
ECONOMIC COSTS OF UK LEAVING EUROPEAN UNION: COSTS INVOLVED FOR EU AND UK

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Abstract

The UK politicians, particularly those of Torry party line, have often been critical of UK's position in the Community as well as the Community itself. This stance of opposition had been intensified soon after the Delors Report's manifestation of Economic and Monetary Union project. UK was against EMU for obvious reasons and after a long negotiation process managed to obtain an opt-out deal. On the other hand, the prolonged EU enlargement process from 1990s onward have broadened the focus of complaints; legal migration to UK, UK's financial contribution to EU and some other issues have had dominated British political agenda towards EU. Maastricht process had intensified UK opposition towards federal Europe. Conservative leadership, amidst the alleged pressures from within its own ranks, had announced the launching of a referendum on the fate of UK's future membership in EU. Under a possible Brexit scenario, the spread of costs has to be shared multilaterally between UK and EU member countries and; between UK and non-EU member countries which have linked to the EU with trade agreements. Visible costs are likely to emerge in the sectors of trade, investment, labour movement and financial sectors. On the other hand, the theme of policy coordination presents another channel of division between policy makers of UK and EU and member countries. This study examines a possible UK exit from EU within descriptive, yet through analytical and critical perspective. While the proponents of Briexit largely capitilazed on benefits, this study affirms that the potential costs are significant and expected to outweigh benefits.

Keywords: Brexit, European Union, Customs Union, Cost- Benefit Analysis, Economic Policy Coordination

JEL Codes: 052, F02, E60

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BİRLEŞİK KRALLIĞIN AVRUPA BİRLİĞİNDEN AYRILMASININ EKONOMİK MALİYETLERİ: AB VE BİRLEŞİK KRALLIĞA YÜKLENECEK MALİYETLER

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Öz

Birleşik Krallığı temsil eden siyasetçiler, özellikle Muhafazakar Parti kanadından olanlar, çoğu zaman Birleşik Krallığın Topluluk içerisindeki konumunu ve aynı zamanda Topluluğun kendisini eleştiren bir tutum sergilemişlerdir. Bu karşı tutum, Ekonomik ve Parasal Birlik projesinin Delors Raporu ile deklare edilmesinden sonra daha da yoğunlaşmıştır. Birleşik Krallık EPB projesine bilinen nedenlerden dolayı karşı idi ve uzun bir pazarlık sürecinden sonra, EBP' in dışında kalmayı garanti altına alan bir antlaşma elde etmeye muvaffak oldu. Diğer taraftan, 1990'lerden itibaren uzun süre gündemde olan AB genişleme süreci; memnuniyetsizlik eksenini genişletmiş; ülkenin aldığı yasal göç, AB'ne sağladığı finansal katkı, ve diğer konular Birleşik Krallığın siyasi gündeminin ağırlığını temsil etmiştir. Maastricht süreci, Birleşik Krallığın Federatif bir Avrupa yönündeki muhalif tutumunu artırmıştır. Muhafazakar Parti liderliği, Kendi partisi içerisinde geldiği belirtilen baskılar altında, Birleşik Krallığın AB içerisindeki üyeliğinin gelecekteki yerini belirleyecek bir referandum kararını açıklamıştı. Muhtemel bir ayrılık senaryosu kurgusu içerisinde maliyetin paylaşımı Birleşik Krallık ve AB üyesi ülkeler ve AB üyesi olmayan fakat AB'ne ticaret antlaşmalarıyla bağlı olan ülkeler arasında çok taraflılık ilkesi çerçevesinde gerçekleşmek durumundadır. Belirgin maliyetlerin ticaret, yatırım ve işgücü hareketliliği ve finansal sektörlerde ortaya çıkması olası görülmektedir. Diğer taraftan politika koordinasyonu konusu, Birleşik Krallık ve AB üyesi ülkelerin politika yürütücüleri arasında ortaya çıkan diğer bir uyuşmazlığın boyutuna işaret etmektedir. Bu çalışma, Birleşik Krallığın AB'den muhtemel ayrılığı durumunu analitik ve eleştirel çerçevede incelemektedir. Birleşik Krallığın ayrılmasını destekleyenler büyük oranda bunun getirileri üzerinde yoğunlaşırken, bu çalışma potansiyel maliyetlerin önemli yer tutmakta olduğunu ve sağlanabilecek faydaları aşacağı beklentisini vurgulamaktadır.

Anahtar Kelimeler: Brexit, Avrupa Birliği, Gümrük Birliği, Fayda-Maliyet analizi, İktisat politikası Koordinasyonu

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Introduction

United Kingdom's European Community venture began after a referendum in 1970's. It is widely held that UK's venture in European Union has not always been an happy occasion especially in relation with "enlargement" and "deeper integration" projects and ideals in Europe. United Kingdom's overwhelmed opposition to the hardcore issues tended to reverse the innovative spirit of European Council at Maastricht Summit (1991) and UK ended up in gaining an opt-out clause that allowed the United Kingdom to stay outside the EMU (Economic and Monetary Union). After the commencement of gradual attainment of EMU, the U.K. resentment and dissatisfaction has grown large also in other domains of European Integration and European Policy Making. U.K. has rejected to accept the principles of European Social Policy drawn on the formerly known European Social Charter and stayed out of Schengen Area Agreement which is binding among the member states. 2014 has become a mile stone for testing UK's position in EU, David Cameron, the Prime Minister by then, announcing a possible referendum on the UK's membership in EU. Political campaigns that often came up with populous rhetoric had been extensive and successful as referendum results indicate. The leave camp had come out victorious with a relatively narrow margin of "yes" votes. The campaign often lacked concrete facts attached to statistical data and sound reasoning. Prior to the referendum, the UK economy naturally was not a prosperous economy in EU but was performing better than some other EU member countries. Unemployment level was below the EU average whilst the theme of European migration was on top of the agenda for "yes" camp in order to convince the electorate.

Ever since the UK voters voted in favour of leaving the European Membership in June 2016, the investors from UK, from other EU countries and from all around the world have been caught up with the sentiment of uncertainty. And have impatiently been awaiting to come to terms with the multitude of expected adversities in wide-ranging areas that are immediate concern for businesses and investors alike. The impulse of this decision of course shall be felt on the economy at different degrees of magnitude depending on whether economy is on the short or long trajectory. No matter how harsh the short run perception of the negative impact sounds, it truly involves immediate reactions, so that prevalent effects are expected to come about only in the long run. The referendum not only did send SOS signals for the UK markets but also generated political landslide left "huge cracks"

on UK's political landscape-to a certain extent proof of how deeply fragile the Britain's political establishments have become. This mayhem in British politics appears to reinforce its impact on British polity establishment and public in many years to come.

Pain and Young (2004) investigates the consequences of possible UK exit from EU in macroeconomic theoretical framework as early as 2004 at a time when possibility for an exit referendum was far away. Buchan (2012) also delved into the possible scenario of UK outside the EU rather than in the EU: The author compares then the case of Norway and Switzerland with that of UK if their supposed separation would ever occur. Those countries have consistently rejected the bids to join EU for long, but remained connected to EU with reasonable degree of economic integration. House of Commons (2013) looks deeper into the outlook of UK leaving the EU as early as 2013 as a key institution in the decision making process. The tone of conservative voices against the perceived economic costs and harms coming about as result of UK's membership in EU have been increasingly sharp in many circles since the commencement of EMU in 1999. Global Britain Briefing Note No 62 (2011a), No 65 (2011b), No 68 (2011c), No 80 (2012) are the cases in this direction. These notes adamantly use challenging language to define UK's perceived deprived economic and trade position in UK: "A country doesn't need to belong to the EU to trade with it," (2011a), "The non-existent "benefits of belonging to the EU Single Market" (2011c), "UK trade in 2011: healthy surplus outside the EU, massive deficit with the EU" (2012).

