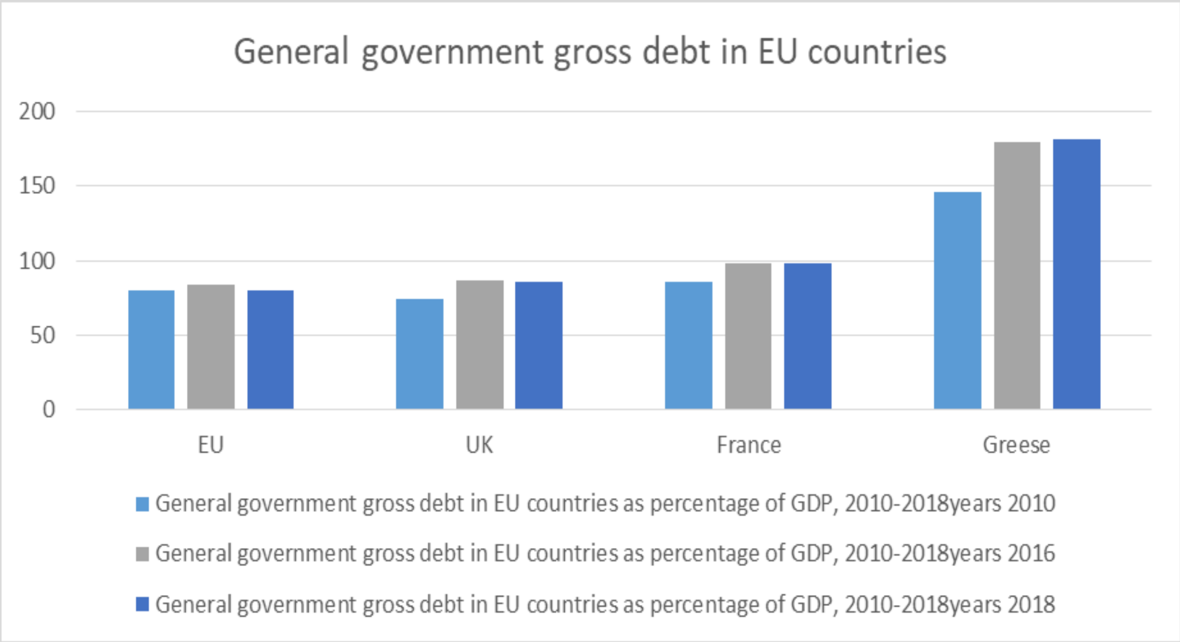
For individual countries, this indicator was even more significant: in Cyprus - 2.98%, Ireland - 2.8% and Spain - 2.04% of GDP. In the USA, this indicator was lower - 0.55% of GDP (Bijslma M.J., Zwart G.T.J. 2015. p. 41). Another feature of the financial systems of the eurozone member states is the relatively high degree of integration of national interbank loan markets. As a result of the significant difference in conditions, those who take a loan (for example, small and medium-sized enterprises or individuals) are faced with different conditions for granting loans, depending on which country of the euro zone the bank is located. It is worth noting that in general the EU has created an extremely confusing, from an institutional point of view, system of control over the financial sector.

So, in 2009, in order to control and regulate the EU financial system, the following organizations were created: the European system of financial supervision, combining the European Banking Organization - European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority. In order to insure financial risks, in 2011 the European Council for Financial Risks - the European Systemic Risk Board began to work. The presence of such a large number of centralized pan-European bodies (European Banking Organization; European Securities and Markets Authority – ESMA; Joint Committee of European Supervisory Organizations; European Supervisory Authorities; Economic and Finance Committee in the Council of the EU and others) requires the provision of appropriate powers and coordination between them of their activities. Deficiencies in the powers and coordination of the activities of these bodies complicate the effectiveness of their activities. Thus, the effectiveness of the work of European regulators largely depends on the coordination of the above authorities and responsibilities.

Another important issue that causes great discussion, the question of the methods and means used in resolving issues with troubled banks, is being addressed at the level of the Bank Restructuring Council, which includes representatives of the European Commission, Council of Ministers, ECB and national banks restructuring bodies. Here again a rather complicated decision-making mechanism arises, due to the fact that the meetings of the Council are divided into plenary and executive. At plenary meetings, as a rule, questions are raised about the use of funds from a single Single Resolution Fund in the amount of more than 5 billion euros, and in the second less than the above amount. It is planned to accumulate funds in this fund in the amount of 55 billion euros for eight years (from 2015 to 2023) from contributions from commercial banks of the participating countries. However, a number of authoritative European experts (Gros D., 2013. p.65–74) express doubts about the adequacy of the Fund's resources for saving banks in the future. So, for example, during the banking crisis in Spain in 2012, as a result of which several large banks were on the verge of default, 60 billion euros were allocated only from anti-crisis measures from the European Stabilization Mechanism (ECM). Thus, the funds of the Bank Insolvency Resolution Fund may be sufficient only to resolve one or two crisis situations, which are not based on systemic reasons. The situation can become much more complicated in the event of a systemic crisis. In this case, the attraction of public funds will be required.

An example is also the debt crisis in Greece in 2010-2018. As you know, already in 2009, when the country's budget deficit reached almost 13% of GDP, and the national debt exceeded 115% of GDP, the state was on the verge of default and requested European assistance. In 2010, the EU adopted the first European financial assistance program for Greece (107 billion euros), in 2012 the second program (130 billion euros), and in 2015 the third (86 billion euros) (Jeffrey Sachs, 2015). Financial assistance was carried out with the involvement of public funds from several European countries. The main sponsor of financial assistance to Greece was the German government. The assistance was provided subject to the following austerity measures by the Greek government: private investors exchanging Greek bonds for new ones with a 50% discount (from 206 billion euros to 100 billion euros), reducing pensions by 5-15%, increasing the retirement age from 65 to 67 years, a decrease in the minimum wage by 22%.

Graph 3: General government gross debt as percentage of GDP, 2018.



