

DE-GLOBALIZATION AND IMPACT OF BREXIT ON GLOBAL ECONOMY AND SAARC NATIONS

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Abstract *The paper attempts to discuss the new and upcoming concept of de-globalization in the context of the latest issue making waves on the international circuit, that is, Brexit—the exit of Britain from the European Union (EU) through a referendum held on 23rd June 2016.*

The paper first builds upon the historical context of the term ‘globalisation’, its genesis and history and throws light on the economic, political and cultural connotations of the term. It then moves on to discuss and define the upcoming and pertinent issues, which have surfaced to the forefront of the developed economies like ‘Corporate capitalism’, ‘Neoliberalism’, ‘Alter or Anti-globalisation’, and now finally ‘de-globalisation’. By connecting these dots together, the paper attempts to bring about the impact of Brexit on Britain, the EU, and world economy at large by specifically bringing out arguments in favour and against the Brexit proposal. The paper further delves down to discuss, underline, and elaborate on the lessons, which the South Asian Association for Regional Cooperation nations, especially India, can learn from this policy of de-globalization being adopted by the British economy

Keywords: *Globalisation, De-Globalisation, Brexit*

GLOBALISATION

Introduction

Globalisation cannot be restricted to a narrow sense in which it is used today. It has wider connotation and vaster ramification. Globalisation has cultural, political, and economic dimensions attached to it today. According to the International Monetary Fund (IMF, 12 April 2000) globalisation comprises of four aspects namely trade and transactions, capital and investment movements, migration and movement of people, and finally the dissemination of knowledge. Noted economist, Theodore Levitt, is credited for coming up with the term in his article by the name ‘Globalization of Markets’, which got published in the May–June 1983 issue of *Harvard Business Review* though the usage of the term can be traced back to the 1940s.

The term globalisation means world integration led by interchange and exchange of ideas, products, knowhow, capital, culture, etc., further generating the prospects of interdependence of economic social and political activities of a nation to promote employment generation and reduce within country inequalities by important mechanism of increasing trade and foreign direct investment (Heckscher–Ohlin model and Stolper–Samuelson [HO/SS] predictions).

According to the Heckscher–Ohlin model a country should export and produce products, which it can efficiently produce and send it across to nations having a dearth of such products

and vice versa. Therefore, in a way the model promotes advantages of international trade amongst all nations when all of them follow this policy religiously and mutually reap the benefits from it.

Though it is a widely accepted and lauded theory built on the concept of globalisation, it is said that most economists find it hard to trace back logical explanation to this popular theory propounded by Hecksher (1919) carried forward by Ohlin (1933) his student and finally carried ahead by Paul Samuelson in the 1950s.

On the contrary, it has been proved with various studies that globalisation may have reverse, rather diverse set implications in many parts of the world (Lee & Vivarelli, 2006).

Thus, there remains a divergent and acrimonious tug-of-war between the advocates and critics of the concept of globalisation. The advocates theorise the tremendous benefits, which accrue in terms of rise in economic growth, income distribution, and employment as well as removing poverty and providing human and labour rights. The critics, however, negate all the positivity of the support group and consider it as a means to make the developed nations more affluent and provide challenges to the developing countries.

The concept of corporate capitalism emerges when corporations are in charge in developed economies. They totally dominate the market place of an economy. For example, consider the case of United States where a large

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part of the economy is under corporate control. Thus, the concept is linked to the concept of globalisation. The concept of 'Neo-liberalism is also a connected concept associated with extensive economic liberalisation and policies relating to deregulation, privatisation, free-trade, and a reduction in government spending in order to promote the private sector in the economy. The genesis of the concept is generally related to the theories of thinkers like Friedrich Hayek, Milton Friedman, and James. M. Buchanan as well as politicians like Margaret Thatcher, Ronald Reagan, and Alan Greenspan.

