

Wider Implications of Brexit

What is the issue?

\n\n

\n

- The singular issue of Brexit has consumed the United Kingdom for two and a half years.

\n

- In this backdrop, it is imperative to look at the changes that Brexit has triggered and is likely to trigger in UK and across the world.

\n

\n\n

What are the implications of Brexit for UK?

\n\n

\n

- The UK economy is already experiencing slow-moving structural change.

\n

- There is evidence of falling foreign investment in the UK.

\n

- This is, in turn, contributing to the economy's disappointing level of investment overall.

\n

- Moreover, this trend is accentuating the challenges associated with weak productivity growth.

\n

- Also, companies with UK-based operations have begun to trigger their Brexit contingency plans after waiting and planning for long.

\n

- In addition to shifting investments out of the UK, firms will also start to relocate jobs.

\n

- The Brexit process thus highlights the risks associated with economic and political fragmentation.

\n

- It provides a preview of what awaits an increasingly fractured global economy if this continues.

\n

- Some of the global concerns now are less efficient economic interactions, less resilience, more complicated cross-border financial flows, and less agility.

\n

\n\n

What global changes could this lead to?

\n\n

\n

- In the above context, costly self-insurance will come to replace some of the current system's pooled-insurance mechanisms.

\n

- It will be much harder to maintain global norms and standards.

\n

- Tax and regulatory arbitrage are likely to become increasingly common as well.

\n

- Economic policymaking will become a tool for addressing national security concerns.

\n

- How this approach will affect existing geopolitical and military arrangements remains to be seen.

\n

- There will also be a change in how countries seek to structure their economies.

\n

- In the past, Britain and other countries prided themselves as "small open economies".

\n

- They believed they could leverage their domestic advantages through shrewd and efficient links with Europe and the rest of the world.

\n

- But now, being a large and relatively closed economy might start to seem more attractive.

\n

- For countries that do not have that option, such as smaller economies in East Asia, tightly knit regional blocs might provide an alternative.

\n

- With Brexit, the outlooks for growth and liquidity will likely become even more uncertain and divergent than they already are.

\n

\n\n

\n\n

Source: Financial Express

\n