Source: Eurostat, 2018, p.87

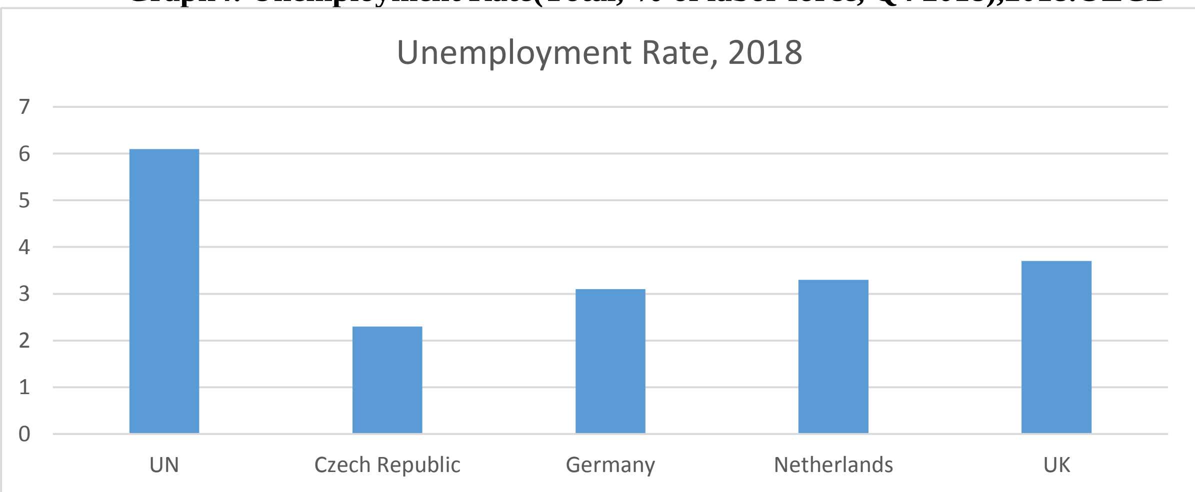
Greece defaulted on its obligations to the IMF, overdue loan payments. In 2015, the activity of all credit organizations, a number of banks and the exchange was limited in the country. The government has introduced tight capital controls and a limit on cash withdrawals from ATMs - 60 euros per day per person. The implementation of these extremely not popular socio-economic measures spurred a wave of rallies and demonstrations in the country and a wide discussion in all walks of life about leaving the EU and the euro zone. Fortunately, by the end of 2018, the aforementioned austerity measures listed above made it possible to rectify the situation, ensure economic growth and begin to pay interest on their debts.

Thus, the ECB's unified monetary policy, which covers all member states of the Economic and Monetary Union, deprives national central banks of the right to independently set the level of the basic interest rate, issue emissions and manage the exchange rate. As a result, the state has limited opportunities to overcome the effects of the economic crisis, especially in cases where the ECB is aimed at pursuing austerity policies rather than stimulating economic activity in the country. Thus, Portugal and Spain abandoned the austerity policy of the European Central Bank in favor of stimulating business activity, while in Greece, on the contrary, the implementation of this policy has yielded positive results.

Consequently, for some countries, the ECB policy may be too harsh, and for others, on the contrary, too soft. Recent debt crises in several eurozone countries have shown that under such conditions the government has limited maneuvering capabilities with its financial resources, which accordingly limits its ability to independently overcome the crisis.

Another important, controversial issue is the use of part of the budget for the regional development of the lagging EU countries and those countries where there is high unemployment. To this end, an unemployment insurance system has been introduced at the EU level (Dullien S. A., 2013). With the introduction of this system, it was assumed that a reduction in economic growth would inevitably lead to an increase in unemployment, respectively, unemployment benefits. All this will inevitably lead to increased pressure on national budgets. In this environment, national insurance schemes would be oriented towards the payment of benefits on a long-term basis, and funds from the pan-European unemployment insurance fund would be paid during periods of sharp spikes in unemployment and for a limited period of time.

Graph4: Unemployment Rate(Total, % of labor force, Q4 2018),2018.OECD



Source: https://data.oecd.org/unemp/unemployment-rate.htm#indicator-chart(28.01.2020)

Such a system is viable only under the condition that high unemployment in the EU countries is not cyclical in nature and has a short-term nature. Until 2010, this premise paid off, but at present the indicated correlation is not observed. An example is EU countries such as Austria, the Netherlands and Luxembourg, where unemployment rates have remained below the EU average for more than 20 years (see Graph 4).

In the United States, federal budget expenditures on unemployment benefits amounted to about 1% of GDP in 2009-2015. But with a reduction in GDP, such as, for example, in Ireland and Greece, by more than 10%, enormous benefits payments will be required (Gros D., 2013). Obviously, in this case, the general unemployment insurance system for the EU will be extremely costly and not able to accumulate funds in the required amount and send them to countries with high unemployment and lasting more than 1 year. Thus, it is highly likely that these countries with a stable economy and unemployment will have to finance countries with opposite indicators of economic development.

The totality of the economic problems discussed above is constantly shaking the EU, generating and reinforcing Euroscepticism, the probability of Brexit is no longer only in the UK, but also in other countries of the European Union.

2.3. Reasons for the declining competitiveness of the EU economy.

The level of stable and sustainable development of a country can be judged by the dynamics of GDP produced, by the contribution to the production of world GDP and a comparative analysis with other countries. As you know, the volume of production of gross domestic product is considered as one of the most important economic indicators in the system of international comparative studies. To this end, we consider the dynamics of this indicator in the whole world and in such countries as the USA, European Union, Great Britain, China and Japan. Statistics over the past 13 years indicate a slowdown in economic growth, primarily in the UK. So, in table 3 Data on GDP production of leading world economies are given. The lowest growth rates were demonstrated by Great Britain, Japan and the European Union.

Table 3: GDP, 2006 and 2018 (current US $ and% of world total).

	2006	2016	2018	2018 in % to 2006
World, total, in trill. Doll.	51,448	76,164	85,92	167
in %	100	100	100	-
EU	15,43	16,76	18,768	122
in %	30	22	21,8	-
UK	2,714	2,694	2,855	105,2
in %	5,3	3,5	3,3	-
USA	13,815	18,707	20,544	149
in %	26,9	24,6	23,9	-
China	2,752	11,138	13,608	494
in %	5,3	14,6	15,8	-
Japan	4,53	4,927	4,971	109,7
in %	8,8	6,5	5,8	-

Source: calculated by author on the using the https://data.worldbank.org/indicator/NY.GDP.MKTP.CD (16.12.2019)

If the volume of GDP in the EU for the period under review grew by 22%, then in the UK it was only 5.2%. This is the lowest growth rate among the countries shown in table 3. Over the period under review, the share of UK decreased in the total world GDP, 5.3% in 2006, to 3.3% in 2018. At the same time, the share of this country in pan-European production also decreased, which decreased from 17.5% in 2006 to 15.2% in 2018. The slowdown in economic development also occurred in the EU as a whole in comparison with the leading world economies. So, if in 2006-2018 the GDP growth rates in the USA and China amounted to 49 and 394%, respectively, then in the EU it is only 22%.

Another important indicator of the competitiveness of the national economy is the indicator of labor efficiency, defined as the ratio of GDP to one citizen of the country. This indicator can be considered simultaneously as a characteristic of the material well-being of the country.

Table 4: The dynamics of labor efficiency in a number of developed countries (current US$ and % of world total). GDP per capita (current US $)

Countries	2006	2016	2018	2018 in % to 2006
USA %	46.298 100	57.904 100	62.794 100	136 -
EU %	30.960 67	32.425 56	36.569 58	118 -
UK %	44.599 96	41.074 71	42.943 68	117 -
China %	2.099 4,5	8.079 13,9	9.770 15,6	465 -
Japan %	35.403 76	38.794 67	32.290 51	91

Source: calculated by author on the using the https://data.worldbank.org/indicator/ NY.GDP.MKTP.CD (16.12.2019)

The slowdown in economic growth in the European Union is also confirmed by data on the dynamics of per capita GDP over the past 13 years. GDP per EU resident in 2018 increased by 18% compared to 2006, while in other leading economies such as the United States and China, by 36 and 365%, respectively. Moreover, for the period under review, there is a growing lag of the EU in this indicator from the level of the United States. In 2006, per capita GDP was 67% of the corresponding US indicator, and in 2018 it was 58%, i.e. decreased by 9%.