Stiftung (2015) estimates the cost of exit supposedly takes place by the year 2018, in his work. He contends that UK's GDP per capita would end up lower by the year 2030 than if the UK stayed in the EU. It is generally held that in any serious economic integration, there are costs involved for the participants alongside the benefits. It is UK's resolve to maintain some degree of integration with EU after the Brexit. However; this overtly goes against the sovereignty argument to which the "leave campaign" had attached their manifesto. Yet, there is no such an integration that would self evidently rule out involvement of any costs. In echoing this paradox- David Cameron, former British Priminister- declared that 'If we leave the EU, we cannot of course leave Europe. It will remain for many years our biggest market, and forever our geographical neighbourhood' (Cameron, 2013). On the other hand; Economic integrations like that of EU, for the most participants have positive welfare and growth effects on average. Crafts (2016) analyses such a relationship by focusing on the impact of UK membership in EU on UK's long-run growth, given the fact that UK has opted-out of EMU (European Economic and Monetary Union) while

continued to remain in Economic Union (single market). There are costs and possible setbacks for Regional Economic Integrations, some factors can seriously be damaging to the integration schemes in a dynamic setting, shocks and crisis might precipitate harmful effects. Baier et al. (2008) likewise draw attention to the drawbacks of regionalism within the theme of regional integration context. Minford (2015) gives perspective for the kind of possible trade arrangement between UK and EU countries by reviewing European Trading Arrangements. Bank of England (2015) gives a broad account of how UK membership affects the policy making powers of Bank of England. This provides insight into what level of autonomy Bank of England can be granted after a possible Brexit. Wadsworth (2015) delves into the core issue of referendum, "Immigration", with a detailed account and reference to the other aspects of labour market.

In general terms, the impact of Brexit on British economy can be classified as short-run and long-run implications. Most striking developments after the referendum was the rapid erosion in the value of Pound against major currencies. There was also noticeable rise in the general price level partially impacted by the depreciation of Pound. Plakandaras et al (2017) employ time-series approach to account for these rapid movements in basic economic indicators. Their findings tied to the concept of uncertainty impact, this sudden shift in the course of the UK economy was the result of the greater future uncertainty for the economy generated by the Referendum's outcome. Born et al (2018) employ a selected combined empirical method to clarify the magnitude of foregone GDP in the aftermath of the Referendum. The findings indicate a short-run loss of 1.8 % in UK's GDP from June 2016 until the end of 2017. Brehlin et al (2018) findings are in support of the findings of the former. Regarding the long-run effect, Baldwin (2016) reports a continual and durable deterioration on UK's output and growth trajectory. Begg (2017) asserts that GDP loss for UK economy estimated between 2 to 3 percent according to the major empirical works undertaken till by then.

This paper primarily focuses on Brexit and its possible likely economic impact on UK and EU economies respectively. While the proponents of Briexit have largely concentrated on benefits, this study reaffirms that the potential costs are to be substantial whereof the emerging costs are expected to exceed the potential benefits considerably. While the main focus of attention is placed on trade and immigration, other likely changes are also taken into consideration for comparative analysis accordingly. This work aims to examine the implications of UK's now formalized exit from the EU within descriptive, yet through analytical and critical perspective. Some characteristics of-in and outflows- of labour force in UK context have been

analyzed critically from the statistical framework. Regarding post-exit trade settlement options; alternative trade regimes that can replace the present regime will be reviewed and assessed. The case of European Economic Area membership, EFTA framework, Associate membership status and WTO status based on international trade under the ruling of WTO mandate are reviewed comparatively.

British View And Attitude Towards Broader European Integration Idea Since The End Of The Second World War

Commonwealth Association countries consisted of 54 nations whose past colonial connections with Britain prevailed on voluntary basis not more on political dominance but rather on economic, social, political and cultural cooperation, collaboration and mutual exchanges. All those countries are independent States and most of them have had gained their independence status after the second World War. These countries are situated across the four continents of the Globe where plenty of small and island states are included within this category. India is the largest, the most known and most populated country among other Commonwealth countries. It is estimated that the Commonwealth countries' total population comprises thirty percent of the World population. Countries in African continent underscores the highest participation in the Commonwealth membership among other continents. In terms of political hierarchy, the person on the throne representing the British Royal Family is the head of Commonwealth Association. Hence, the incumbent head of Commonwealth Association is Queen Elizabeth 2.

Traditionally for the United Kingdom, global trade had become the engine of economic growth and development spanning beyond the time of industrialization and in turn solidifying global political power and military might particularly during the 19th century. From immediate post war period till the late sixties, through the forceful pursuit of Keynesian politics and under the protective umbrella of Post-Bretton World design, British industrial production has rapidly expanded. Alongside the near-full employment level achievement, welfare system increasingly improved to provide better social, economic conditions for British citizens of all ages. Because of the economic prosperity and industrial efficiency, gradually increasing cost of public services and public spending had not been viewed as future risk of instability. Today, U.K.'s public spending amounts to one of the largest public outlays in Europe, yet far from being efficient nor is it free from fraud or misuse.

There has been an undeclared competition between Germany and United Kingdom during the times of economic prosperity and peace after the post-

war settlement in Europe. However; U.K. has gradually lost steam against German economy in this undeclared race after a few decades, it becomes a visible feature of post-War European economic outlook. Germany becomes dominant industrial World power house in Europe step by step while UK's industrial capacity and productivity did not follow the similar patterns as of Germany. Yet, strength in service and financial sector to some extent, continued up to today and mainly is a passport for U.K.'s staggering economy.

Churchill, inspired by the Glory and Pride of the past British empire, Underlined the necessity of the political collaboration and economic cooperation; but ruled out option of a close integration in Europe, let alone allowing an integration project that aims to steer Europe into a Politically Integrated Federal Entity. From then on, Britain was in support of a weak level of Economic integration in Europe within which free trade would be in central role. They would hope that centuries of trade experience would help to prosper again through trading in Europe and elsewhere. On the other hand, they had reservations about possible German economic dominance and it was the one of the central reason that they took cold feet attitude towards European integration from the very beginning. Success of sectoral integration in Europe through ECSC, later giving birth to the EEC which has been a core supranational institution gradually to grow into a high level of economic integration and partial political integration known as E.U. today. As it was expected, UK initially did not take much interest in joining not only in the European Coal and Steel Community (E.C.S.C.) but Also in European Economic Community (E.E.C.) which was founded by Rome agreement and put into effect in 1958. However, as Wlaszczuk (2018: 311) highlights, "the founding treaties establishing the European Coal and Steel Community, the European Economic Community, and the European Atomic Energy Community, never adopted a common vision of the European integration model." "The Maastricht Treaty constituted a turning point in the advance towards the federal model, by introducing the 2nd and 3rd pillar of the European Union." (Wlaszczuk, 2018: 312). This growth of deeper integration with an objective to create some version of political integration poses a major concern and source of opposition for UK ever since this idea was raised in European Circles.

Germany took advantage of Common Market created by EEC and soon became central economic force in Europe, soon undertook a central role in search of institutionalizing a deeper integration in EEC. Germany helped design formation of monetary arrangements like Snake in the Tunnel and European Monetary System in an attempt to build up economic and monetary coordination mechanism among the interdependent economies of the

member states. Especially from 1980 onwards, member countries would feel the pulse of German Monetary Policy as a leading trajectory through which they would have to adjust their own policies accordingly.

While Germany was a leading innovator in economic affairs, particularly in monetary design, often French partnership or support had to be taken on board to make policy innovations and proposals of institutional designs more tangible. European Monetary System was originally created through French and German initiatives which markedly offered a chance of comprehensive monetary policy coordination mechanism among the EEC member states. It is generally accepted that the rules and stages of EMU Project debated at Maastricht was a German product but French partnership supported this Project all the way through to make it acceptable, tangible and sustainable.

While German-Franco partnership were trying to bring European integration to the new heights, United Kingdom were overtly raising her defiant opposition towards such initiatives. When UK had applied for membership in early 1960s, they were met by the strong opposition of the French representation which they had not been prepared for. Under the flagship of De Gaulle, French parliament vetoed the British application for membership in the EEC. What they had been hoping with regards to integration was merely establishing trade connection with other countries. After having been vetoed by France, UK had quickly formed EFTA with the collaboration of Portugal. However; both countries had later become members of the EEC which was increasingly becoming a pole of attraction for the free trade.

1989 is the year that signifies aspirations for further integration in Europe where a resolve for a possible Economic and Monetary Union was manifested. Delors report was published in 1989, underlying the complex arrangements and stages for an intended Economic and Monetary Union (EMU) in Europe. Then came the Maastricht summit (1991) during which the fate of future of EMU and further European integration were dependent upon. Not surprisingly, there has been strong opposition by UK; and UK was supported in this role mainly by Denmark. These two nations, knew that preventing EMU Project altogether would have possible later ramifications for them; instead of using their veto power, they had chosen to opt out of EMU Project altogether. Basically, two countries were given the rights to stay away from EMU and related institutions as long as they decided to do so. After the launch of the EMU and creation of Euro. UK has never considered the possibility of joining the EMU, but increasingly became critical of deepening and widening process of European Integration.

