

## 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