Even lower growth rates of this indicator in the reporting period were noted in the UK. Over the past 13 years, this indicator has increased by only 17%, i.e. 1% less than in the EU. In 2018, the absolute level of GDP per capita in the UK was 10% higher than in the EU, but over the past 13 years this gap has decreased by 19%. Obviously, provided that the indicated rates of reduction of the difference in the indicator under consideration are maintained, in the next 5 years, i.e. by 2025, we can expect a leveling of the GDP per capita in the subjects of the global economy.

Table 5: Dynamics of the EU foreign trade turnover, 2013–2018, billion dollars,%

	2013	2015	2016	2017	2018
GDP growth rate, world,%	3,5	3,5	3,3	3,7	2,9
GDP, EU growth rates,%	0,3	2,4	2,0	2,7	2,02
Export world total	18.975,4	16.498,6	16.011,2	17.589,7	19.094,0
Rates of growth, %	3,22	13,05	2,95	9,80	8,1
Export, within the EU(Intra-trade)	3714,0	3341,2	3376,8	3694,0	4034,6
Share in total EU exports,%	60,85	62,21	63,11	62,97	63,1
Export, outside the EU (Extra-trade)	2.389,9	2.029,3	1.973,6	2.172,0	2.359,3
Share in total EU exports,%	39,15	37,79	36,89	37,03	36,9
Import world total	18.956,2	16.631,8	16.164,5	17.835,7	19.619,3
Rates of growth, %	2,58	12,3	2,81	10,34	10,0
Foreign trade balance (general)	170,0	157,0	128,0	102,4	86,0
Foreign trade balance within the EU	267,3	272,8	278,6	307,6	286,2
Foreign trade balance outside the EU	97,3	115,8	150,6	205,2	341,5

Source: Compiled and calculated by the author on: World Economic Outlook, April 2017: Gaining Momentum? Wash.: IMF, 2017. P. 198; World Economic Outlook (WEO). Challenges to Steady Growth. October 2018. Washington: IMF, 2018. P. 152, 166; Eurostat. URL: http://ec.europa.eu/eurostat/; World trade statistical review 2019, p.102-106

Important information on the state of competitiveness of the EU and its member countries is provided by the analysis of the foreign trade turnover of this largest regional association. The EU's GDP growth over the past 5 years has been lower than the global average growth of the same indicator by about 1%. The growth rate of export of EU products was 10-12% faster than the growth of world export products. This is quite natural, since this region is one of the most industrially developed in the world with huge scientific and technological potential. The growth rate of export of products to the EU is 3 times faster than the growth rate of GDP in this region, while in the whole world this lead is 2-2.5 times. However, the share of EU exports in world exports has declined over the past 20 years, by more than 10% and stabilized at the level of 33-33.4% over the past 5 years (see table 6.). In connection with the accelerated development, primarily of China and the entire South Pacific region, it can be highly likely that the share of the EU in world exports, and in general world trade, will gradually decrease.

Most of the exports to the EU are intraregional. Over the past 5 years, its share (Intra-trade) has accounted for more than 60% of all exports. In 2018, the share of Intra-trade in total EU exports amounted to 63.1%. High growth rates in the EU are demonstrated by imports, which over the past 5 years have grown 3 times, and its share in global imports reached 32.3% in 2018. Moreover, the import of the last 3 years shows a 1% higher growth rate than export. Due to the higher volume of exports, the overall foreign trade balance of the EU is positive. But its size over the period under review decreased from 170 billion dollars. in 2013 to 86.0 billion dollars. in 2018, i.e. 1.87 times. In parallel, over the years, the negative foreign trade balance of the balance of foreign trade outside the EU has grown, which increased (-) 97.3 billion dollars in 2013 to (-) 341.5 billion dollars. in 2018.

Thus, in 2018, 36.1% of all exports and 57.4% of all EU imports fell on the outside world, which indicates increased global competition and weakening of the EU's economic position in the global market. This is confirmed by data on the average annual increase in exports for 2010-2018 by 2.4% and imports for the period under review by 1.8%. The growing convergence of the region’s exports and imports over a long period is fraught with an increase in the foreign trade deficit, followed by an increase in the negative trade and balance of payments of the EU as a whole, and of the countries under consideration. And so, already in 2018, the balance of the EU foreign trade balance beyond its borders reached 3541.5 billion dollars. USA, which is 15.6% of all its exports outside the region.

An important indicator of the level of development of a country, region is the structure of its GDP and its exports. In developed countries, machinery, equipment and technologies play a decisive role in export-import operations.

The EU belongs to a group of highly developed countries, and therefore it is natural that highly industrialized goods dominate its export products. So, if in 2013 chemical products, machinery and equipment, industrial goods in its export products amounted to 78.5%, then in 2017 - 82.5%. In EU imports, these products also dominate. So, in 2017, they accounted for 57.9% of all exports, and in 2017, 68.2%. The share of energy carriers in the import of products is constantly decreasing. In 2013, it accounted for 29.6%, and in 2017 already 18.2% of all imports.

Table 6: Dynamics of the commodity structure of the EU foreign trade in 2013–2017, %

	2013	2014	2015	2016	2017
EU Export	100	100	100	100	100
Including					
Food, drinks	6,0	6,3	6,3	6,6	6,5
Raw materials	2,6	2,5	2,4	2,4	2,6
Energy sources	7,0	6,4	4,8	4,2	5,3
Chemical Products	15,7	16,4	17,6	18,0	17,7
Cars and equipment	40,8	41,7	42,1	42,7	42,2
Other industrial goods	22,0	22,7	22,5	22,7	22,6
Other goods	5,9	4,0	4,3	3,4	3,1
EU import					
Food, drinks	5,5	5,8	6,3	6,4	6,0
Raw materials	4,5	4,3	4,2	4,0	4,2
Energy sources	29,6	26,3	19,0	15,5	18,2
Chemical Products	9,4	9,8	10,7	10,8	10,5
Cars and equipment	25,9	27,2	31,0	32,3	32,0
Other industrial goods	22,6	24,1	26,1	26,3	25,7
Other goods	2,5	2,5	2,7	4,7	3,4

S**ource**: Compiled and calculated by the author according to: Eurostat. International Trade in Goods. URL: http://ec.europa.eu/eurostat/tgm.(24.01.2020)

In the developed countries of the world, the service sector, which accounts for 70-80% of the country's GDP, plays an increasingly decisive role in the production of gross output and its import. The service sector has the following industry structure:

- Trade, public catering, hotels;
- Transport, communications, warehouses, communications;
- Finance, insurance, business services;
- Education, healthcare, social services;
- State services.

The service sector in the modern economy is considered as its third sector.

Table 7: Share of sectors of the economy in the GDP of developed countries.