When opposition were being addressed to a domestic audience by a politician with conservative affiliation, the tone of the speech would often have turned

to harsh criticism of EU institutions and to accounting for the alleged damage caused by EU Institutions, policies and regulations alike. The public perception were increasingly shifting towards the rhetoric that quotes as “EU is always asking us what to do and we are becoming increasingly dependent on EU and ending in as a loser in the process”. This type of rhetorical grievance had been gaining momentum after the Maastricht process and in turn had further brought political tensions to the new heights by demanding a revolutionary change in UK’s present relations with the EU, the celebrated phrase known as the “BREXIT.”

Immediate Economic And Political Impact Of Exit Decision

Uncertainty and Disappointment

Legal proceedings for completion of ending UK’s membership are definite and they have become legally binding ever since UK have triggered article 50 of Lisbon agreement. Even though British decision makers decided to invoke the famous article 50, this process initiated by British Prime Minister is a lengthy process and is not likely to be completed in less than two years. Ironically, UK is bound by the rules and procedures of the EU so long as the disintegration process is incomplete. Despite the massive efforts from pro-European supporters to get a second chance to remain in EU, this possibility has almost become untenable after the commencement of negotiations. Following the referendum, the “remain” camp launched a massive on line campaign through signing a joint petition to invoke for the second referendum. Almost after only three days of initial referendum, over two million people have reportedly signed to endorse a new referendum on Brexit. According to the various sources of media reports, immediately after the referendum many people allegedly came out to claim that they had been manipulated by leave campaign, and they expressed their regrets and disappointments for voting to leave. It has also been reported that an important segment of people signed a petition demanding for a new referendum are those who had already voted for “leave” option but had been regretting deeply ever since the accompanying negative implications started to show up right after the referendum. There are factual results can be drawn upon this development: First of all, ongoing British leadership have categorically underlined that there is no possibility of another referendum. Having disappointed with the outcome, EU governance have also implied that they would not welcome an option for another referendum but they would rather have liked to see British Polity invoked the article fifty as soon as possible and negotiations for the terms and condition of the exit commenced. The fact that negotiation process has officially been underway already further, discussion of a new referendum becomes self-defeating argument.

On the outset, let us look at the hypothetical case where somehow UK finally would remain in EU. It is highly unlikely that long run negative outlook is going to turn into a positive trajectory where investment sentiment and expectations are soundly in harmony to reflect prosperity, especially for the part of UK. Expectations are formed on solid evidence and UK's discontent with EU membership and underlying deeper integration within EU have been there for many decades and it has been endorsed formally by the outcome of the recent referendum. The short run responses from market forces thereby are water tight proof of erosion inflicted on the UK's economic credibility versus credibility of policymakers. The Finch, the credit rating institution's decision to remove a plus from UK's AA rating is central to this bias. It is up to the British leadership and other pillars of governance to lead the country in right direction with a balanced remedial conduct; and economic stability; but the elements of uncertainty and undermined credibility cannot disappear all at once. For the EU governance trying to grapple with the anti-immigration and anti-European integration sentiment that has been accelerated with the outcome of the referendum, it would have provided little comfort even if UK eventually remained in UK. Economic outlook in general and matters concerning trade in goods and services in particular-would not have prospered over night as well.

It is understood that a great number of U.K. citizens with former migrant identity; people like that of Indian, Pakistan, West Indies and African origins have selectively voted in favour of Exit-believing that doing so would allow them to enjoy a better social and political environment in post settlement period. Their reasoning partially would depend on the fact that suppressed intra E.U. labour flows would help mitigate the discriminatory policies and practices to a greater extent. The opposition becomes more conspicuous against Eastern European countries from EU from which large migrant inflows have emerged. The rootcauses of their grievances were totally different than those of White British Brexiteers of whom verymuch dominated the agenda. Given the existing racial tensions already threatening the communities laden with more xenophobia, increasing White European population they supposedly believed could make the things worse in the long-run. This mode of thinking includes then, reduced flows would have preempted their fragile position de-facto.

Immediate Impact of the Referendum on Market Forces

The market forces have responded to the outcome of the referendum with enormous speed and magnitude in an unprecedented way- to the surprise of even the most cautious economist and/or market analyst. In a matter of two days, sharp fall against major currencies began and it was amounting to sixteen percent. British pound had swiftly reached lowest value in a series of

depreciation against US dollar for past thirty years. HSBC was quick to join the bandwagon by announcing that they were going to move their management team from London to Paris. A Taiwanese company soon after announced that they decided to freeze future investment contracts in UK. On the other hand, the credit rating agencies began to implicate the future risks in British economy with a particular reference to investment. The stock exchange markets have been shaken by on receiving the result of Brexit referendum, sharp falls recorded domestically, followed by sudden and sharp falls in security prices in major markets across the globe. However, most of the major markets have regained strength following the immediate fallout by responding to restore the security prices. Amid the negative political and business sentiment in the UK, the announcement made by the President of Bank of England seems to have appeased the negative sentiments and security markets have responded positively by soon trending by rising prices. The Central Bank disclosed hereby their intention of easy money policy soon to come in near future. The underlying relief plan is to cut interest rate to stimulate investment and spending to avoid a sharp-shock of recession and at least make up for some negative impact created by uncertainty. Against the backdrops of inefficient party political structure and poor leadership in UK that led to economic turmoil and political fallout; the wisdom and experience shown by Bank of England is exceptional and deserves credit in this regard. Concerning the awaiting future deal with UK, EU's resolve for a tougher resolution is also a driving force to undermine international business credibility since "the single market participation" deal seems to be no more viable option for the UK under the given circumstances. The president of EU Council has clarified that murky point by pronouncing their resolve quoting that, "no freedom of movement, no single market deal".

Political Sentiment Upon Exit Decision

Despite the fact that a leadership deficit had emerged within the Conservative Party as a direct outcome of the referendum, unfolding events and challenges for the leadership position have gone way out of hand for being deeply in contradiction with the declared values and principles of the most influential political party in the UK. Theresa May was from remain camp and had been serving as secretary of state, seemed to have wisdom, sense of responsibility and experience to lead conservative party and government after this dramatic post-Brexit referendum fallout. Nevertheless, just one year after rising to power, she appeared to have had lost a great deal of strength following a disastrous election result for her party. In fact, she herself had invented the venture of this so-called snap election in the hope of reinvigorating her authority and its relevance in the party leadership, yet

ironically the the result was contraproductive and even her future as a leader within the Conservative Party was at stake.

Labour party had also suffered from post-Brexit political landslide. As a consequence, legitimacy of ongoing party leadership were put on the spotlight since majority of labour representatives in the House of Commons declared no confidence in Corbyn as a party leader. However, it is not the formal way how the leadership is motioned within the party convention; party leadership is instead determined by the vote of wider public representations from their constituencies. It is believed that while he had dramatically lost confidence in Commons by MPs of his own party back then, he continues to enjoy overwhelming support from grass roots establishments like trade unions and other affiliations. Yet, while Labour Party had come out as a second party after the snap election, the result was treated as a victory with which they were able to increase their votes and seats in Parliament; but most important of all, they prevented Tory Party from being able to form a majority government by then.

Socio-Economic Implications Of Uk Leaving Eu

Political Implications of Leaving EU: Implications for USA and EU Policy Making

The decision of British Public by the referendum has sent shock waves through the political circles and financial markets in USA as it did across the whole world. As Obama had rightly expressed in a bid to support UK to stay in EU prior to referendum, UK's presence in European Union becomes more of strategic importance for US while inside rather than outside of it. The issue of defence and security becomes more meaningful for them with this part of old-age Anglo-Saxon partnership cultivated and matured within NATO alligiance which is also pineacle of the defence mechanism of Europe. The incumbent President D. Trump however, took a totally different trajectory concerning UK's position in Europe, claimed that he preferred UK remained outside the EU. Yet, this new approach concerning Europe and UK does not appear to be compatible with the age-old political tradition in US. Angela Merkel had carefully and closely been monitoring the developments in UK soon after D. Cameron's hinting at a possibility of a referendum. Having experienced traumatic developments in Europe such as massive flows of refugees and migrants from troubled areas of the world, the exit decision would present another challenge to pull together European Union in unity. It is important from this perspective that negotiation process should be run in a way so as not to further damage European Integration. This present picture also represents a dilemma for EU policy makers in finding ways as to how to determine basic principles for the split-up