Literature Review

The latest report by the Overseas Development Institute (ODI, London) authored by Para et al. (2016) underlines that Brexit would have far-reaching implications for developing countries. In the short as well as the long term all developing nations would be impacted in different ways with the exit. This impact would be based on how the United Kingdom would make its exit. It goes without saying that it would have both negative as well as positive impact for developing nations. Though this exit would create some challenges for the developing nations it would also open the doors to some opportunities as well for them. The main line of impact would be through trade, financial markets, and investment, growth, aid and development finance, migration and remittances, and global collaboration. In the short-term, the threat of Brexit resulted in currency and stock market fluctuations, which have not left emerging markets and poorer countries untouched. The report estimates that the 10% devaluation of the pound in the first week post-Brexit, coupled with lower GDP in the United Kingdom (estimated at 3%), would lead to lower exports by developing countries (\$500 million in least developed countries). It also concludes that the devaluation should lead to a reduction in the value of aid by roughly \$1.9 billion. The combined cost (through aid, trade, and remittances) of the devaluation for developing countries is expected to be \$3.8 billion. If the pound continues to fall, the effects could increase. Lastly the report stated that greater policy consideration is needed on what the UK on its own could offer to developing nations.

Hillerbrand (2010) in his paper, *Deglobalisation Scenarios: Who wins who loses?*, based his study on the analysis with respect to the International Futures Model, and concluded that if globalisation was stalled, the impact would be immensely negative for most countries as also for most income groups. While backtracking protectionism might improve income equality in some countries, it would reduce incomes of both the poor and the rich and poverty headcounts would increase. Apart from this, political instability would rise in many

countries and the probability of interstate war would enhance. These results suggest that it would be far better to deal with the negative aspects of globalization directly by improving trade-adjustment assistance, providing more secure access to health care, and negotiating new international Agreements, which benefit all countries.

In a report published by Sheffield Political Economy Research Institute and FEPS, policy Network (the third of a series drawing on the project 'Diverging Capitalisms Britain, the City of London and Europe', 2017) had the mandate to check the changing nature of the British economy, its place within the European economic space, and the consequences of Brexit, presented their findings in form of analysis developed as part of the workshop entitled: '*After Brexit: British and EU capitalisms at the crossroads?*' held in Brussels on March 24, 2017. The report provided a sketch on the sustainability of the existing British growth strategy, the potential development trajectories of the British model of competitiveness following the EU withdrawal, and the strategic disorientation of British business groups.

Finally, the report concludes 'the Brexit agreement is likely to have major domestic political implications, not least in terms of the timing and outcome of a putative second Scottish Independence Referendum. The more the Brexit deal damages the current terms of trade between the UK and the EU, the more likely will be a vote for independence in Scotland and a "Brexit-Breakup" double whammy'.

In their article Asia insights conference board, 2016, *What will Brexit mean for strategic planning*, the board has discussed both short-term and long-term implications of Brexit. While they stated that in the short term once the market panic subsides, Brexit will definitely not shake up the economic fundamentals of emerging Asian and market economies during 2016. However, volatility in the global markets would surely stay in the coming months and global investors' risk aversion would continue. The on-going financial market volatility would also complicate emerging markets' central banks' policymaking, which could impact businesses through changes in interest rates and local currency value. In the long run, Brexit and its secondary impact on emerging markets would definitely be harder to predict and could be substantial. The potential impact would likely come from trade and foreign direct investment, and a possible reversal of globalization. This might prove disastrous for export-driven Southeast Asian economies. Additionally, as reported by Oxford Analytica, the UK development assistance funds for programmes in Southeast Asia might be at risk. Nevertheless, Brexit is still in its initial stage, and the United Kingdom has two years to negotiate its way out of the EU.

Thus, to quote the Conference Board economics team ‘..... the sky is not falling, at least not immediately. However, great uncertainty looms ahead. Businesses should not panic or jump to conclusions. Instead, our recommendation is that companies operating in emerging markets should plan their strategies around the different possible outcomes of the UK Brexit negotiation process in the next two years’.

In another interesting paper by Chowdhury, 2016, ISAS, National University of Singapore, studied the impact of Brexit on the Bangladesh-UK trade relationships and came out with the following results.