	Agriculture			Industry			Services		
	1985	2007	2018	1985	2007	2018	1985	2007	2018
USA	2,1	1,3	1,1	31,1	21,8	18,7	66,8	76,9	80,2
EU	3,2	2,8	2,3	37,4	24,0	28,4	59,4	73,2	69,4
UK	1,7	0,7	0,5	35,4	23,0	24,4	62,9	76,3	75,1
Japan	3,2	1,4	1,1	41,0	28,5	23,0	55,8	70,1	75,9
Canada	2,9	2,2	1,8	31,5	31,7	24,1	65,7	66,1	74,2
China	29,9	19,6	7,5	48,1	40,4	50,2	22,0	40,0	42,3

Source: Calculated by OECD in Figures.1997, 2009, 2018. P.15-18
http://be5.biz/makroekonomika/profile/cn.html

As can be seen from table 5 in all developed countries of the world, the share of the service sector in GDP is constantly growing and has exceeded 70%. Only in China is it at 42.3%. In the UK, over the past 10 years, it has dropped from 76.3% in 2007 to 75.1% in 2018. In general, the EU also over the past 10 years, the share of the service sector decreased from 73.2% to 69.4%. In our opinion, this is due to the accession of new Eastern European countries that have a less progressive economic structure than the more developed old EU members. This is confirmed by data on world leaders in the field of services. These are the following 10 countries (CIA World Factbook, 2018):

According to the CIA World Factbook, the following countries are the largest by service or tertiary output as of 2018:

1. United States: $15.5 trillion
2. China: $6.2 trillion
3. Japan: $3.4 trillion
4. Germany: $2.5 trillion
5. United Kingdom: $2.1 trillion
6. France: $2.0 trillion
7. Brazil: $1.5 trillion
8. India: $1.5 trillion
9. Italy: $1.4 trillion
10. Canada: $1.2 trillion

Source:(CIA World Factbook, 2018)

Thus, of the 10 countries that are leaders in the production of commercial services, only three countries are part of the EU. Undoubtedly, the transformation of the service sector into a leading sector of the global economy was reflected in an increase in its share in the total volume of exports and imports.

Table 8: Leading exporters and importers in world trade in commercial services (excluding intra-EU (28) trade, 2018 (percentage)

	Export		Import	
	2008	2018	2008	2018
The whole world	14,6	16,2	14,5	15,7
EU	23,2	25,1	17,2	20,6
UK	16,8	18,5	15,7	17,9
USA	27,4	34,8	18,2	23,1

Source: World trade statistical review 2019, p.102-106

Export and import of services sector products has a steady growth trend in all developed countries of the world. In the EU and UK, the growth of this group of the background of countries such as the USA, China, Canada.

Summarizing the above analysis, we can draw the following conclusions:

A. The EU continues to be one of the leading players in the global economic market for all major economic indicators;

B. Over the past 5 years, the EU has faced the following serious difficulties that have contributed to the decline in its competitiveness in world markets:

-problems in the institutional resolution of issues of trade and economic relations, leading to a conflict of interests;

- great bureaucracy in resolving these problems, the desire of individual countries to protect their national interests to the detriment of regional and global ones;

- not overcome the consequences of the debt crisis;

- Slowdown in the global economy of the EU economy;

- increased migration to EU countries;

Demographic problems, such as declining birth rates and aging populations;

- UK exit from the EU;

-increasing costs for equalizing the level of development of the countries of Eastern Europe.

C. The need for further institutional development.

CHAPTER III.PROSPECTS FOR THE EU ECONOMY AFTER BREXIT.

3.1. The economic consequences of Brexit for the EU and the UK.

For more than 40 years, the countries of the European Union and Great Britain have been living and developing in a single political and socio-economic space. Over the years, they have overgrown with many industrial, technical and technological ties. The highest level reached trade and economic ties between Brussels and London. The volume of trade in goods within the European Union in 2018 exceeded the amount of 4 trillion US dollars (see table 5.). More than 306 billion Euros of goods are exported from the EU-27 to the UK annually, and 184 billion Euros are imported (An Assessment of the Economic Impact of Brexit on the EU27, 2017, p. 58). Moreover, the export of European Union member countries to the UK is only 2.5% of its total GDP, and London to the EU is 7.5% of this country's GDP. Consequently, London has a significant trade deficit with the countries of the European Union.

The UK has a surplus in trade in services with Brussels. Thus, it exports to the countries of the continent services for 122 billion euros, and imports for 94 billion euros. Investment flows between the EU countries are significant in volume. This is largely due to their historical and geographical proximity. Thus, the volume of direct financial investments of EU-27 in the UK is approaching 1 trillion euros, which is 8.3% of its total GDP, while direct investments in the opposite direction are 683 billion euros and equal to 26.6% of UK GDP.

There were quite strong, interpersonal relations between citizens of the EU-28 countries. At the end of 2016, 2.002 million Europeans lived in the UK, of which 223,000 were pensioners and 2,002 pensioners. At the end of 2016, 1.217 million people lived in EU-27, of which 400 thousand were of retirement age (An Assessment of the Economic Impact of Brexit on the EU27, p. 8).

In such a close relationship, there were continuously cracks (see Chapters 1 and 2), which, starting in 2008, that is, the onset of the Global Financial and

Economic Crisis, began to expand continuously, intensifying after 2014, when waves of migration flows began to roll across Europe.

The combination of these factors led to the holding of a vote on withdrawal from the European Union, followed by withdrawal from it. For 4 years now, all of Europe has been living in conditions of uncertainty about the conditions for Britain to leave its integration Union. This uncertainty primarily affects the image of the European Union, its ability to draw up long-term programs for socio-economic development, its investment attractiveness.

On January 31, 2020, in accordance with the Law passed by the Parliament and signed by the Queen and the Prime Minister, the UK officially withdrew from the EU. Moreover, Britain withdrew from the EU 42 months after the referendum held in 2016, which was supported by 52% of the inhabitants of Britain.

The transition period, which does not provide for any significant changes, will last until December 31, 2020. During this time, negotiations between London and Brussels are envisaged over the entire spectrum of future relations.

According to Michel Barnier, EU chief negotiator for Brexit issues, negotiations are currently underway in the following three main areas (https://www.iiea.com/brexit/brexit-blog/the-future-relationship-between-the-eu-and-uk-where-do-we-stand / .15.03.2020):

- implementation of the already reached agreement on Britain's exit from the EU, which should be completed by January 1 of next year.

- preparation of both sides for the exit of Britain from a single customs zone and a common European market in 2021.

- the construction of further partnership between Britain and the EU.

In chapter 2, we noted that the EU is still one of the leading economic, trade and research centers of the world, where people from different parts of the world prefer to live and work, where tremendous intellectual and scientific potential has accumulated, which has global significance. It was in Europe that many democratic traditions that became universal values were born and gained deep development, for the first time received their recognition. The same words can be said about Great

Britain, which stood at the cradle of universal civilization, which today is one of the main world centers for the production of scientific knowledge.

Nevertheless, the political uncertainty associated with Brexit adversely affects the economic development of both sides. This can be seen in the dynamics of foreign direct investment in the EU over the past 10 years.

Table 9: Number of foreign direct investment in the EU over the past 10 years.

	2009	2010	2014	2015	2016	2017	2018	2019	2019 in % to 2009
The EU	3303	3758	4448	5083	6041-	6653	6356	5339	162
In% to the previous year	-	113,7	118,4	114,3	110,4	110,1	96	84	-

Source: EY European Investment Monitor (EIM) 2019 г.