process: For a smooth approach to separation, EU must provide a great deal of concessions to UK for the sake of keeping close economic ties wherever it fits in UK's interests, such as enabling the UK to have access to single market in various forms, while UK would continue to hold a right to hinder labour mobility. The criticism on this issue is that reducing the level and characteristics of integration might be a driving force for loosening off the degree of EU integration since it could have potentially raised demands for menu-choice type of integration on the basis of voluntarility. Concerning this, from the very start, the EU at the highest level made it squarely clear that they would rule-out single market Access for U.K. ex-ante if labour mobility is hampered. Indeed, this dilemma is hard to settle in the face of first major disintegration in the European Community. As a matter of fact; the major EU countries and prominent figures in EU have tried their utmost to prevent disintegration from happening during the ongoing referendum campaigning process, however their unconditional optimism had to come to an end as the reality suggests. The President of EU Council, speaking on the very decision of separation, expressed his sadness on the occasion, but also stood realistic by pointing at the fact that presence of UK in EU was not a happy union. Supposedly, he was trying to hint at the inherent problems existed between EU and UK in the course of many decades-so that a permanent settlement would be a better future option both for UK and EU. It was implicit in his message that a fully fledged tighter integration in EU had never been genuinely supported by the UK. It can be suggested that realization of Brexit will extensively preempt prospective opposition by UK for the major issues and projects where a soft EU consensus could easily be reached. It is a sheer reality that in the union of 29 countries conflicts and different opinions are about to emerge, yet consultation, cooperation and coordination always can pave the way for a broader consensus. A constant opposition from one party or some parties can pose a great obstacle for policy coordination processes among the members, preventing harmony and consensus at the highest level. Policy coordination is an important pillar of decision making and of executive process where multiple point of views are reconciled at the Union level. To this end, in the long run UK's exit can provide EU Governance with more confidence and speed in decision making and execution of policies while *de-facto* facilitating and improving coordination mechanism throughout.

Controversial Issues and Options

Before referendum, Brexit camp supported categorically that UK's contribution to European Union Budget was inflicting substantial cost on UK's own Budget, and believed that if it had been spent on most prioritized areas like National Health Service (NHS) it would have brought in

enormous benefits instead. This catchy rhetoric has had impressive impact on public opinion on the eve of the referendum. On this, Zangana (2016) argues that “the subscription cost to being an EU member has been a hotly-debated topic, and is the second most important factor for leaving behind migration according to pollsters. Eurosceptics argue that the UK could spend the money sent to the EU better at home on public services. Europhiles argue that the cost is small, and is easily recovered by the benefits received from EU membership” (Zangana, 2016: 12). Another crucial cost effect arises through Brexit process which hits UK universities through the abolition of access to EU Union research funds by the UK universities. In fact, UK institutions were top ranking when it comes to research awards by European Union. Upon the developments linked to the referendum, representatives of Oxford and Cambridge universities expressed their dismay and resentment upon the possible closures of funding.

“Based on national contributions data published by the European Commission for 2014, the UK made a total gross contribution of €20.4bn (approximately £16.5bn), but deducting the UK rebate and the justice and home affairs (JHA) adjustment (€6.1bn), took the UK government’s contribution to €14.3bn (£11.5bn). However, the UK then received payments for agriculture, regional development, Research & Development investment etc. worth €9.1bn, taking the UK’s net contribution to €4.9bn (£4bn or £61.92 per capita)” (Zangana, 2016: 12).

There is another side of the coin, concerning welfare terminology, EU countries combined together will have suffered a loss but comparatively less than the loss inflicted on the UK. The rest of the EU have close economic ties with UK especially with respect to trade and foreign direct investment (FDI). Germany’s trade volume via U.K. is the strongest and they will lose a great trade partner at the end of the Brexit process. Financial disintegration is likely to create bottlenecks in the areas of investment and finance-in that many European capital cities will experience some changes in their financial settings and relevant regulations. Ironically; Brexit not only will change organization of city of London-to some certain extent-but also will press ahead for some modifications in markets in Europe. Projecting the scope and extent of UK economy will equally bring useful insight into understanding the potential costs. The Brexit decision has triggered most heated arguments in the aftermath of the referendum, yet both camps should have agreement on the fact that UK as a partner in EU was a strong, wealthy and strategically important country that was beneficial economically for EU. First of all; UK has the 15 percent share of the total European Union GDP. On the other hand; UK' aggregate demand

constitutes 17 percent of the European Union's total demand. The investment link aspect is not a less important subject for UK's role in EU but there is no doubt that separation will reverse the linkage substantially if single market is abandoned completely.

Immigration in the Heart of the Brexit: Reviewing Some Facts

Immigration has often become part of economy related arguments whenever tough times emerge in the UK economy. Whether immigration from outside the UK or so called illegal immigration or assylum seekers-but the sentiment of dissent have fallen on to another version of immigration: Labor movement from inside the EU. In this, immigrants from Poland have drawn most attention in particular. A growing number of members of public had been standing against this type of legal, legitimate immigration from inside the EU. This type revolting is at odds with the very foundations of single market of Economic Union which took many decades to construct-nor is it in line with European traditions. Migration should not be viewed as a major source of spreading negative shocks- to leave behind spill-over effects- but it is an integral part of single market that can act as a facilitator in acting as a shock absorber on the contrary. The high ranking EU representatives had made it clear after the Brexit decision that free labour movement cannot be compromised by any means. Even any kind of hindrance to free labour mobility is likely to pull a much less favourable deal for UK with respect to trade and FDI and other sectors of economy. Hence; granting single market with trade and investment with same exact status of EU membership would appear to be unlikely after the Brexit negotiations. UK tends to push forward for a free trade deal at the lowest level rather than claiming for customs union as a real form of trade integration. Regarding immigration, there is not much evidence gathered to support the preposition that foreign workers' stiff competition against domestic labour force generates imbalances in labour markets. Yet, immigrant workers contribute to public expenditures by paying their taxes as the other domestic fellow workers. They are allegedly being burden on public funds is a claim unfounded since their contribution is much higher than what they claim from public funds as benefits. Zangana (2016) reporting on immigration in the same line of thinking, that "EU migration is the UK's big non-crisis. It has contributed to a perceived problem which politicians have attempted to capitalise on, but is in fact not a major concern and from an economic standpoint has brought benefits. This is especially the case as EU migrants tend to arrive to work, pay taxes, and ease the burden of an ageing population" (Zangana, 2016: 11).

Some Statistical Facts About U.K. Immigration

Some insightful points can be extracted from the data derived from Table 1 and Table 2. Strikingly, the EU immigrants in UK are relatively younger with significantly healthy rate of employment and this level of performance strengthens and adds dynamism to UK labour market.

Table 1: Education and immigrant status (working age population) 2015

Age finished education	UK-Born	EU immigrants	A8 immigrants	All immigrants
High (21 or older)	23%	43%	6%	45%
Medium (17-20)	33%	42%	55%	36%
Low (16 or under)	44%	15%	9%	19%
All	100%	100%	100%	100%

Source: CEP analysis of Labour Force Survey.

Notes: The A8 countries are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia, all of which joined the EU in 2004. Working age population is all individuals between the ages of 16 and 64 (Wadsworth et al., 2016;37).

Table 2: Employment, unemployment, students and economic inactivity by immigrant status (working age population) 2015

% of whom	UK-born	EU	A8 Immigrants	All Immigrants
Employed	72,5%	78,2%	81,9%	69,9%
Unemployed	3,3%	3,2%	2,6%	4,2%
Student	7,7%	7,1%	5,1%	7,6%
Inactive	16,5%	11,6%	10,5%	18,3%

Source: CEP analysis of Labour Force Survey.

Notes: The A8 countries are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia, all of which joined the EU in 2004. Working age population is all individuals between the ages of 16 and 64 (Wadsworth et al., 2016;38).

The statistics not only do indicate a low level EU immigrants' unemployment rate (and A8 countries in particular) but also portends to steady, high level of quality workers' participation in the future. This is not an alarming case for the future of UK economy but a unique opportunity which must not be blown away. Moreover; some of the A8 countries-Poland in particular-have been implicated as countries whose emigrant workers allegedly causing damage on UK economy and UK citizens' well-being. Yet, such allegations are baseless and have been subjected to refutation by the real data. As further reading through the statistics, A8 immigrants' unemployment rate is uniquely low (2.65) and appears as clear enough

indication to show that their harm on the welfare spending is considerably low, at least on this crucial indicator.

Immigration Flows in UK and Intra-EU Flows In Numbers

As for the 2014 statistics indicated by the Table 3, only 45 percent of the immigrants entering the UK were the nationals of the EU member countries which amount to less than half of the total number of immigrants for that year. However; number of non-EU immigrant workers arrived at UK were higher than those of other EU nationals meaning that government policy towards this type of migration has been relatively relaxed. It is indicated that there is a significant drop in the number of non-EU nationals entering the UK as immigrants in 2013, so that net migration has fallen sharply. Yet, it had considerably been increasing towards the ending of year 2015. The results suggest that fluctuations in the magnitude of non-EU immigration flows are largely affected by the government practices in this respect. The increasing labour demand from various sectors possibly another factor that led to substantial increases in particular periods. From the demand perspective, the skillful immigrant workers coming from overseas countries can contribute to labour efficiency particularly concerning the sectors where labour supply tends to fall short of labour demand. Yet, the power of government remains to be defining force in bringing labour movements under control in the years to come under the shadow of Brexit process.