Chowdhury in his paper, while identifying the immediate effects, is of the view that ‘Brexit’ would affect UK-Bangladesh relations directly. First of all, the money supply in form of remittances from the Bangladeshi diaspora in the United Kingdom amounts to US\$ 1 billion. With the value of pound remaining low, the remitters would either hold back transmittals until the pound bounced back; however, its impact would be immediate. Otherwise, if they feel obligated for family reasons to continue to remit with a low-value pound, the amount would reduce. Secondly, if the economy of Britain experiences a recession, British imports from Bangladesh will fall, as will the income of the Bangladeshis in Britain. Thirdly, the unrestricted movement of already-settled Bangladeshis in Europe to Britain, for education and other purposes, will drastically reduce and the reasonable supply of East European labour to the Sylheti restaurants throughout Britain will sharply go down. Finally, and most importantly, the Bangladesh authorities (the Prime Minister’s Office, the Foreign Office, the Commerce Ministry, the Chambers et al.) must diligently prepare to negotiate with London the continuance of facilities that were enjoyed by them with the United Kingdom as a part of the EU, and which will no longer be automatic. Thus, the paper meticulously highlights in detail the impact of Brexit on one of the developing SAARC nations.

Globalisation: Measures, Economic, and Social Impact

There are two indices, which measure globalisation. These two indices’s are the KOF index of globalization and the AT Kearney foreign policy magazine globalization index. The KOF index measures globalisation on three parameters namely – economic, social, and political. In addition to this, they also calculate an overall index of globalisation and sub-indices referring to actual economic flows, economic restrictions, data on information flows, data on personal contact, and data on cultural proximity. Table 1 shows the top 20 countries evaluated on all three parameters namely

economic, social, and political globalisation for the year 2016 by the KOF index.

Economic globalization consists of mainly the globalization of markets, production, finance, technology, organizational structures, institutions, corporates, etc. The general agreement on Tariffs and Trade and World trade organisation have sufficiently been able to reduce trade barriers; they have been major contributors towards accelerating and being the driving force for economic integration of markets due to technological advances and telecommunications.

The advocates of economic globalisation propound that trade openness has increased substantially both in developed as well as major emerging nations. The concept of globalisation gains ground within the economic theories as propounded by David Ricardo (Theory of Comparative Advantage), the Heckscher–Ohlin–Samuelson two-factor model, and new trade models including scale economies and monopolistic completion of the 1980s (Manteu, 2008).

However, economic globalisation is a baggage, which does not come without negative impacts.

According to studies conducted (Watkins, 2002; Yusuf, 2001), the rise in international trade is increasing income inequalities both within industrialised and less-industrialised nations.

Again, as far as the discussion on social impact of globalisation goes, there is again divergence in thoughts and opinions among the advocates and critics.

The recent studies on the social impact of globalisation are in contrast to the conclusions given by the Heckscher–Ohlin predictions. The recent literature states that the employment impact of increasing trade is not positive always for developing nations and provides for quite differentiated trends in the evolutionary ‘catching up’ models (Cimoli & Dosi, 1995; Dosi et al., 1990; Fagerberg, 1988 & 1994; Lee & Vivarelli, 2006; Montobbio & Rampa, 2005).

As far as poverty alleviation is concerned, studies have shown that fast globalising countries like India, China, and Vietnam have witnessed significant reduction in people living below poverty line but converse is true for slow globalising countries like Sub-Saharan Africa. (Lee & Vivarelli, 2006; Reddy & Pogge, 2002).

Thus, it can be said that if international trade and foreign direct investment become labour saving and anti-skill based technologies to developing nations, it would definitely result in reversing the results of HO/SS theory and predictions, bringing about a decrease in employment and giving rise to within-country income inequality. This could be linked to the reasons for ‘deglobalisation’.

DEGLOBALISATION

Introduction

Typically, globalisation means the increasing integration and interdependence of nations-states, that is, various units of the world merging towards conglomeration. Deglobalisation means just the reverse. This phenomenon has the impact of reducing economic trade and investments among nations.