From table 10. it is clear that the number of foreign investment projects in 2009-2019 has increased by more than 1.62 times. This is evidence of significant attention given by EU investors. However, it is not difficult to notice that since 2017, that is, the last 4 years, their total volume has been declining annually. Moreover. The largest decrease has taken place over the past 2 years, respectively, 4% in 2018 and 16% in 2019. A similar decline occurred as a result of a 13% decrease in foreign direct investment in the UK in 2019. It should be noted that this country and Germany traditionally account for more than 3025 of all foreign investments invested in the European Union.

World business continues to regard Western Europe as one of the three most attractive destinations for foreign investment. A similar opinion in 2018 was expressed by 56% of all respondents, and in 2019 already 53% (EY European Investment Monitor (EIM) 2019). Despite the fact that the dynamics of foreign direct investment in the EU over the past 4 years has a downward trend, nevertheless, according to UNCTAD, it still ranks second in the world, after the United States, with the volume of investments attracted in 2019 of 305 billion. US dollars.

The political decision to withdraw from the EU has the most negative impact on the UK economy. The results of surveys conducted in 2019 by world-renowned consulting company Ernst and Young show that only 25% of the companies surveyed consider London as an attractive investment city, while in 2018 there were 9% more (EY European Investment Monitor (EIM) 2019).

It should also be noted that over the past 2 years, the main investors in foreign direct investment (FDI) in the EU are the European countries themselves. Their investments in 2019 decreased by only 2%, and investments from non-European companies decreased by 8%.

The largest investor in the EU economy is the United States. They account for up to 22% of all FDI in Europe. The unstable political situation led to a decrease in the volume of these investments in 2019 to 3% of annual growth, instead of 8% as it was on average in previous years (How to manage investor confidence? Study of the investment attractiveness of European countries. 2019. p.6,7)

Studies have shown an increase in the waryness of companies not operating in this region regarding investments in European Union countries. According to the above study, the share of companies considering Europe as one of the most investment attractive regions of the world fell from 62% to 51%.

At the same time, the attitude towards Europe from companies that are already present in the region has not deteriorated at all. In a word, growing economic and political difficulties confuse companies with a presence in Europe to a lesser extent than companies that do not work there.

Persistence of uncertainty over the past three years about Brexita in future relations between the UK and the EU negatively affects the number of contracts concluded, the volume of investments and trade transactions, and reduce the rate of economic growth. Consider the top 10 European countries that are leaders in the number of investment projects.

Table 10: Top 10 European countries by the number of investment projects.

Рейтинг	**Страна**	**2017**	**2018**	**2017 год в % к 2018 году**
1.	United Kingdom	1205	1054	-13
2.	France	1019	1027	1
3.	Germany	1124	973	-13
4.	Spain	237	314	32
5.	Belgium	215	278	29
6.	Poland	197	272	38
7.	Netherlands	339	229	-33
8.	Ireland	135	205	52
9.	Finland	191	194	2
10.	Serbia	118	119	1

Source: EY European Investment Monitor (EIM) 2019 г.

As can be seen from table 10 London continues to maintain leadership in the number of investment projects. However, the unresolved issue of secession from the EU negatively affects their overall dynamics, the number of which in 2018 compared with 2017 decreased by 13%. In 2018, their total number was 1,054 projects, which is the lowest level since 2014. At the same time, the total number of direct production investment projects in the manufacturing sector decreased by 35%, that is, to 140, which is also the minimum number of production investment projects since 2013.

Many companies with headquarters in London or other major cities in the UK are considering moving them to continental Europe. So, the total number of head offices founded here over the past two years has decreased by 50 units, that is, from 98 units in 2017 to 48 in 2018. In general, over the past 5 years, the reduction in the number of head offices of firms and companies based in London amounted to 102 units.

The bulk of foreign direct investment in the UK is traditionally in sales and marketing. In 2018, direct investment in this area decreased by 4%, and the total number of R&D projects decreased by 17% (How to manage investor confidence? A study of the investment attractiveness of European countries. EY, 2019. p.9,10).

The political instability in Europe due to Brexit, multiplied by a global slowdown in economic growth, was the strongest factor in the decline in investment attractiveness in Europe. Studies show that if in 2018 35% of all respondent companies planned to create or expand production in Europe, then in 2019 their number dropped to 35%.

The volumes of received and realized direct investments in 2019 turned out to be the lowest in the last 7 years. The likelihood of a recovery in Europe's investment attractiveness over the next three years is unlikely, according to many Western experts. It largely depends on what kind of agreements will be reached between the UK and the EU. In this case, many investors froze in anticipation of specific political decisions.

Table 11: Dynamics of foreign direct investment in the EU, billion US dollars.

Countries	2017	2018	2018г к 2017г в %
OECD	815	620	76,1
EU	350	281	80,3
UK	101	64	63,4

Source: FDI in figures, 2019.p.2. file:///C:/Users/Hp/Downloads/FDI-in-Figures-April-2019.pdf

The last three years, that is, 2017-2018, in the developed countries of the OECD and EU there has been a steady tendency to decrease direct foreign investment. In the first group of countries it decreased by 23.9% during the period under review, in the second by 19.7%. The greatest decrease it took place in the UK, where it amounted to 38.6%. Brexit negatively affects the investment attractiveness of Europe, its economic growth, but most of all on the economic development of Great Britain. Many companies in Europe look forward to a coordinated transition from the current state of affairs to a new system of political and economic relations with the UK. Surveys indicate the concerns of respondents. The number of survey participants who rank Brexit as one of the three most significant types of risks over the past three years has grown from 30% to 38%. Thus, Brexit has become one of the most significant types of risk in Europe.

International experts hope that a compromise deal will be concluded between the EU and the UK, taking into account the interests of the parties. Otherwise, there will be negative consequences for mutual trade relations, on the trade relations of these countries with other trading partners, and on the volume of foreign investment. A negative scenario will lead to both the introduction of export-import tariffs for all EU operations with the UK, and the emergence of non-tariff problems caused by various production standards, the requirements for the preparation of proper documents, the downtime of goods at borders, and ultimately the increase in wholesale and retail prices for most types of products imported to the island. In this case, the UK will suffer the most tangible losses, as 44% of its total turnover falls on the EU. Of course, in this case, other EU countries will also suffer. In the event that Brexit occurs without a transaction, the volume of exports may decrease by $ 35 billion, which is approximately 10% of the total exports of EU states to the UK ("Brexit. Implications for Developing Countries." UNCTAD, 2019).

It should also be noted that in the UK there are a large number of immigrants from EU countries. Studies conducted in the UK indicate that in 2018, 8.5 million EU citizens lived in this country, of which 2.28 million. were labor migrants. According to the Director of the Department of Migration, Oxford University, the attractiveness of Great Britain for labor migrants has significantly decreased after the referendum. At the same time, working conditions and the level of their pay increased in many leading EU countries. Many British experts point out that immigration restrictions can harm government services, such as the National Health Service, which in certain areas rests with EU citizens who work as nurses and doctors. In addition, there may be a situation of a shortage of skilled workers in the country's manufacturing industry (Statistics on migration to the UK, 2019).