Table 3. Data On Immigration to UK

	Thousands			%		
	Nationality	Country of birth	Country of last residence	Nationality	Country of birth	Country of last residence
United Kingdom	81	68	0	12.8%	10.8%	0.0%
European Union	264	256	287	41.8%	40.5%	45.4%
EU 15	129	121	155	20.4%	19.1%	24.5%
EU A8	80	81	79	12.7%	12.8%	12.5%
EU Other	55	54	53	8.7%	8.5%	8.4%
Non European Union	287	308	345	45.4%	48.7%	54.6%
Old Commonwealth	37	39	59	5.9%	6.2%	9.3%
New Commonwealth	90	99	95	14.2%	15.7%	15.0%
Other foreign	160	171	191	25.3%	27.1%	30.2%
Total	632	632	632	100.0%	100.0%	100.0%

Source:

<http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06077#fullreport>

Table 4. Eurostat estimations of the statistics of foreign-national and foreign-born migrants as residents of EU28 countries on 1 January 2015.

	Foreign-national		Foreign-born		Total
	Number	% of total population	Number	% of total population	Number
Belgium	1,300,493	11.6%	1,808,993	16.1%	11,258,434
Bulgaria	65,622	0.9%	123,803	1.7%	7,202,198
Czech Republic	457,323	4.3%	416,454	4.0%	10,538,275
Denmark	422,492	7.5%	595,876	10.5%	5,659,715
Germany	7,539,774	9.3%	10,220,418	12.6%	81,197,537
Estonia	191,317	14.6%	192,850	14.7%	1,313,271
Ireland	550,555	11.9%	749,943	16.2%	4,628,949
Greece	821,969	7.6%	1,242,924	11.4%	10,858,018
Spain	4,454,354	9.6%	5,891,208	12.7%	46,449,565
France	4,355,707	6.6%	7,908,661	11.9%	66,415,161
Croatia	36,679	0.9%	561,093	13.3%	4,225,316
Italy	5,014,437	8.2%	5,805,328	9.5%	60,795,612
Cyprus	144,599	17.1%	176,693	20.9%	847,008
Latvia	298,433	15.0%	265,418	13.4%	1,986,096
Lithuania	22,470	0.8%	136,021	4.7%	2,921,262
Luxembourg	258,679	45.9%	248,888	44.2%	562,958
Hungary	145,727	1.5%	475,508	4.8%	9,855,571
Malta	27,476	6.4%	42,430	9.9%	429,344
Netherlands	773,288	4.6%	1,996,318	11.8%	16,900,726
Austria	1,131,164	13.2%	1,474,560	17.2%	8,576,261
Poland	108,279	0.3%	611,855	1.6%	38,005,614
Portugal	395,195	3.8%	864,814	8.3%	10,374,822
Romania	88,771	0.4%	281,048	1.4%	19,870,647
Slovenia	101,532	4.9%	237,616	11.5%	2,062,874
Slovakia	61,766	1.1%	177,624	3.3%	5,421,349
Finland	218,803	4.0%	314,856	5.8%	5,471,753
Sweden	731,215	7.5%	1,602,522	16.4%	9,747,355
United Kingdom	5,422,094	8.4%	8,411,021	13.0%	64,875,165

Table 4 reads the Eurostat estimates for 2015 as regards intra-European migration flows. Germany hosts the highest number of foreign-nationality migrant workers with the figure amounting to 7.5 million. On this score, UK happens to hold second place, but much less than Germany, with the figure of 5.4 million; UK is followed by Italy and Spain respectively. When the countries' residents are broken into the country of birth category, numbers are rising to the exceptionally high levels mainly because of granted

nationality status for the former immigrants or asylum seekers. Germany holds 10.2 million residents, followed by UK, which claims 8.4 million residents.

Table 5. Facts and Figures: UK's Contribution to EU budget

<i>UK national public expenditure in 2011 (net of EU contribution)</i>	€5,634 billion
<i>Total EU budget (payments) in 2011 (the last year fully reported)</i>	€127 billion
<i>UK national public spending per capita in 2011 (net of EU contrib)</i>	€11,204
<i>EU spending per capita in 2011</i>	€253
<i>Cost of national public spending per citizen per day (net of EU contrib)</i>	€30.70
<i>Cost of EU budget per citizen per day</i>	€0.69
<i>Share of EU spending in total public expenditure</i>	2.2%

Source: DG Budget, European Commission (Begg, 2013;34).

The Likely Scenarios As Possible Models After Brexit

General Review

After having invoked the article 50 of Lisbon agreement by UK Prime Minister, the exit negotiations had officially taken a start. The article concerned foresees that negotiation period two years, need to be completed by 2019. However; as Junker and other EU representatives pointed out, negotiations of everything involved, concluding deals and new regulations concerning post-Brexit is highly lengthy process and impossible to finalize in two years. The main controversial issues concerning UK and EU circles such as trade, UK's contribution to EU budget as it leaves, security and defence, and other areas of European Union policy those falling under the jurisdiction of *Acquis-Communautaire* must be comprehensively negotiated and concluded. It is believed that the completion of the whole process can take as long as nine years; drawing parallels with UK-Canada trade deal which took nine years to conclude-this evaluation seems far from exaggeration. The negotiation process need to be sequenced: First of all; immediate issues like that of rights of citizens, employment regulations must be worked out and then exit deal in general has to be concluded in a wider span of time. Third, the whole issues involved including trade, travel, security and defence and health to be concluded. Since there will be a lengthy process between the stage two and stage three, a provisional deal might be needed up to the conclusion of stage three. There is a huge contribution bill awaiting the UK government to be paid following the

realization of UK-EU Brexit deal. There are speculations about the exact amount of this payment, yet the figures pronounced are generally ranging between 40 to 50 billion Euros. There is a great deal of dismay and frustration on the part of the UK government but EU governance made it clear that there is no way to escape this obligation once deal is complete.

Quest For Alternative Regimes While Changes Are Inevitable

Common sense derived from economic thinking supports that foreign investment inflows from outside EU into UK, and outflows from UK to EU countries will be deteriorated after the Brexit is materialized. This shift in investment patterns will become costly both for UK and rest of the EU countries. Needless to say, the costs encountered will likely to become larger for UK than the rest of the EU. UK has long enjoyed and benefited substantially both from inward capital flows and direct investment flows. City of London standing as financial hub of the Europe, capital flows in various forms have been subjected to huge volumes of transactions in capital markets every day. Despite the disadvantages of UK being outside the EMU and circulating Pound Sterling rather than Euro, UK financial markets would have achieved huge gains in profits annually over the years. The relative strength of Pound Sterling vis-a-vis other currencies given leverage for this success, yet the Brexit decision has cast shadow of doubt on the value of Pound Sterling which has been subject to continuous rounds of depreciations immediately after the Exit decision. The argument that a weaker Pound Sterling incentivize the export increase and increase in tourism revenue, yet unstable trending of Pound Sterling against major currencies over the time have spells of creating credibility issue through which return on financial transactions could be at risk. On the other side of the coin, similar developments are expected to emerge regarding trade inflows, yet through a slightly different process of transformation in terms of both intra-European in-and out flows. The loss for UK is expected to become enormous having allowed for a regime change that transforms the way of flows. To this end, EU as a whole can record some loss, relatively less and can be compensated much easily over the longer run. While the overseas direct investment flows into UK are expected to decline sharply in the short-run and then continue to perpetuate in the long-run, the welfare effect for the EU on this account can be estimated rather small for EU economies in the short-run and even can be considered as of trivial quantity. Some of investment, especially of service industry are expected to remain in EU as a result of displacement process after the Brexit. As mentioned elsewhere, this process had been already triggered immediately after the Exit decision and multinational companies were determining their resettlement strategies within EU.

