

TOPICAL ISSUES OF HUMANITIES

I. ECONOMIC SCIENCES

Kateryna Bartkova

Vasyl' Stus Donetsk National University

Vinnytsia

Research Supervisor: N. Yu. Ishchuk, PhD in Pedagogy, Ass.Prof.

Language Supervisor: N. Yu. Ishchuk, PhD in Pedagogy, Ass.Prof.

IMPACT OF BREXIT ON THE BRITISH ECONOMY

Introduction. Since the fall of the Berlin Wall in 1989, Brexit is the most significant event in Europe that began on 23 June, 2016. The majority of the UK citizens decided that the benefits of belonging to the unified monetary body no longer outweighed the costs of free movement of immigration and voted to leave the European Union. Due to the fact that this process is significantly influencing the economic life of both opponents, it is urgent to foresee the implications it might have.

Objectives of the paper. The paper aims to study the impact of Brexit on the economies of both the UK and the EU.

Results of research. For 44 years Great Britain was more than just a regular member of the Association; it was granted privilege over other countries. Britain was allowed to continue using its national currency, was levied the lowest taxes on the sale across Europe, and had specific migration rules for the UK citizens. In general, the UK could remain a part of the EU without sacrificing their independence and national interests. However, the British claimed that being a member of the Union slows down the national economic growth, as well as restricts Britain's business opportunities. Facing the non-homogeneity of the country's population, an increasing risk of terrorist attacks, which are becoming more and more frequent in London because of an increase in refugees from the Middle East, the British oppose resolutely to the EU's demands to host families that suffered from ISIS (Islamic State in Iraq and Syria).

Actually, there are two widely discussed extreme scenarios of Brexit:

- the UK would accede to the European Economic Area (EEA) as a non-member state like Norway,
- the UK would have no preferential trade relationship with the EU, with only their common membership of the World Trade Organization (WTO). [4]

In between these two extremes there are quite a number of possibilities for free trade arrangements of varying depth.

The whole list of consequences of Brexit is too long, so this paper will focus on key numbers and indicators. The monarchy complained about the enormous amount of money they have to pay the Association, as the membership prevented the country from making profit. For instance, in 2015 after paying £17.8 billion to the EU budget,

Britain got back €11.5 billion less than expected, although the EU invested in the UK's economy €620 billion, that is around 48% of all the foreign investment deals.

It should be noted that Britain's 45% (€288 billion) of exports and 53% (€394 billion) of imports were due to the partnership with the EU member-states. The figures are huge, as we can see, and they will make a massive difference when Britain leaves. Among the disadvantage of Brexit is the potential loss of Britain's tariff-free trade status with the other EU members. Tariffs raise the cost of exports, making British companies higher-priced and less competitive. It also raises import prices. That creates inflation and lowers the standard of living for UK residents. For example: cars (Britain's second-biggest goods export) faced a 10% tariff to enter the EU market. Exporters did not know how to navigate EU customs, prompting long delays.

In fact, economic growth in the UK is not that considerable, just some 1.8% - 2%. Another problem is that the country's debt has risen to around 90% of the GDP and it is expected to grow to 93% by the end of 2018 [4]. Furthermore, in June 2017 the inflation rate rose to 2.9%, so it is obvious that after paying the exit bill (€40-50 billion) and obtaining new terms of trade, traveling and doing business in the EU, no one is sure they might keep economic growth from falling below zero. The negative percentage difference of the pound against the euro since the referendum was around 10% at the end of 2015 and the beginning of 2016 (Fig.1). Overall predictions are not that optimistic, so the government is implementing steps to protect the national economy, although the result is only provisional.



Fig.1 Pound to euro exchange rate 2011-2017

Source: created by the author based on [1]

When it comes to migration, the picture is also complicated. Around 3 million Europeans (mostly Polish – 32%) work in the EU with 1.3 million of British working and living in the EU, so breaking the partnership might lead to a more complex process of migration and higher unemployment rates which now is record high – 4.8% in the UK [1]. It was estimated that after the “break-up” 3.4 million citizens of the UK will lose their jobs due to the trade slowdown between the two sides. Moreover, British airlines were excluded from the EU's common aviation area, so they were no longer allowed to take off in one EU country and land in another [5].

The economic factor is significant, though not less than the social factor – 62% of voters in Scotland voted to remain in the EU (Fig.2), even if that implies leaving the United Kingdom.

There are two major reasons for their choice. Firstly, 40% (around £11.5 billion) of Scotland’s trade turnover is based on the EU countries, which means Scotland will benefit the least from the “painful break-up”. Secondly, since 1997 the Scottish have been requesting for Scotland’s independence and they have been allowed to proclaim the autonomy by the London’s parliament. Hence, Britain has to face the problem of keeping the country sovereign and stable.

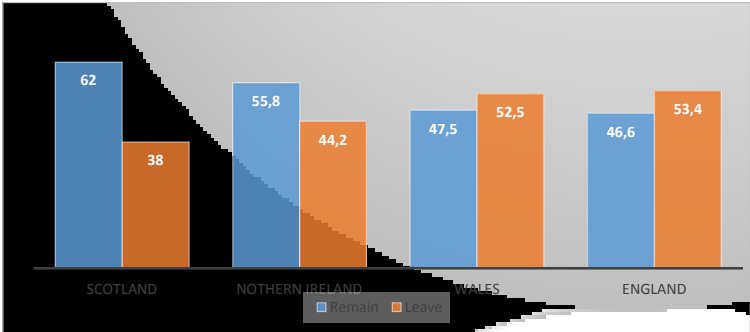


Fig. 2 The result of the referendum by nation (%)
Source: created by the author based on [1]

Unfortunately, the EU authorities in Brussels did not advocate the idea, but in some time they decided it was a great way to influence the British Prime Minister as well as the government and the rational British. This plan or political game is risky not only for the UK but for the whole Europe as well. The organization has always tried to keep the members whole and united and never let the member-states, especially its strategic partners, divide and give independence to some state, because that would mean the green light for ethnical minorities across Europe aspiring to independence, Catalonians being an example. They have always dreamt of being independent from Barcelona’s government and repeatedly tried to call for a referendum but their efforts have always been hamstrung by their local government.

Conclusion. Overall, Britain remains far less attractive to foreign investors after Brexit than it was before. It is no longer in the EU’s single market and, with immigration rules being tighter, firms have trouble finding qualified staff. Brexit is a rather negative process and the country will face a lot of obstacles on its way to the independent model of development. Although it opens new opportunities, those that are lost are more valuable and lucrative for the British economy.

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Yuliia Burlak

Vasyl' Stus Donetsk National University

Vynnytsia

Research Supervisor: N. Yu. Ishchuk, PhD in Pedagogy, Ass.Prof.

Language Supervisor: N. Yu. Ishchuk, PhD in Pedagogy, Ass.Prof.

THE IMPACT OF GLOBAL OFFSHORE AREAS ON NATIONAL ECONOMY

Introduction. Nowadays, globalization has impacted nearly every aspect of modern life, economy being one of them, leading to interdependence between nations, which could cause regional or global instabilities. Another significant feature of globalization is the international movement of capital which is reflected in the counterflow of goods, services, capital, and R&D findings.

Review of recent publications. The problem of offshore zones has been studied by such scientists as O. Bozulenko, O. Kostyshyn, O. Myroshnychenko, A. Peshko, O. Zorina and many others.

Objectives of the paper. The paper aims to outline the negative impact global offshore zones have on national economy, to study their state and problems, and to suggest possible solutions as in case of Ukraine.

Results of research. In order to find different ways to solving the problem we should primarily give the definition of offshore zones.