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## THE CONSEQUENCES OF BREXIT FOR THE FUTURE OF THE UK

On February 1, 2020, Great Britain officially left the EU and is in a transitional period, which is supposed to last until the end of this year. In this regard, there is no longer a question about potential Brexit and its causes, but a specific task is to calculate the economic consequences of specific scenarios for the UK.

First of all, we can consider the already occurred negative economic effects associated with Brexit. So, after the 2016 referendum, the following economic changes took place: the volume of investments decreased → the pound fell → the inflation rate increased → the real wage level decreased → the purchasing power level decreased.

All this led to a slowdown in GDP growth, which is graphically presented in Figure 1.

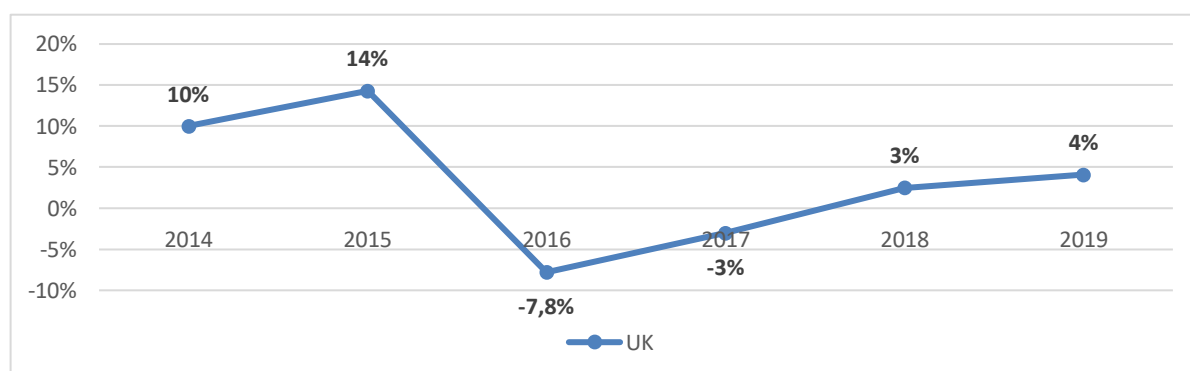


Figure 1. UK GDP growth rate at current prices

Source: [1]

Obviously, the problem is not only Brexit, but also the rehabilitation of the economy after the 2008 crisis and the problems associated with low-productivity firms and declining investments, which entail an increase in labor productivity by an average of only 0.6 percent between 2010 and 2018 [2]. However, Brexit reduced the level of confidence in the stability of the UK economy, causing a chain of interrelated negative economic effects.

There are 8 main scenarios. These include:

1. WTO Rules (Tariffs are regulated by WTO rules.)
2. TTIP between UK, USA and EU27 (Zero tariffs for all partners of the agreement)

3. UK–EU FTA (Zero tariffs, as before Brexit)
4. UK–US FTA (Zero US tariffs that do not cover loss of EU exit)
5. UK–EU transitional zero-tariff arrangement (Gradual transition from zero to negotiated tariffs)
6. The Norwegian model (UK remains in the EEA with the exception of the financial sector)
7. The Swiss model (Separate contracts for each sector of the economy)
8. The Turkish model (Great Britain remains in the customs union with the exception of the financial sector)

Cumulative economic effect of Brexit can be represented as follows, table 1.

Table 1. The influence of the 10-year cumulative effect on GDP

	UK			EU27		
	%	\$ billion	\$ per capita	%	\$ billion	\$ per capita
<b>Hard Brexit scenarios</b>						
<b>UK–EU transitional</b>	<b>2,8</b>	<b>79</b>	<b>1 208</b>	<b>0,4</b>	<b>57</b>	<b>129</b>
UK–EU FTA	3	85	1 300	0,5	67	151
UK–EU–US TTIP	7,1	202	3 104	3,2	428	962
UK–US FTA	2,4	70	1 070	-0,1	-12	-28

Source: [3, p. 67]

In my opinion, because Brussels wants to unite the remaining countries and prevent a further split in the EU, but at the same time prevent a big recession in the economy, the most likely of the above scenarios is the UK – EU transitional zero-tariff arrangement. In this case, the transition period will drag on for several more years, during which the tariffs on goods will remain at the same level, and non-tariff barriers will increase slightly. At the end of this period, the parties will come to a final agreement on all sectors of the economy. As a result, the cumulative effect of Brexit will be 79 and 57 billion dollars, respectively, which will allow both parties with minimal losses and concessions to each other.

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## **RELATIONS OF JAPAN WITH THE USA AND CHINA IN THE XXI CENTURY. COMPARATIVE CHARACTERISTICS**

Describing Japan's foreign policy in the new century, it is necessary to emphasize that the end of the Cold War and the current military-political alliance with the United States were not the only determining factors for its formation. As it was noted by Prime Minister E. Sato, relations between Japan and Asia have deeper historical roots than relations between the United States and Japan and were based on interests often different from those of the United States. Many experts, both in Japan and abroad, claim that the presence of US forces based in Japan violates its sovereignty and Japan should find the right way to declare itself in global affairs from a position more independent of the United States. However, taking into account deep political differences with China as well as potential threats to its own security, if Japan has to choose between the US and China, it will have to choose the USA.

The main motivation of Japan is to achieve maximum security and create a situation where no regional or global player becomes overly self-confident in his military power. That's why the Japanese will not allow the Americans to deploy nuclear weapons on their territory and will contribute to the speedy end of the trade war between the United States and China.

The tariff war between the giants of the world economy can significantly affect one of the main trading partners of both countries – Japan. Thus, in 2018, the volume of orders for production machines began to sharply decrease in the country and in February 2019, the indicator fell immediately by 29% compared to the same period last year. The negative dynamics in Japanese industry is primarily associated with a slowdown in the Chinese economy against the backdrop of a trade war. China is Japan's largest trading partner with a 23% share in total Japanese exports. As a result, sales in China are falling, production capacities in Japan are also declining. Such data are presented on the official website of Saxo Bank.

In the East China Sea, Japan has serious interests, as it runs the most important sea routes for it, there are gas reserves, as well as rich fish resources. Tokyo and Beijing can't reach an agreement on the demarcation of exclusive economic zones.

The situation in the South China Sea is extremely important for Japan in conjunction with the situation in the East China Sea. Simple logic says: the more China gets bogged down in territorial disputes with neighbors in the South China Sea and US,