

Brexit and Britain's endless turmoil

ZIAUS SHAMS CHOWDHURY

AS UK struggles with the complex process of how to end its membership in European Union, with the exit date of March 31 just a few days away, the nation is being torn apart by mindboggling uncertainties. For a nation with a historic reputation of common sense and pragmatism, it is an unbelievable crisis.

A fine political leader of charm, decency and integrity ascending towards a good legacy may be undone by one monumental misjudgment. Today when the print media and airwaves are swept by the avalanche of news about Brexit, it is forgotten how the former Prime Minister David Cameron's one colossal gamble in 2016 plunged Britain into a turbulent uncertainty that would go on and on.

In 2016, as prime minister, he called a referendum on whether or not Britain would choose to leave or remain in the European Union. He campaigned hard and was confident that UK public would vote to remain in EU. It didn't happen, and Cameron resigned immediately. It was incredible that Britain would opt out (with a 52 percent majority) from an organisation where about half of its exports goes (*The Economist*, June 24, 2016).

The core sentiment behind those who voted "no" was a sense of injured populism. These people felt left out of the British prosperity. The weakness of EU economies, democratic deficit in Brussels, and the voters' worry and resentment over the free movement of people and the feeling that their jobs were being taken away by foreigners were key drivers.

The EU is an economic and political partnership underpinned by a central idea that nations trading together are unlikely to go to war. Indeed, the organisation has seen 50 years of unbroken peace. EU has become a single market. Goods and people move around as if EU is one country. Nineteen members use a single currency, the Euro. It has its own parliament and it now sets rules in a wide range of areas.

Article 50 gives the two sides two years to agree terms for terminating the link. The



Pro-European Union, anti-Brexit demonstrators wave European Union and Union flags as they protest outside of the Houses of Parliament in central London.

PHOTO: AFP

British Prime Minister Theresa May set the process in motion on March 29, 2017 which means that March 29 this year is the deadline. If terms of exit cannot be reached by that date, it will be a situation of no deal exit, something that creates almost universal concern.

A segment of MPs would rather have a no deal exit than rethink leaving. A statement made recently by Britain's Brexit Minister Mr Stephen Barclay says it all: "I think no deal is going to be very disruptive for the economy and I think no deal has serious questions for the union... But I think no Brexit is catastrophic for our democracy. Between those very unpleasant choices, I think no Brexit is a bigger risk."

On March 14, the British parliament solidly voted against (334/85 margin) delaying exit from EU so that a second referendum could be held. The chances of a second referendum look very slim. Britain is now staring down a murky path where there is no plan for an orderly withdrawal.

Those of us who have familiarity with the history and chaotic events associated with the 1947 partition of India, cannot but see a certain similarity between the two situations. Now as then, time is running out and the British government seems to be sleepwalking into an anarchic situation.

The deal that Theresa May reached with EU—but was twice voted down by British parliament—laid down that Britain owes

USD 39 billion to EU. There will be a transition period of two years to work out details of the new relationship. Free movement will continue during this period up to December 31, 2020. Another question to be settled is what happens to the UK citizens living in EU and EU citizens living in Britain.

The pro-Brexit camp believe the 39-billion-pound separation bill will be redeemed by the advantage in Britain being able to strike beneficial trade deals around the world. With EU, Britain will trade under WTO rules.

One key issue over which both UK and EU are concerned is what is called Backstop, a soft border that keeps Britain and EU in a customs union. Once Brexit comes into effect, the 310-mile border

between Northern Ireland and Ireland becomes border between UK and EU. Many MPs oppose the Backstop because it will keep Britain tied indefinitely with EU with no say over its rules and no flexibility for trade deals with other nations.

An impression has emerged that EU does not favour a soft Backstop with low tariffs and no customs desired by Britain. Their reason: it would be a gift to the smugglers.

It would seem that EU leaders have concluded that Theresa May has no longer the ability to pass a deal. They think a change of leadership in UK is likely, and they look to a new leader who will deliver a harder break.

Some comments on how a post-Brexit Britain could be affected are in order. There is a reasonably strong consensus that Brexit will leave UK in a weaker position in the European and global economy. Growth and employment creation will slow and income levels will be lower than they would have been otherwise. This is already evident from several companies relocating significant parts of their operations to central Europe and Ireland. There will be short disruption of economic activity from the sudden rise of uncertainty or logistical/administrative brakes imposed on the flow of goods at the border. Market panic could trigger selloff in the pound, equity markets or even UK government bonds.