In this situation, both the EU and UK governments are trying to find an interim solution that would suit both sides. It was previously noted that the EU accounts for 7.25% of the GDP of all UK exports, while EU-27 foreign direct investment in the UK is 300 billion euros more than the return flow. At the same time, the volume of investments from the UK is 26.6% of its total GDP.

The above data indicate that in the absence of an agreement between the said parties disproportionately, the UK will suffer the most damage, where there has already been a tendency to increase prices for food and agricultural products, most of which London imports (An Assessment of the Economic Impact of Brexit on the EU27. 2017).

Currently, two options for a trade agreement are being discussed between the two sides:

A. The United Kingdom joins the European Economic Area (EEA) - the European Economic Area (EEA) - as a state that is not a member such as, for example, in the case of Norway and Finland. However, it does not apply to any preferential trade relations with the EU. Both parties are united only by their common membership in the World Trade Organization (WTO).

B. The United Kingdom seeks to conclude with the EU the Comprehensive Free Trade Agreement (CFTA). Similar agreements were concluded in 2017 between the EU and Canada - the Comprehensive Economic and Trade Agreement (CETA) with Canada and - Ukraine the Deep and Comprehensive Free Trade Area (DCFTA) with Ukraine and other neighboring countries (An Assessment of the Economic Impact of Brexit on the EU27., 2017, p. 6-7.).

The overall impact assessment of Brexit's economic impact on the EU and London was determined by a study conducted by the UK Treasury, OECD, and independent research economists. The assessment was carried out according to both optimistic and pessimistic scenarios. According to these scenarios in monetary terms, the losses will be 1: 2 or 3 for the EU-27 and the UK, respectively. As noted above, the loss of the EU will be 10-15 times less than that of London. For the EU, these losses in the next 10 years, that is, in the interval until 2030, will amount to approximately from 0.11% to 0.52% of GDP for optimistic and pessimistic scenarios.

Losses for Great Britain will be significantly larger, on average from 1.31% to 4.21% of GDP. Moreover, if over 50% of the current direct foreign investment of the EU in the UK is transferred to other countries of this association, then the losses of London will increase to 7.5% of its GDP (An Assessment of the Economic Impact of Brexit on the EU27. 2017 , p. 8,9.)

Thus, all the studies cited above confirm the conclusions made by us above about disproportionately significant economic losses for the UK, if it leaves the EU without a comprehensive trade and economic agreement with the EU.

3.2. The main directions of institutional reforms in the EU after BREXIT.

The events of the second decade of the 21st century that took place in the EU, such as overcoming the debt crisis of a number of its members, primarily Greece, the desire to leave London from its ranks, the growth of separatist sentiments among other members of this union, the ongoing emigration crisis necessitated further reform of this unions.

According to the Eurobarometer, a systematic sociological opinion poll, in 2016-17, there was an increase in the level of Euro-skeptic sentiment in a number of leading EU member states. So according to the latest data at the end of 2018, the highest level of Euroscepticism was recorded in the UK (49% of respondents), Italy, Slovenia (46% each) and Austria (41%), and the lowest - in the Netherlands (12%), in Malta (14%) and in Denmark (15%). Moreover, on average, 31% of EU citizens (Standard Eurobarometer. 2017. 03.08.2018).

In order to overcome the above challenges, the European Commission already in 2018 adopted a number of new initiatives aimed at further developing the basic competencies and digital skills of EU citizens, the need for which is caused by both the mismatch of supply and demand in many areas of the European labor market, and the need to reduce social and economic inequality, increasing the competitiveness of the European economy, creating a truly united, strong and democratic Europe. Over the next 5 years, 90% of jobs in the EU are expected to require a certain minimum of digital literacy, while in 2018, 44% of Europeans lacked these skills.

In the near future, 90% of jobs in the EU will require a certain level of digital literacy, while 44% of Europeans do not have basic digital skills. These measures are aimed at developing these competencies among Europeans of various ages throughout their lives. Particular attention will be paid to encouraging entrepreneurial activity and increasing competencies in the field of science, technology and mathematics, in order to stimulate the influx of more youth into these areas. The European Commission's action plan provides increased support for schools with high-speed broadband connections, increased use of the new school self-assessment tool in terms of teaching and quality of education, and a campaign to raise public awareness of Internet safety, media literacy and cyber hygiene.

Serious measures are being taken to further develop social cohesion and prevent the growth of populism, xenophobia, gross nationalism, as well as the dissemination of false news, which should be promoted, among other things, by improving the quality of both general and special education of students, and fostering a high culture of international communication among them. To achieve these goals, it is envisaged within the European Union to further expand virtual exchanges between schools and increase student mobility through the Erasmus + program (European Commission - Press release. New measures to boost key competences and digital skills, as well as the European dimension of education. 2018). To this end, measures are envisaged for more efficient use of EU funds for the integration of migrants.

According to the EC, the rational use of funds, such as the European Social Fund (ESF), plays an important role in supporting the integration of migrants, whose share in the European labor market is constantly growing. An important role in the integration of migrants can and should be played by EU member states that have a wide range of financial instruments of the European Union (structural and investment funds, the Asylum, Migration and Integration Fund - AMIF, the European Fund for the Most Disadvantaged - FEAD), supporting various projects, including in the field of general and vocational education, the development of sports and health care, designed to help migrants find work, housing and a place in society.

In order to maintain the stability of the EU and minimize the consequences, intensive negotiations are underway by the UK on the conditions for its exit and further cooperation. The following basic principles were confirmed at the entrance to the negotiations that were conducted in 2018-2019:

- firstly, “nothing is agreed until everything is agreed”,

-secondly, the four freedoms (freedom of movement of goods, services, labor and capital) of the EU Single Internal Market are not separable, it is impossible to use a selective sectoral approach that violates the rules for the functioning of the Single European Market;

-thirdly, the European Union will consider Britain as the third country that does not have the opportunity to participate in the institutional activities of the EU, its bodies and agencies, as well as enjoy the same advantages as the EU member states.

The EU in its documents confirms its desire for closer cooperation with the UK, not only in the trade and economic spheres, but in other closely related areas, such as the fight against terrorism and organized crime, security, defense and foreign policy. In order to develop the above wide range of relations with London, the EU offers Britain a large-scale agreement on the creation of a free trade area with safeguards for equal conditions of competition. However, a more detailed development and signing of it will become possible only after the United Kingdom leaves the EU.

The following major areas are expected to be included in a future large-scale agreement:

- trade in goods in all sectors while maintaining zero tariffs and the absence of quantitative restrictions in conjunction with the relevant rules of origin; reciprocal access to fishing waters should also be maintained;

- Customs cooperation with the regulatory autonomy of the parties and the integrity of the EU Customs Union;

- technical barriers to trade, sanitary and phytosanitary measures;

- regulatory cooperation;

- trade in services in order to provide access to the market for services in accordance with the rules of the host state;

- access to public procurement, investment and intellectual property protection markets.

