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### UNITED KINGDOM EXITING THE EUROPEAN UNION?

By

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The longer the time spent together, the more painful any breakup is likely to be. This reality dogs the United Kingdom more than three years after its referendum to exit the European Union, a process commonly known as "Brexit". Notwithstanding opponents who may wish otherwise, Brexit is now seen as irreversible, especially as the Conservative Party under Prime Minister Boris Johnson is polling well ahead of the Labour Party just a fortnight before polls on Dec 12. Brexit is likely to be viewed in hindsight as part of a de-integration process in a recurrent historical pattern increasingly manifesting in trade protectionism, anti-immigration, and curbs on international cooperation.

For most of us accustomed to the post-World War II liberal international order, whose crowning achievement is European integration, it is downright sacrilegious to suggest that behind Brexit is a recurrent force of history, that its time was bound to come. But this is what it is. EU integration was supposed to be the culmination of a linear progression of history, putting an end to centuries of war and conflict by promoting political integration and economic interdependence. Now we can see that this linearity is giving way to circularity.

For a time, the European Union appeared to be the basis of our international system, of a path to global peace and prosperity and away from war and violence. Brexit is much more than just a UK-EU chasm, because the European Project anchored the international life that has more or less defined and sustained our collective era. The EU has represented the settlement that reconfigured and rebuilt the globe after World War II. It was the culmination of integration efforts designed to enable us to turn our backs on the horror of war once and for all.

Never again should we allow one devastating European conflict that involved many parts of the world (World War I) to beget another that inflicted enormous loss of life and suffering, including economic crises that engendered militant fascism and methodical genocide along the way. European integration was to be the answer, from six nations that featured the Franco-German axis to eventually a 28-member bloc six decades on.

It was unthinkable to us that some EU country, let alone a principal member like the UK, should want to opt out for good. When it happened, many people just could not accept it. In the longer term, Britain -- whatever its size and with or without Scotland (which might opt for independence) and Northern Ireland (which could rejoin the Republic of Ireland) -- is likely to soldier on with flying colours in view of its immense talent, resources and critical mass. Punching above its size in terms of population and territory, Britain has always had a disproportionate pool of artists, musicians, intellectuals, and ideas that have been dominant in the world, partly enabled by an exceptional university education system. After the initial commotion, its prospects will remain on course just as they always were, warts and all.

For example, the UK economy so far after the fateful Brexit referendum has held up fairly well. According to World Investment Report data, foreign direct investment and portfolio inflows have each averaged \$30 billion per quarter over the three years of Brexit thus far, compared to \$17 billion and \$23 billion per quarter, respectively, during 2010-16. Over the same period, the Euro area attracted \$153 billion in FDI and \$96 billion in portfolio inflows before the Brexit referendum and \$9 billion and \$37 billion per quarter, respectively, thereafter.

The UK economy has lost growth momentum but has been more resilient than the Euro-area. GDP growth in the UK has averaged 1.7% since the referendum, compared to 2% during the eight years up to the referendum vote. But the Euro-area has faced a more severe economic slowdown. In addition, unemployment in the UK is at a near historical low, and wage growth has gone up 3% on a year on year basis, boosting purchasing power. Retail sales in the UK have slowed because of Brexit-related uncertainty but still has expanded at 3%, more than the Euro area. The British pound also has weakened, thereby shoring up exports, while there is space for fiscal and monetary flexibility going forward.

In other words, the UK economy is holding up well under the circumstances. After painful adjustment in the initial stage, the UK economy is likely to weather the Brexit storm and reach a new normal. The same may not be the case for the Euro-area.

Prime Minister Johnson has been vilified by the "Remain" side and many others who are dead set against Brexit. But whoever leads the UK during this process of breakup is going to have a hard time and be seen as a villain. Brexit opponents also have pointed out that the UK being out of the EU will lose power and influence to set rules and will instead become a "rules taker."

Yet in an era where rule breakers, as in the case of the United States, are running amok, it is harder to make rules. Therefore being a "rules hedger" may be the optimal move when integration loosens and the global environment becomes more unstable and unpredictable, marked by tension with greater potential for conflict. Breaking up can be acrimonious and agonising but sometimes it is the smart thing to do in a setting when every nation is increasingly looking after its own at the expense of international cooperation and collective action.

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