Right after the Brexit decision, much of the attention has focused on second guessing and speculating about the “would be-trade regime” to be born after the negotiating process. However, as time progressed, the UK governing elite showcased that they were uncertain about the deal they believed that would be right for UK; this was a handicap for UK camp in the wake of negotiations. Even after UK triggered article 50 to mark the beginning of negotiations, the determination of a particular deal was a contentious issue both in House of Commons and Cabinet itself. The defeat looking end of the snap election was the further blow both for conservatives and UK ahead of the challenges of negotiations *vis-a-vis* EU. As the UK camp becomes less united and much weaker, conversely EU leadership and member governments have become more decisive, highly motivated and tightly united. The EU leadership and Chancellor Merkel, as the most prominent politician in Europe, have been increasingly following not easy but a tough path in pronouncing EU’s intentions towards negotiations. Macron’s landslide victory in France not only were perceived as enhancing potentials for further integration but also strengthening the move in EU ahead of negotiations with UK. Having briefed the political controversies and uncertainties in the UK, now under the circumstances it emerges that negotiations might also end without a deal. If UK opposes EU proposals and no rapprochement is achieved, unilateral move by UK to break up negotiations can become an option and by no means such possibility should be overlooked. If ever occurs, this situation might require calling for WTO rules with regard to international trade where UK can be imposed to apply minimum custom charges required by the ruling towards EU members while in return EU can gain upperhand strategically for exports into EU. It appears that while Brexit would have provided UK with more policy freedom and choices, being dragged into the rulings of WTO, can be interpreted as welfare loss as the theory of international economics would distinctly suggests. Since there exist a tendency towards liberalization of capital movements globally, the welfare loss for UK due to lack of economic integration with EU and rest of the world expected to be modest and likely to decline gradually over the longer trajectory.

Trade Implications And Alternative Models After Brexit

A Brief Overview

The pioneering Gravity model introduced by Tinbergen focuses on the trade flow aspect and initiates the factors that tend to increase and decrease that flow aspect-therefore the volume of trade-between two given countries. First of all, as both trade partner’s GDP volumes grow, so do their trade between them. Second; he notes that deterioration in trade terms, i.e. increased regulation, custom charges and any associated costs reduce trade

flow and therefore the volume of trade between partner countries. Third; geographical location and shipment costs are related aspects and have direct influence on trade flow. Two facts emerges from this in relation with post Brexit case.

First of all-the trade flows between UK and EU countries will continue to be substantial regardless of the model to be adopted. Second; the more the upcoming model becomes restrictive on free trade and cost prone-the the sharper the slump in emerging trade flows are going to become-or vice-versa. Finally; even though UK today looks very eager in overseas trade through new trade deals, trade increasing impact is likely to be constrained due to the distance and related factors-trade flow increase will be subject to limitations.

The trade deal would be in force after the Brexit can be definitive depending on the negotiation process of which expected to be considerably lengthy. As Buckwell (2016) pointed out “The UK trade question is fundamentally a choice between remaining close to the EU’s single market, and therefore having to retain most EU existing regulation, or leaving the single market in order to allow some deregulation” (Buckwell, 2016;4). However it is intuitive and insightful to review the likely models with their likely approximation with regards to trade under the context of post Brexit scenario setting. Britain as explained above; cannot stay in single market-many issues of contention arises from being part of it-but would somehow like to conclude a most favourable trade deal to carry on trade *vis-a-vis* European countries. It emerges that UK tries to keep the trade loss connected to Brexit at minimum while at the same time increasing trade flow with the countries outside the EU through new trade deals. Strictly speaking; under this framework it is rather unlikely that UK will be granted a full house Customs Union Model-becomes a realistic reasoning. As for the agricultural sector, exiting EU without remaining inside the single market will automatically be interpreted as UK is staying out of Common Agricultural Policy (CAP). Staying outside the CAP can produce adverse effects both on prices and agricultural revenues. On this context, Buckwell (2016) expresses that, “It is concluded that UK will not walk away overnight from direct payments to its farmers post-Brexit. Some form of such payments, paid from the UK Treasury will continue, but details at what rate, to whom, for how long and with what conditionality is not yet knowable. These will be determined following intense negotiations in the UK during the withdrawal period” (Buckwell, 2016;8).

European Economic Area: An Alternative Model

A few non-EU member European countries, including Norway formed

European Economic Area (EEA) with EU countries. They simply enjoy the benefits of a looser level of Economic Union-including free movements of goods, services, capital and so on. On the other hand, this form of market integration would not be realized free off charge but at a substantial cost as part of an obligation to contribute to European Union Budget. If UK had been a member of European Economic Area (E.E.A.) it would have freedom to determine the rate of external tariffs *vis-a-vis* non-EEA countries-on the outset, what looks like UK leadership and public are looking for. The appeal of trade link with flexibility would likely to be compatible with the future objectives and demands of UK economy. If joined EEA, UK would have to adopt EU law to impose in the areas required by market integration, such as labour regulations, consumer rights etc. It is observed that this trade regime is endowed with flexibilities, is not a customs union but is more of a free trade area with regard to trade liberalization. As for the compulsory contributions to the EU Budget, the costs appear to be substantial and this can trigger serious opposition from British Public for this particular reason.

EFTA Membership: The Swiss Model

Returning to the status of EFTA without directly taking part in EEA can be a feasible alternative for UK. First of all, Switzerland is an EFTA member country; through this association have had entitlement to free trade *vis-a-vis* EU countries in industrial goods trade. The only country to mention labelled with such status is Switzerland. It creates diverse modes of economic and trade relations which is unique to Switzerland. The ability to pick from preferred items increases whereas the level of economic connectedness weakens. Yet; Switzerland has never been a full member of EU nor its predecessor EEC-so this negotiation process is totally unique in its nature and what is permissible or accessible is not fully controllable by UK.

On the other hand; Switzerland can voluntarily adapt a policy area to integrate with EU-this cherry-picking type of policy integration equally calls for the adoption of EU legislative mandate. UK was the one of the founding member of EFTA in 1960s, but it had broken up ties upon the joining EEC. The scope for rejoining EFTA can be desirable from UK's perspective due more to its flexible-looking market and policy integration approach. Since flexibility is substantial-UK can obtain different trade deals than those of Switzerland- most suitable for their intentions-menu approach would allow them to strive to strike the most feasible deal. Yet, despite its pragmatic appeal, this model accommodates some serious drawbacks as far as UK's demands are concerned. This model additionally includes free movement of labour between Switzerland and EU countries as part of the integration deal. If this model is applied to UK blue print, the spin-off implications are destined to trigger massive opposition due to its openness

to migration inflows-therefore can easily be dismissed contraproductive only on this account. Nevertheless, whether UK would be in a favourable state to be able to negotiate to block the free movement of labour under the given scenario would largely depend on their political strength and feasibility of their strategy with regards to Exit negotiations.

Association Agreement via EU: The Turkish Model

As soon as European Community (European Economic Community) was created in 1958, a status of associate membership for European countries other than full-member countries was created as a complementary mechanism for the young Community. The associate membership could be understood as a “secondary membership”, or “secondary partnership” would place the country under a privileged position. The primary objective of an associate membership is to prepare the country in question for the full membership in a gradual approach. The custom duties would be reduced gradually until becoming eliminated altogether leading up to a free trade regime. Similar trajectory is followed with regard to free movement of labor; and support of various kinds would be provided in tackling structural and other problems that come in the way of economic growth and development. Greece rendered its application as early as 1958 and became the first associate member within the EEC, later becoming full member before the preparatory stage is ended. Turkey’s application was rendered one year after the Greek application and the country was tied to EEC through Association Agreement in 1965. As opposed to Greek associate membership, Turkey’s case was a lengthy one and has not ended in full membership up to this day. The relationship between two parties has not always been in balance, even at the times broken up totally, but temporarily. Customs Union between Turkey and EU has been established in 1996 and working relatively healthily until today. Formally, full membership negotiations between two parties are in process without much progress for many years. Despite this awkward looking tendency, the customs union between Turkey and EU has been working rather successfully. All industrial products are included in free trade deal but agricultural products are exempted. If UK selects Customs Union option as a Brexit deal, some issues will stand out.

Free movement of labour would be excluded, while on the other hand, UK would by a large be compelled to accept EU trade regime and trade policy towards the third countries while having free trade relation with the rest of the EU. It is likely to fall short of those expecting free-trade deals globally with different countries and different regions in the hope of bringing in economic prosperity for the UK in terms of independence in trade policy, not much room for manoeuvring would be left for the UK. Second issue is that

Turkish agricultural products are completely barred from Customs Union agreement, a welfare loss on this account. If followed the same path of Customs Union, not only would UK lose a lucrative market but also would lose massive amounts of EU financial incentives provided for agricultural production and animal rearing in the UK. However, it can be related that UK can negotiate and prevents those barriers likely to come in the way of making use of CAP in agricultural sector. Having witnessed the recent tougher attitude of EU leadership against UK stance, However, it would emerge as an unrealistic goal to carry on with CAP without changing general attitude towards the single market. Yet, Customs Union still stands out as a strong option available despite of some of the drawbacks highlighted above.