Deglobalisation is not a recent phenomenon and has been witnessed between the period of 1914 and 1970s when trade as a part of the total economic activity went down in many developed nations and thus these economies are seemingly getting less integrated with the rest of the economies of the world.

Just like globalisation, even deglobalisation can be measured in a number of ways. The impact of deglobalisation can be studied by doing a study on average tariffs levied, border restrictions being imposed on labour by country in question, and restrictions being levied on foreign direct investments or outward direct investment of the economy under study. Furthermore, the net immigration rates could also be examined and a comparative assessment over the years of exports plus imports as a proportion of national income or per head of population can also be studied to assess the impact of deglobalisation on a particular economy. Some acts of deglobalisation can be quoted from the past. A striking example of deglobalisation policy being adopted in the past in the United States was when the 'Buy American Act' clause was advocated by the Bush and Obama governments to encourage American-made goods over the other traded goods in their nation. Another example is that of EU imposing new subsidies for their agricultural sector in order to protect them.

Although globalisation leads to benefits from the principle of comparative advantage, economies of scale, cost competitiveness, increased flow of FDI, creation of more employment, and reduction in poverty, it does not come without vices. Some of the points on which the critics dislike it, because globalisation creates over standardisation of product and global branding, thus creating barriers for the entry of local producers. It also leads to enhancing the power of MNCs and their operations as monopsonies and making them suffer from the diseconomies of scale. It may also result in loss of jobs in domestic markets due to the presence of unfair trade practices. The subprime crisis is also

a result of increased globalisation creating a liquidity crisis in global economy. A very serious impact of globalisation is the rise in pollution and global warming and depletion of non-renewable natural resources.

It is not only Britain, but also the United States who are on the path of embracing policies of isolationism and protectionism in order to provide fiscal stimulus to their economies. Such protectionist policies being followed by developed countries (DC) not only would restrict the capital flows to emerging markets, but will also increase the risk of debt defaults and debt restructurings in the emerging economies. And, therefore, the emerging economies would be the ones to face the music of the protectionist and isolationism policies being adopted by DCs.

With Brexit and Trump's protectionist policies being in the aisles, the World, it seems, is once again entering the stage of deglobalisation, which rings the bell of global slowdown of trading volumes, and the result would be more liquidity trapped in national boundaries. The situation seems to be compounded by money market reforms and banks rising regulatory costs and reports claim that US protectionism policy and deglobalisation spell out inflation (Moyo, 2017).

BREXIT

Introduction

Brexit means the British exit from the EU. A referendum was passed in July 2016 which was a result of the 'leave' votes (51.9% of the ballot) outnumbering the 'remain' votes (48.1% of the ballot). The process of British exit formally started when Article 50 of Lisbon treaty was triggered. The pound fell to its all-time low in 30 years and fell down by 11.1% against dollar. The Euro also fell against the dollar but recovered.¹

Brexit can be termed as an issue standing at crossroads of regionalism and nationalism and state inching towards protectionism of its own trade. Out of the main impacts of Brexit, it may translate into a slower economic growth of the country. It may also lead to a slowdown in investments and jobs, lower pays, and higher unemployment rates.

The Table below shows the annual impact of leaving the EU on UK after 15 years.

¹ <http://www.investopedia.com/terms/b/brexit.asp>

Table 1: Annual impact of leaving the EU on the UK after 15 years (difference from being in the EU)

	EEA	Negotiated bilateral agreement	WTO
GDP level – central	-3.8%	-6.2%	-7.5%
GDP level	-3.4% to -4.3%	-4.6% to -7.8%	-5.4% to -9.5%
GDP per capita – central*	-£1,100	-£1,800	-£2,100
GDP per capita*	-£1,000 to -£1,200	-£1,300 to -£2,200	-£1,500 to -£2,700
GPD per household – central*	-£2,600	-£4,300	-£5,200
GDP per household*	-£2,400 to -£2,900	-£3,200 to -£5,400	-£3,700 to -£6,600
Net impact on receipts	-£20 billion	-£36 billion	-£45 billion

*Adapted from HM Treasury analysis: the long-term economic impact of EU membership and the alternatives, April 2016; *expressed in terms of 2015 GDP in 2015 prices, rounded to the nearest £100.*

The next table shows the United Kingdom's imports to top 25 trading partners for the year 2016.