In addition, the future Agreement intends to include provisions on partnership in addressing global challenges, such as climate change, sustainable development problems, and transboundary environmental pollution. A significant place in the future agreement will be given to the mutual guarantee of citizens' rights and their freedom of movement, coordination of social security, including issues of marital, parental and other responsibilities, recognition of professional qualifications. It is also planned to conclude a number of agreements in the field of transport aimed at ensuring sustainable communication between the UK and the EU (European Council (Art. 50) (23 March 2018)).

The European Union is also preparing to sign with Britain a number of additional partnership agreements on law enforcement and judicial cooperation in criminal matters. Important areas will remain foreign policy, security and defense. The issue of future registration, exchange and protection of personal data of citizens is also being considered.

Summarizing all the above mentioned adopted and considered documents between Brussels and London, we can conclude that, firstly, Britain is still regarded as a partner country for which the status of a "third" country is assigned;

secondly, the EU proposes to sign a number of agreements in the trade, economic and political spheres that will not apply to trade in services, including financial, and in which special attention will be paid to the problem of maintaining fair competition (European Commission. Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community. 20.03.2020).

Active work within the EU is ongoing to develop and strengthen the economic and monetary union. To this end, in 2018, a group of French and German economists prepared and published a report that proposed new measures to reform the Economic and Monetary Union. A special place in the report is devoted to issues of strengthening mechanisms for the distribution of risks and compliance with budgetary discipline in the single currency zone. The report notes that in the past there has been a simplification of mechanisms for monitoring compliance with budget expenditures. The authors of the report propose revising the European budget rules, which provides for maintaining the state budget deficit at 3% of GDP. It is planned to create independent national services, the functions of which will be controlled by the corresponding Central European Budget Service. In accordance with these new rules, a country that has a budget deficit of more than 3% will have to finance it through the issuance of subordinated debt instruments ("Junior" debt instruments), the maturity of which will automatically increase for those countries that will receive financial subsidies for lines of the European Stabilization Instrument (ECM). These measures are aimed at creating favorable conditions for conducting countercyclical policies (Reconciling risk sharing with market discipline: January 2018).

In order to increase the stability of the budget sphere of the EU member states, it is planned to create a "Euro Zone Fund", formed by contributions from member states. The main objective of this fund is to provide financial assistance to countries facing macroeconomic shocks. Contributions to the fund should be differentiated depending on the degree of overcoming of this problem, i.e. more successful countries invest more in this fund.

A proposal has also been put forward to deprive countries with an unstable debt level of the right to receive financial assistance from the European Stabilization Fund. It is also planned to create a European system of deposit insurance in the banking sector, which has also been repeatedly discussed at meetings of the European Commission. There is also a separation of the supervisory and decision-making functions currently held by the Eurogroup. It is envisaged to delegate supervisory functions to the European Commission or another body and annually develop a medium-term (over five years) benchmark for reducing public debt, as well as make forecasts of economic growth. Based on these documents, it is planned to draw up five-year budget plans for EU member states.

In its economic policy, the EU is also actively pursuing a policy of tightening control over foreign direct investment (FDI) in Europe. In March 2019, the EU Council adopted the new EU Regulation, which regulates foreign direct investment in the European Union, which pays special attention to ensuring state security and public order. The regulation of foreign direct investment is aimed at protecting the most important European assets from transactions that could harm the interests of the European Union or its member states. To this end, criteria have been established for checking infrastructure, technologies and dual-use items, the supply of important resources, access to and control of confidential information, the degree of freedom of the media, and the degree of control of financing by a non-EU government, as well as the impact them to a competitive environment. Along with pan-European measures to control foreign direct investment, each EU member state, in the framework of its national competencies, applies additional measures. For example, in Germany, tightening is applied if a foreign investor acquires, directly or indirectly, at least 10% of the voting rights in a target company operating in the arms and ammunition manufacturing sector, the security of Information Technology or producing certain goods to be exported. Such transaction payments may be blocked if this poses a security risk to the Federal Republic of Germany. Relevant transactions must be notified to the relevant government authorities of the country. General investment controls in Germany are also applied to investors from outside the European Union (EU) or the European Free Trade Association (EFTA), which indirectly acquire at least 10% of voting rights in important infrastructure or at least 25% of voting rights shareholders in the company. Such transactions may be blocked if they pose a threat to public order or the security of the Federal Republic of Germany(https://iqdecision.com/kontrol-prjamyh-inostrannyh-investicij-v-evrope-i-na-blizhnem-vostoke/2019, 19.03.2020).

Multivector reforms carried out in the EU, starting in 2018, also include measures to increase cohesion within the Union. Along with the development and further strengthening of the economic and monetary union in the EU, investments in human capital, much attention is paid to the development and implementation of specific measures to deepen social cohesion and the defense of common democratic, European values. At the same time, a modernized regional policy (“cohesion policy”) should be closely coordinated with the economic policy of the EU member states. It is supposed to strengthen coordination between regional policies and stimulate investment and innovation at the level of integration groups. Regional policy funding is among the goals of the European Union in its multi-year financial plan for 2021–2027. The “Cohesion Policy” is supposed to be financed through three main funds - the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. The peculiarity of this program is that the activities of the European Social Fund (ESF) are combined with a policy on the integration of migrants and placed on a par with the educational policy of the European Union and a policy to ensure human rights and protect European values. The most important role in making decisions on the allocation of funds for the needs of the "cohesion policy" will be played by per capita GDP indicators; they will be key for making decisions on the distribution of funds for the needs of the "cohesion policy". As additional indicators of employment will be used (especially youth), the degree of climate change, the influx and integration of migrants, including the problems of remote and sparsely populated areas. In general, it is planned to spend approximately 29% of the total EU budget on the development of economic, social and territorial cohesion. There is a consistent increase in spending for these purposes from 48.4 billion euros in 2021 to 60 billion euros in 2027. In total, it is planned to allocate 442.4 billion euros for its implementation over the 7 years of this program. These costs will make it possible to bring the EU Regional Policy to the first place in the total amount of its budget expenditures and to outrun the EU agricultural policy in this indicator. The main source of funding for Regional Policy will go through the European Regional Development Fund (ERDF) (€ 226.3 billion over 7 years) (A Modern Budget for a Union that Protects, Empowers and Defends. The Multiannual Financial Framework for 2021–2027/, 02.05.2018).

In accordance with this policy, the EU is divided into three groups of countries:

- the most problematic, in which the level of GDP per capita is less than 75% of the EU average when calculated according to the Purchasing Power Parity;

- an intermediate group with a per capita GDP level of 75 to 90%.

-The most prosperous with a per capita GDP of more than 90%.