The Implications Of Brexit For Turkey Within The Context Of European Relations

The Brexit process has blurred the trajectory of future relationship between Turkey and U.K. as it did relations between European Union and U.K. Shortly after the announcement of the U.K.'s actual departure from European Union, Turkish trade ministry stated that there might be new challenges ahead regarding trade relations with U.K., Regarding the transition era. It is meant that Turkey would be in search of alternative trade opportunities vis-a-vis U.K. It also hinted that Turkey is prepared to negotiate terms of an agreement with U.K. basically focused on free trade. However, Turkey is engaged in trade agreement with EU and its formal status poses as a real obstacle for a free trade agreement with U.K.

According to the statement of a senior Turkish diplomat, (AA, 2020) the gap occurred in EU ranks after the U.K.'s departure could be filled by the Turkish representation in EU. Faruk Kaymakcı, deputy foreign minister stressed that U.K.'s exit from the EU had affected Turkey's prospects for EU membership since U.K. was backing a possible Turkish membership in E.U. (AA-2020).

Selim Kunalp, a formerly serving Turkish diplomat diplomat spoke to TRT World broadcasting association about the impact of Brexit on UK-Turkey relations and likelihood of how European Union-Turkey partnership might take on a new route in the absence of United Kingdom. He stressed that in a situation where UK military is not available in EU, the urgent demand for NATO protection will become more vital than it had ever been for the EU. He draws attention to the fact that Turkey holds second largest armed forces in NATO and believes that this important advantage would increase Turkey's political strength in the European context. He further holds that the Brexit could not necessarily generate bad results for Turkey

since the NATO alliance would become more crucial for Europe. What he means is that Turkey can fill the void in Europe caused by UK's departure through NATO alliance (TRT WORLD, 2020).

The economic impact of Brexit for Turkey will be grave in the long-run Turkey. It is argued that Turkey would be denied free trade rights if a hard Brexit emerges after the negotiations with EU. UK is one of the largest export market for Turkey thanks to the free trade status gained in 1996 as result of Customs Union deal accorded by Turkey and EU. However, this very same deal prevents Turkey conducting free trade agreements by non-European Union countries. Hence, in the case of a possible hard Brexit outcome, Turkey's overall exports to UK will suffer enormously. As regards the situation of Turkish citizens living in UK, their residence status will be unaffected during the transition period and same applies to the UK citizens resides in Turkey. (TRT WORLD, 2020)

U.K. Officially Departed From Eu In 2020:Political Climate, Uncertainties And Strings Attached

By January 31st 2020, UK officially departed from the European Union which had emerged more than three years after the crucial referendum in June 2016. As highlighted above, departure decision by new majority government have been welcomed by a great majority of the British Public and growing public distrust has been replaced by a great sense of relief. Yet, despite the fact that UK has left EU in a formal lawful manner, Despite the British Union flag has been removed from the scenes of the EU Parliament, very little progress have been made towards as to what would prevail in ruling relations between EU and UK. How the UK's position would evolve towards the non-EU countries could only start taking root after settlement with EU is achieved in fundamental areas of policies, systems, rules and regulations stemming from the EU's *Acquis Communautaire*. First and foremost; labour movement and migration, module of trade between two parties, regulation of fisheries, investment, capital mobility and free movement of services are *sine que non* settlement issues for the UK before even negotiating for replacement deals with another countries. Having underlined that, formal departure has not followed by agreements or a new accord or anything near to it-what officially happens both UK and EU- to continue to follow the rules and procedures stemming from the EU membership. This new era is a transitional period which is to last eleven months. Yet, another exception can be given, two years extended period, which is most likely to occur in due process. The fate of future relations will be determined during the underlined negotiation process.

As mentioned earlier; Brexit climate has created a totally different metamorphoses in political setting and institutional design of British politics. New coalitions, new party lines new divisions and part leadership lines have been created and this has added a new flavour to British political life which had never been experienced anything alike before. Even before the Brexit, different groups and political parties engaged in various political activities that had reflected their relevant position on European debate. Of course, during this ongoing process, new alliances are formed and disbanded afterwards; political divisions were increasingly spreading from Parliament to the whole section of the British Society. Some roles played early on Brexit campaign were transformed- or even replaced with one another, while some early gains turned out to be the losses in the end. The changing roles of Nigel Farage and Boris Johnson is an example for the former and labor party and liberal party stands as a case for the latter. While Johnson's political career uplifted throughout the Brexit process, Nigel Farage, who had been staunch supporter and a leading figure of Brexit process prior to referendum, yet his political career has been particularly diminished if not came to a halt at this moment. Lib-dem leader has resigned after the latest election defeat; and labour leader Jeremy Corbyn scheduled his retreat from the labour party leadership after accepting responsibility for the latest landslide election defeat.

Boris Johnson is a populist politician who has led conservative party ahead of UK's formal departure from EU. Had it not been for an uncertain trajectory of Brexit process, He would not have had so much power in his hand and had gained so much popularity. He firmly grabbed the opportunity for leadership within the Conservative Party while the party itself was undergoing an institutional transition. An age-old political party was being dragged into a rhetorically appealing populist trajectory with some elements of authoritarianism. His appeal tied to the strategy of "getting the Brexit done" in a "pop culture fashion" which highly resonated with the members of public. On the authoritarian ground, he could not tolerate intra-party criticisms, particularly those targeting his Brexit strategy. Prior to the latest parliamentary elections, he had dismissed or equally forced to resign a number of Tory MPs and veteran conservative politicians. It became conspicuous that fundamental principles of intra-party dialogue and solidarity had been recklessly discarded.

Regarding the labour party, they have not managed post referendum process effectively. They have failed to send a clear message to the public what they had fundamentally planned to take UK out of EU membership. Public patience was wearing out even among the remain supporters. Labour did not come up with a plausible support for a clean Brexit nor did they explain

very well why Theresa May's plans were horrendous. Those mistakes paved the way for a disastrous election defeat for the labour party only to strengthen Johnson's hand. Beyond any doubt, considerable percentage of former labor voters had opted for conservative party that time for a simple reason to see that "Brexit is done". Ever since then, Labor Party has embarked on a leadership challenge for the next election. There has been dissatisfaction and mistrust levelled against labour leadership and the way the party is being governed, from within the labour political ranks. Jeremy Corbyn categorically declared that he would not lead his party into the next parliamentary elections. There is going to be a future leadership challenge in labour party and the question of whether a strong leadership can emerge will stand the test of time. However; the possibility of a weaker labor party representation by an incompetent leadership is most likely to accelerate populist policies and practices in the hands of neo-conservatism. Additionally, this might deteriorate social and racial tensions furthermore while anti-immigration sentiment building up in party politics elsewhere in Europe. A strong labour party leadership might as well help fend off social strifes and prevent accompanying major social divisions from taking root in multicultural British Society.

There is no magic power to resolve those underlined problems nor is there any political capacity and will to take the U.K. out of the deadlock. The future political life in the UK is likely to become potentially less competent and more chaotic ahead of the unresolved issues. Lack of a strong and capable leadership is only one side of the coin. Institutional decline in various governmental and local governmental levels is far more alarming than the former implicates. It is unrealistic to suppose that a "done" Brexit would have paved the way for a stronger political domain in respect of stable governance at all levels. There have been instances of major setbacks in the way that institutions have been functioning over the time. Such institutional corrosion has been translated into the major decline in economic well-being and living standards of people despite the fact that they are formally living in a welfare society whose economy is considered to be one of the richest in the World. Amids all such welfare claims-as contradictory as it seems- stood eleven million UK citizens actively living along the poverty zone or even beyond. Welfare state and its institutions are constructed through the economic development efforts along the process in which whole communities voluntarily and actively involved. The pre-condition for achieving a fully-fledged economic development strategy is synchronization of public consensus and political will. With the absence of both, economic development gains will continue to suffer major setbacks in the UK during the process following official departure from UK.

Post-Brexit Relations Between United Kingdom And European Union: Future Perspectives

A deal without single market or at least without customs union intrinsically evokes Irish issue. Otherwise called “Irish problem” which necessitates conventional custom checks for the goods heading to or coming from EU countries if customs union is not achieved. Whether the border between Northern Ireland and Republican Ireland would remain open is yet to be decided. In any case; the lorries and ships heading to Northern Ireland from UK and heading back to UK can still be subject to rigorous custom procedures. Apart from the practical difficulties and emerging inefficiencies, such a radical change demands a huge infrastructure presence and technical preparedness that lacks at the present. At the end of the appointed timetable and after it is extended for a new term; if yet still a deal has not been reached; the present framework adopted by WTO should irretrievably undertake to manage the trade between the EU countries and UK. Within the framework of WTO rulings, each parties would be authorized to charge custom duties on imported products at the border. Under the presence of this scenario, the WTO jurisdiction takes precedence for any possible disagreements and disputes.