United Kingdom's Imports, 25 top trading partners. General Trade, April 2016.

Maturing & Emerging Asia & Australia highlighted.

Rank	Country of Dispatch	£million		
		April 2016	Year to date 2016	Year to date 2015
1	GERMANY	5,110	20,456	20,766
2	UNITED STATES	3,399	12,388	11,441
3	CHINA	2,730	11,666	11,433
4	NETHERLANDS	2,707	10,930	10,664
5	FRANCE	1,895	7,978	8,218
6	BELGIUM	1,826	7,112	6,457
7	SWITZERLAND	3,373	6,713	3,237
8	SPAIN	1,317	5,282	4,753
9	ITALY	1,276	5,234	5,158
10	NORWAY	916	3,929	4,751
11	IRISH REPUBLIC	995	3,874	3,858
12	CANADA	1,141	3,641	3,573
13	JAPAN	803	3,365	2,347
14	TURKEY	656	3,201	2,713
15	POLAND	728	2,746	2,631
16	HONG KONG	977	2,729	2,062
17	INDIA	567	2,104	2,122
18	SWEDEN	478	2,003	2,390
19	SOUTH AFRICA	746	1,929	1,299
20	AUSTRALIA	1,012	1,882	636
21	CZECH REPUBLIC	449	1,804	1,630
22	SOUTH KOREA	841	1,769	1,776
23	VIETNAM	376	1,229	898
24	RUSSIA	459	1,191	1,717
25	DENMARK	301	1,149	1,163

Source: HM Revenue and Customs, Overseas Trade Statistics.

Brexit and Its Impact on G20 Nations

The United Kingdom's leaving the EU was the major highlight for the discussion and deliberations at the 2016 G20 summit held in Hangzhou, China. Some worthwhile messages came out from the members of the summit on the Brexit issue. All of them agreed that this move on the part of the United Kingdom would definitely be a shock to the global economy. It may be worthwhile to note the various positions taken by the members on this pertinent issue. Chinese president Mr. Xi Jinping has shown keenness on a trade deal with the United Kingdom while meeting Ms Theresa May. China definitely wanted to strengthen their trading and economic relations with the United Kingdom and is all for bilateral trade agreement with the latter. On the other hand, the Japanese government warned that major Japanese company headquarters might move out of the United Kingdom due to the Brexit plan. Japan wants the United Kingdom and the EU to maintain market integrity and remain great havens for the free trade so that unfettered investments and smooth and seamless financial transactions could take place. Since major car manufactures of Japan

(Nissan, Honda, and Toyota) are in the United Kingdom, they provide employment to a good number of 1,40,000 people with this industry headquartered in the United Kingdom. The US president mentioned that they would prioritise trade negotiations with the EU and Pacific nations before talking about any potential deal with the United Kingdom. The United States would give preference to the Trans-Atlantic trade and investment partnership with the EU, and the Trans-Pacific partnership would be definitely given preference over any talks with Britain as a non-member given nation of the EU post-Brexit. Prime Minister of India Mr. Narendra Modi agreed to talk on how to retain strong trading ties with the United Kingdom post-Brexit. Australia as a member nation to G20 showed its keenness to sign an important trade deal with the United Kingdom at the earliest. Australian Prime Minister Mr Malcolm Turnbull said that they were keen on providing the United Kingdom all the support they could and wanted a 'very strong and a very open' free-trade agreement with the latter. UK Prime Minister Ms May shared that the although the United Kingdom economy was still better than what was predicted post the referendum, it would not be a smooth sail all the way for their economy.