The most prosperous countries will be those regions where per capita GDP is more than 100% of the EU average for 2014–2016 (EU Budget for the Future. Regional Development and Cohesion / European Commission. 11.10.2018). The cohesion program is quite detailed and reflects the expected amounts for each EU member state. it is noted that taking into account GDP per capita in the distribution of funds of the “cohesion policy” will affect only no more than 81%, while 15% will be determined by the specific the situation on the labor market (unemployment among middle and young people, the quality and level of education in the region, the demographic situation in the region), 1% - climate changes (the actual state of greenhouse gas emissions), and 3% - the actual state of migration. Calculations show that The largest reduction in subsidies under the rallying program will affect the countries of Central Eastern Europe. Nevertheless, the following countries will receive the status of the largest recipients of grants under this program: Poland (64.4 billion euros in 2018 prices for the next 7 years, -10%), Italy (38.6 billion, + 6%), Spain (34.0 billion, + 5%), Romania (27.2 billion, + 8%), Portugal (21.2 billion, –7%), Greece (19.2 billion, + 8%), Hungary and the Czech Republic (respectively 17.9 and 17.8 billion, –24% in both cases). The most ambitious, per capita, payments from the specified program will be received by Estonia (317 euros per person, but a drop in the figure compared to 2014–2020) and Slovakia (310 euros). The lowest amount per capita in the framework of the “cohesion policy” will be the Netherlands (12 euros per person), Denmark (14 euros), Luxembourg (16 euros), Austria (21 euros) and Germany (27 euros) (Cohesion Policy: Powering Ahead to a Smarter Future. 2018 / No. 65. p. 15.).

Given the difference in the level of development of the EU countries and their economic ties with the UK, we can say the consequences of this country leaving the single Union will be different for them. Two exit options are discussed: with a contract, i.e. by mutual agreement of the conditions and without it. The above estimates of experts show that if London leaves without a contract, it will suffer serious economic losses: inflation will rise to 4%, the pound will fall by 10 percent or more. Moreover, in mid-April, this depreciation of the English currency has already been passed. This means that business circles in the UK and the EU have already begun to react negatively to the approaching date of final release. Obviously, the coronovirus pandemic slowed down this process somewhat. The negotiation process itself was suspended under the terms of the agreement. The development of a pandemic and the lack of an exit agreement could lead to an actual technical recession in the UK economy. The total losses of Great Britain by the end of the year may amount to 2% of the country's GDP.

Other developments may occur upon signing the agreement. In this case, the British economy can demonstrate a certain economic growth, keep inflation processes within certain boundaries, increase customs tariffs, which will slightly affect a certain level of purchasing power of the country's citizens.

The consequences of Brexit will be unequal for different EU countries. Countries such as Bulgaria, Romania, Serbia will hardly feel it, due to weak economic ties with London. The most affected countries are Poland, Ireland, Germany. These countries have significant economic ties with the UK and an intense flow of goods and services between them. Naturally, the EU will suffer certain losses associated with the establishment of customs and other barriers with Great Britain, and replenishment of the losses of the general budget. Already in the next 5 years, the total EU budget deficit is projected at 60 billion euros, which other countries of the Union will have to fill. The largest burden in solving the budget deficit problem will fall on the share of the largest and most powerful EU countries, such as Germany, France, Spain.

On the whole, the UK exit from the EU will weaken the Union, adversely affect the image of this organization, and strengthen separatist sentiments. In general, the losses of London will be more significant, since 44% of all London's exports are to the EU countries, and only 18% to the USA. Statistics show that gradually the loss of the UK will increase throughout the year.

Summarizing all of the above, it can be noted, in order to overcome the negative consequences of Britain leaving the space of a single European market, the

EU seeks to reform its institutions and programs with the aim of further enhancing its economic competitiveness, social cohesion and development of its regions, solving the problems of migration and integration of the whole society .

CONCLUSIONS AND RECOMMENDATIONS

High growth rates in world trade, especially trade in finished goods and services over the past 20 years, indicate a growing integration of the global economy, the gradual formation of regional and global markets on their basis. An important prerequisite for globalization is the development of integration processes. Integration should be considered as a common, joint project for absolutely all of its participants. Integration processes are carried out sequentially, as necessary conditions are formed for this. So, for example, six states that signed an agreement on the formation of the EEC in 1957 prepared the transition to a customs alliance for 11 years and it started working in the summer of 1968. The common, single market, which assumes the unhindered movement of goods, services, capital and labor, is finally took shape in the EU by 1992. That is, it happened 35 years after the creation of the Community. It took more than 40 years to form a currency alliance.

The United Kingdom joined the EU in January 1973 along with countries such as Denmark and Ireland. She initially opposed the creation of supranational bodies and the transfer of exclusive powers to them. She was a supporter of the creation of the Common Market, in which only coordination of trade and economic policy would be carried out. The 80-90s of the twentieth century became a period of rapid economic growth in the EU, which led to the creation of a currency union in 1999.

Thus, the presence of problems in the institutional resolution of issues of trade and economic relations, leading to a conflict of interests, great bureaucracy in solving these problems, the desire of individual countries to protect their national interests to the detriment of regional and global, were one of the most significant catalysts for the formation of the reasons for the United Kingdom Great Britain from the European Union.

Another important issue of the European Union since 2015 is migration. As known, in 2015-2017, more than 2 million migrants arrived in Europe. One of the countries that do not agree with this approach, i.e. proportional participation in resolving this problem is London. One of the main arguments of the Eurosceptics, which was heard during the campaign for Brexit, was the inability of the British government to control immigration from other EU and others countries.

Significant problems of the economic and monetary union created within the EU include the complete or partial loss by countries of control over their national monetary policy. This crisis revealed the absence within the EU of effective tools for integrated crisis management, which complicated the economic and political conditions in many countries of the Union. It is worth noting that in general the EU has created an extremely confusing, from an institutional and economic point of view, system of control over the financial sector.

In economic terms, the UK is more dependent on the EU than the EU on it. This is manifested in the volume of trade: annually from the EU-27 to the UK, more than 306 billion Euros of goods are exported to the United States, and 184 billion Euros are imported. Moreover, the export of European Union member countries to the UK is only 2.5% of its total GDP, and London to the EU is 7.5% of this country's GDP. Consequently, London has a significant trade deficit with the countries of the European Union. A similar picture is observed in terms of investment. EU-27 direct financial investment in the UK is approaching 1 trillion euros, which is 8.3% of its total GDP, while direct investment in the opposite direction is 683 billion euros and equal to 26.6% of UK GDP.

Given the difference in the level of development of the EU countries and their economic ties with the UK, we can say the consequences of the country's withdrawal from a single Union will be different for them. Two exit options are possible: with a contract, i.e. by mutual agreement of the conditions and without it. If London leaves without a contract, it will suffer serious economic losses: inflation will rise to 4%, the pound will fall by 10 percent or more.

Other developments may occur upon signing the agreement. In this case, the British economy can demonstrate a certain economic growth, keep inflation processes within certain boundaries, increase customs tariffs, which will slightly affect a certain level of purchasing power of the country's citizens.

On the whole, the British exit from the EU will weaken the Union, negatively affect the image of this organization, and strengthen separatist sentiments. In general, the losses of London will be more significant, since 44% of all London's exports are to the EU countries, and only 18% to the USA. Statistics show that gradually the loss of the UK will increase throughout the year. Summarizing all of the above, it can be noted that in order to overcome the negative consequences of Britain leaving the space of a single European market, the EU should strive to reform its institutions and programs in order to further increase its economic competitiveness, social cohesion and development of its regions, solve migration problems and integrate everything society.

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