Norwegian model has often quoted as a feasible alternative for single markets; but naturally this argument does not appear to be an applicable solution, nor is Norwegian model an applicable option for regulating labour movement between EU and UK. The current UK position is far from soft approach to resolve the deadlock but rather in favour of imposing tough labour controls, at least for certain EU countries. After all; migration flows engendered by certain countries had been major source of grievances for the UK during the pre-Brexit referendum process. On the other hand; the EU Polity by no means will tolerate a discriminatory migration deal in the least; and they have claimed to do so from the very beginning of this process. The possibility of a deal or another feasible arrangement on the aspect of “freedom of movement” looks ever more distant on this most contentious issue and eventually the UK policy making is becoming far more isolated as a result.

Theresa May’s suggestion for regulation of intra EU labour movement was more acceptable for EU in relative terms since being “soft” in description-hinges on its more inclusive and accommodative nature. It rightly suggests that all migration flows coming from EU be accepted in UK except those of low-skilled and unskilled labour flows. Off course, she had to fend off the opposition levelled from her own party; from those belong to hard Brexit camp and she had failed to convince them and rest of the members of Parliament. Yet, whether or not it could have been endorsed by EU

authorities if May plan had passed through in Parliament--is not clear. However; if negotiations are heading towards a deadlock; the EU leadership might start consider compromising their agenda.

As regard for EU citizenship and right of suffrage, the departure automatically removes accessibility for UK citizens. The physical movement of people and goods and services will be preserved as it is during the transition period. Concerning the UK citizens working in EU countries and *vica-versa*, the works and working conditions are to be preserved originally until a new agreement is reached. After the transition, they will be allowed to work within the domestic circumstances but for the EU nationals living in UK can be far more complicated. Due to the time requirement for residency rights in UK, some EU nationals might suffer serious setbacks regarding work and related regulations when they chose to remain in UK's labor force. As a general principle, single market rules and principles continue to function fully during the transition period. The European law would be actively functional and must be as strictly observed as before. The rulings of European Court of Justice would continue to fill the void in application of law under its jurisdiction during the transformation. Nevertheless, UK can not take part in decision making process in shaping community law anew. As for application of CAP, will be intact in transformation process but most likely be discarded after the end of this period. CAP is one of the main pillars of the European Common market, created in line with the framework designated by Rome Agreement. As far as European Budget contribution is concerned, UK will be part of it during the transitional stage-plus arrears due to former liabilities-are combined obligations to EU budget in transition.

The fisheries sector has been a huge source of controversy; UK intends to take tough stance on this, restricting operations of EU fishing boats in the UK's waters. It appears that post settlement conditions for French and other fishermen mainly operated in British waters are likely to become far worse than they used to be regardless of what the terms of the deal to be adopted will be like. The very character of UK's stance in this regard lies in her rigid ex-ante posture that rejects any ex-post permanent deal in the first place. Their intention in this respect is to be able to design deals only for temporarily (i.e. one year period base) and renegotiate a new deal at every year end. Yet, dealers working on British soil are also likely to suffer since diverse catches by different nationals in UK territory have been highly demanded by British consumers. Prices of sea food are likely to be on the rise if EU countries' access into British waters is extremely limited.

Conclusion

The market forces have had to respond to the outcome of the Brexit referendum with enormous speed and magnitude which was unprecedented to even the most cautious economist and/or market analyst. In a matter of two days, sharp fall against major currencies began and it was amounting to sixteen percent. British pound has reached lowest value in a series of depreciation against US dollar for last thirty years. Security prices had also fallen sharply in response to the results of Brexit. The referendum not only did send SOS signals for the UK economy but also generated political landslide left behind “huge cracks” on political landscape-to a certain extent proof of how deeply fragile the Britain’s political establishments have become. This mayhem in British politics appears to force its impact on British polity establishment and public in many years to come. Boisterous challenges, divisions and competition in the same party lines have become contagious in both governing party and opposition.

Despite the fact that Boris Johnson have gained a land-slide victory in the latest parliamentary elections and eventually formalized UK’s departure from EU, potential challenges attached to Brexit remains same as used to be. That is to say, almost no settlement or any substantial plan has emerged up to this day: numerous issues and policy areas waiting to be clarified in the face of U.K.’s actualized departure from EU. Populist politicians have become a major characteristics of UK political life not only prior to the Brexit referendum but immediately after the referendum up to the formal departure. The decline in British economic performance and living standards of average British citizens have been major driving force for intensified populist rhetoric, allowing ordinary people to align their grievances with sharp-edged anti-European politics. The political tension seems to have subsided for the time being but reality is that real problems related to economic well-being and post-Brexit settlement have been swept under the carpet.

According to the previously modified time table, both parties are hereby required to strike a deal before the end of 2020. During the transformation period, UK will have to abide by the EU law (*Acquis Communautaire*). Through that EU law take precedence wherever its application required. Nevertheless; UK neither will be represented in decision making bodies of EU nor have any impact on legislative process during the transition. While enjoying the benefits to a larger extent, the U.K.government will have to continue to contribute to the EU budget as scheduled before.

U.K.’s expectations from EU trade have not been met as a member for many decades, and not much hope, nor any desire left to turn around the terms of

trade with their EU trading partners. Exports have not been developing up to the desirable level. The shared optimism of British Public to a large extent was that leaving EU could have opened new doors of opportunities for trade especially for export products where UK's weakness is obvious. The regulation based nature of EU business and trade is viewed as a major obstacle for moving forward in the direction of developing trade strategies to increase the size of exports. As for the immigration, the primary complain is focused on the intra-EU labour flows, claiming that those immigration waves are destabilizing labour markets and economic health in the UK. The immigrants came to UK from Poland especially have become main target of blame in this context. Yet, statistics indicate that workers coming from Poland and some other countries represent a high rate of employment with equally low rate of unemployment benefits claim. They are proven to have been contributing to the UK economy rather than being a burden. Most of the research conducted on Brexit comes to the conclusion that leaving EU will have negative impact on UK's economic growth including in the long-run. It is also estimated that staying outside the EU will result in a substantial level of FDI loss which restrains the economic growth and average household income can be affected adversely. Barriers to free movement of labour will reduce the average labour productivity in UK and will generate welfare reducing impact. Inflation is likely to be higher than it was before Brexit decision and such a trend can perpetuate in the long-run.

Whether the prospective UK economy will emerge as stronger after the settlement process is difficult to conjecture. Nevertheless; given the circumstances by now and accompanying uncertainties and setbacks in the short-run process, it is not hard to predict that the UK will become worse off outside the EU than inside the EU regardless of the settlement terms. It has not been long before the economic fall accompanying the Brexit decision has shown its face. It can be inferred from the relevant data that overall economic well-being of the UK citizens were noticeably better by then (pre-Brexit decision) than now. Having surrendered by uncertainties; whether UK will become better off outside EU with a strong economy in the long-run has to stand the testing of the time. However; it is over-optimistic to predict that a steel-strong economy can be constructed in a matter of a few years. Rather; substantial gains from being outside the EU might not be materialized earlier than ten years, the period of time can be measured as long-run.

Although U.K. has officially withdrawn from E.U, the nature of trade regime between two parties still remains as a mystery. In assessing current trends of trade in goods between U.K. and E.U, the focus has often been on the negative side-the fact that U.K. runs a considerable trade deficit *vis-a-vis* the

E.U. countries. However, another aspect of the U.K.-E.U. trade highlights that about an half of U.K.'s total exports are destined to the E.U. countries. Staying outside the Single Market any kind of trade regime, would most likely to bring down U.K.'s exports share in European markets. Up to now, U.K. has exploited full benefits of being part of the EU's Single Market-the export performance has therefore come about through the diverse channels with which free trade is supported. It looks like anything other than single market settlement will undermine U.K.'s recent export trends. How this could be offset through other trade deals with the other parts of the world remains to be dubious. Equally; capital flows derived from the E.U. and other part of the globe appears to be in decline as result of the underlined exit from the EU's Single Market. Direct investment to U.K. from abroad has noticeably been in decline already as raising the question of credibility. The longer the uncertainties prevail, the costlier credibility effect becomes, hence further discouraging capital flows.

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