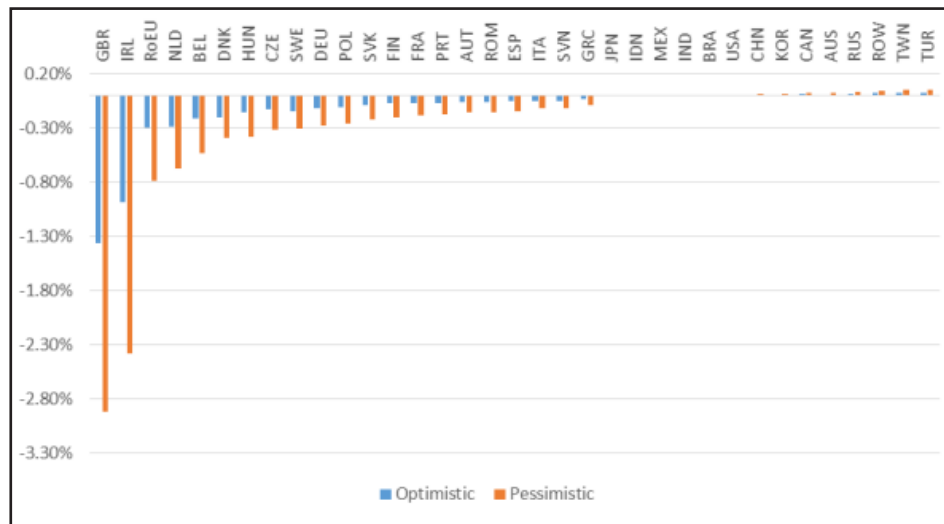


Image: Centre for Economic Performance. Source: <https://www.weforum.org/agenda/2016/09/g20-leaders-on-brexit/>

Fig. 1: The Effect of Berxit on Living Standard Across Countries

Brexit and Its Impact on Emerging Economies

According to a report by overseas development Institute (ODI, July 2016). The United Kingdom's independent think tank on international development, the impact of Brexit on emerging economies would depend on the 'shock' and the transmission channels of that shock (refer to Fig. 2).

This figure also goes on to give numerous policy prescriptions, which would be of utmost importance while understanding and assessing the final impact on developing countries.

ST- Short term; LT – Long term
(-) Negative (+) Positive (?) Uncertain

Impacts:

Fig. 2 can be explained under the following points:

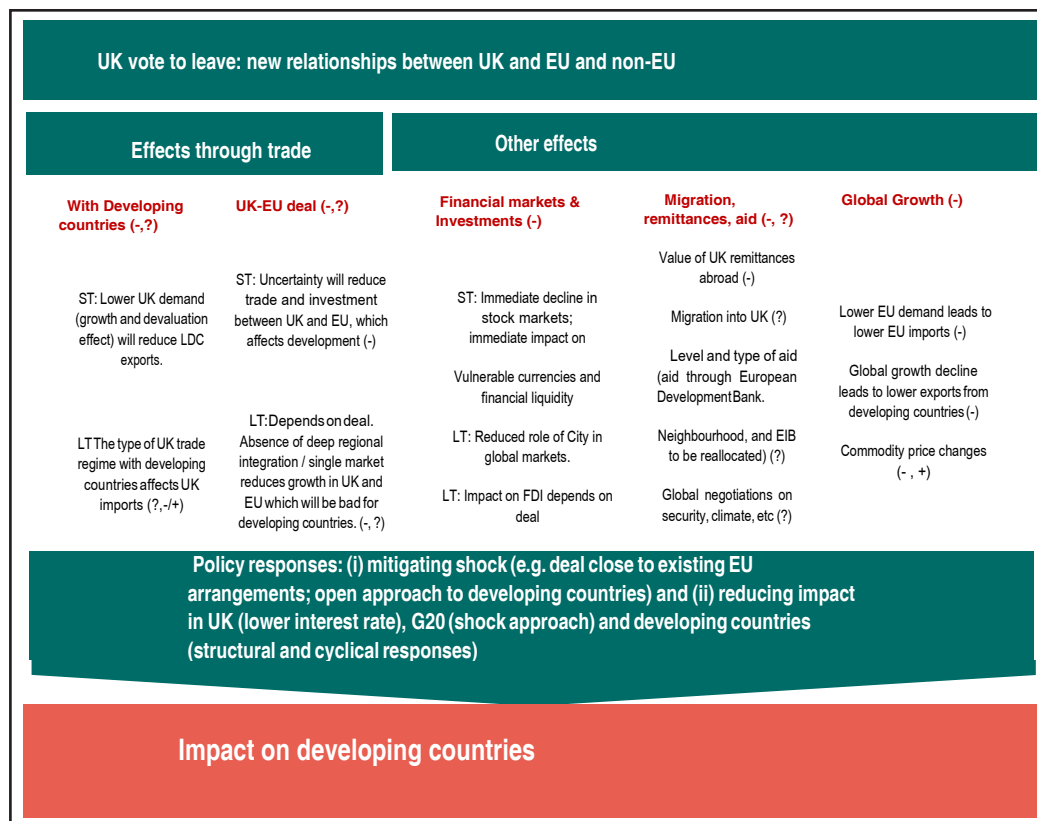


Fig. 2: Brexit and Development: Pathways of Impact (Source: ODI Report July, 2016)

- With the United Kingdom witnessing a lower growth rate and reduction in the pound value, the imports will certainly be hit in the short term.
- Also in the short run, the less developed countries would witness a decline in their exports by 0.6% (\$500 million). The severity of this would be on countries like Bangladesh, Mauritius, Fiji, and Kenya whose export to the United Kingdom in relative terms is quite high. In the long run, the trade effects would depend on the trade deals (both goods trade and service trade) between the United Kingdom and the EU and the former and the developing countries.
- The impact of the Brexit announcement can already be felt by the global equities already gone down by 2% than what they were before 24th June 2016. The pound value had also gone down by 12% (5th July 2016) and a devaluation of currency in the emerging markets was also witnessed by 4–6%. In the long run, the impact can be felt by lower FDI due to smaller GDP.¹²
- If immigration laws are made strict in the United

Kingdom, lower immigration into the latter would definitely result in affecting the development negatively. In addition, the United Kingdom’s remittances would also get affected with the 10% devaluation witnessed in pound and result in reduction of remittances to countries like Kenya, Mauritius, South Africa, Nigeria, and India. The estimated loss would be equal to \$1.4 billion of spending in developing countries which is inclusive of \$370 million loss in both Nigeria and India (data on the value of bilateral remittances from the World bank).

- The United Kingdom contributes about 10% to the funds available for development aid budget of the EU (which had budgeted this aid to €960 billion for 2014–2020). The cut would potentially hamper the present and future recipients of such aids. Due to its no, say, on how European Investment Banks (EIBs) should invest in developing nations, a drop in the investments would be witnessed due to this in poor countries. Pre-Brexit United Kingdom held 16% of the EIB’s capital and thus a say in its investments too.

² <https://www.odi.org/sites/odi.org.uk/files/resource-documents/10685.pdf>

In addition, a mention should be made about the Common Agricultural policy made by the EU having far-reaching

negative implications for developing countries. This policy (which comprises of 40% of the EU's budget) provides tremendous subsidies and programmes to the European farmer making their produce very competitive vis-à-vis their counter parts from other nations who would like to export their produce to the EU states. This policy was first introduced post World War II that then surely has some merits. However, in modern times, it only makes life difficult of poorer countries who would like to export their produce to the EU states and in the absence of this policy, the EU farmers might get a hard deal from exporters from poorer countries as without these subsidies the European farmers might find farming unsustainable. Brexit might hold something positive if Britain becomes more open in terms of relaxing the policy in their nation and allows and encourages the exporters from emerging nations.

The ODI report (July 2016) states that much would depend on the negotiations between the United Kingdom and the EU, between the former and developing countries, and between the EU and developing countries. According to the report, certain policies, which can reduce and absorb the 'shock', are:

The United Kingdom should try negotiating a deal that is close to existing the EU arrangements to reduce long-term impacts at least.

The United Kingdom should maintain an open approach towards developing countries in trade investment and migration. It should try to provide improved version of the trade access, which the EU is currently offering to create more trade for itself.

It should make a new trade policy, which is more attractive and welcoming for imports from emerging nations through better rules of origin and preferences in services.

Brexit and Its Impact on SAARC Nations

SAARC was founded in the year 1985 and is dedicated to the purpose of to economic, cultural, social, technological development emphasizing collective self-reliance. It had seven founding members namely – India, Pakistan, Sri Lanka, Maldives, Nepal, Bhutan, Bangladesh; Afghanistan joined in 2007. The 11 stated areas of cooperation for this regional block to look into are – agriculture; education, culture and sports; health population and child welfare; environment and meteorology, child welfare, rural development, tourism; transport; science and technology; and women in development and prevention of drug trafficking and drug abuse.

SAARC as a regional block can learn a lot many lessons from the Brexit issue. It has not had a stupendous success

in terms of a regional block. As it is, SAARC is known to have done nothing conspicuous as a regional block existing for about three decades now. It is said that what a regional block should not be doing can be learnt from the story of SAARC. It almost looks like a dysfunctional and disgruntled family as the major two members of the family are at constant loggerheads fighting at their borders. Despite all of this discord, the regional block is still trying to pull along somehow. The smaller member nations do not think of leaving, fearing adverse consequences towards their trade. It can also think in terms of changing its course of action and provide greater thrust to sub regional initiatives such as BBIN (Bangladesh, Bhutan, India, and Nepal) (Chowdhury, 2016).

SAARC is a live example of nationalism dominating regionalism where member countries are more interested in getting solutions to their problem through their associations with nations beyond South Asia than through their neighbouring countries (Saraswathi, 2016)³.

Taking heed from the story of the EU discord and the exit of Britain, SAARC should take the moral from the story and try providing a fair and level playing ground for all its member nations. Its functioning and operations should be such which give a positive signal to the smaller member states that they are there to benefit and not just be silent spectators to wrestling matches between the two economic giants of the lot, that is, India and Pakistan.

Thirdly maybe due to the change in immigration policy, the cheap supply of east European labour to Sylhet (a district in Bangladesh) restaurants in Britain will decline. As Bangladesh has the least developed country status, it has until now enjoyed the most favourable ties with the United Kingdom as an economic and trading partner of the United Kingdom over and above India and Pakistan. Thus, the Bangladeshi authorities need to work closely with the United Kingdom for the continuation of such privileged position.

CONCLUSION AND WAY AHEAD

Brexit should be taken as a wakeup call for other members of the EU and they should definitely start discussions on reforms within the EU. As is known that the United Kingdom has the healthiest economy in Europe as well as the world. It also has the strongest labour markets comprising of immigrants due to the fundamental tenets of the EU of free flow of talented labour. Hence, the United Kingdom has great labour force. To maintain these, UK employers should be able to steer policy arrangements with the government to

³ <http://www.sarkaritel.com/impact-of-brexit-nation-vs-region-vs-global-200073/>

make the situation not change as far as the employment scene is concerned. They should influence the UK government to retain the competitive advantage, which they have in their labour markets and as usual be able to source talent beyond borders. At the same time, they should invest in local talent pools and make a ready-to-use workforce, and thus cater to their social responsibility by doing so.⁴

As far as India is concerned, companies such as Patanjali Products Limited should be lauded for their efforts on 'be Indian buy Indian' strategy, which helps the country in being self-sufficient and self-reliant and provides employment to the local unskilled and semi-skilled population in the country. Countries like India and other SAARC nations should adopt structural responses such as diversification, economic transformation, and cyclical responses to the immediate macroeconomic effects.

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⁴ <https://www.weforum.org/agenda/2016/07/brexit-time-for-plan-b/>