A developing public movement in support of another referendum suggests that the national sentiment might be changing. Are the people having a clearer idea of what quitting EU means than they did in the first visceral flush of angry populism two years back when they voted to leave?

The possibilities that remain at this juncture are: i) A no deal exit; ii) Another referendum; iii) A general election (favoured by the Labour party); and iv) An extension of the deadline.

Rarely before has UK faced such a tense and agonising uncertainty.

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2019 is a 'crucial year' for China's economy



ABDULLAH SHIBLI

ACCORDING to Premier Li Keqiang, 2019 is a "crucial year" for China. One reason for that possibly is the preparations currently afoot to celebrate the 70th anniversary of the founding of the People's Republic on

October 1. More importantly, China has been struggling to accelerate economic growth, boost employment, and revitalise its "Made in China 2025" initiative. Premier Li, the number-two man in the regime, was quite forthcoming about the serious challenges that China's economy has been facing in the last eight years. He acknowledged that GDP growth rates have slowed down from the previous decade, and business morale is down.

One major contributing factor in recent months is the US-China trade war which has only exacerbated its economic anxieties and had an adverse effect on jobs. "We must be fully prepared for a tough struggle", Li added, in a speech delivered on March 5 at the opening session of the 13th National People's Congress, China's legislature body. Another powerful player in China, the Politburo of the Communist Party ranked "stabilising employment" as the first and most important task to tackle growing joblessness.

China and its economy appear to frequently swing in and out of international news headlines. One side-effect of the recent global focus on US President Donald Trump and his policies, tweets, and sometimes erratic behaviour has been that people are missing out on many other impactful events happening all over the world. The Brexit drama in Europe, the defeat of ISIS in Syria, Africa's socio-economic struggles, China's uncertain economic future and its effect on its trading partners, and the unclear fate of the global climate agreement reached in Paris are but a few of the long-lasting changes that do not always hit the news cycle but have far-

reaching ramifications for the rest of us.

So, what have we missed out on China lately? A significant set of events that went out of the limelight is China's economic reform, policy realignment, and efforts to find a soft-landing from its high-flying days. Since the last financial crisis, it has been apparent that China's economy is going through a rough patch. Since 2010, China's GDP growth rate has almost halved in less than 10 years.

What accounts for this deceleration in economic activities? A year ago, right after Chinese President Xi Jinping was crowned as the "President for Life" there was a falling out between US President Trump and Xi. However, Trump was hardly the trigger for the turbulence in China's economic and political domain.

President Xi had an ambitious goal to make China the world's most powerful economy, and in 2015 announced the "Made in



Chinese President Xi Jinping introducing new members of the elite Politburo Standing Committee.

PHOTO: AFP

Undoubtedly, China is still the world's second largest economy and has been the engine of growth for the global economy during the last quarter of a century. Data released by its National Bureau of Statistics (NBS) show that in the past year, China's economy made up around 15 percent of the world's total, and contributed about 30 percent to global economic growth, cementing the country's position in the world economy. In sharp contrast to that, the growth rate for 2018 was only 6.5 percent, the lowest in 28

years. What accounts for this deceleration in economic activities? A year ago, right after Chinese President Xi Jinping was crowned as the "President for Life" there was a falling out between US President Trump and Xi. However, Trump was hardly the trigger for the turbulence in China's economic and political domain. President Xi had an ambitious goal to make China the world's most powerful economy, and in 2015 announced the "Made in

China's overall success in the earlier days of reform initiated by Deng Xiaoping can be attributed to its "vast, cheap labour supply", its "attractive internal market for foreign investment", strong government support, and its access to the American market which provided a perfect "spendthrift counterpart" for China's exports and a high savings rate. The favourable conditions, in parallel with a strong government, a large body of state-owned enterprises, and a smart industrial policy transformed its economy. While China's economy grew at a phenomenal rate of 10 percent from the 1980s, based on exports and high savings, it also sowed the seeds of its latest woes.

In 2018, China's economic growth was the lowest since 1990 and annual auto sales fell for the first time since 1990, a clear sign of economic trouble. Some factories let workers off for this year's Lunar New Year holiday two months early. In January 2019, Apple cut its quarterly sales forecast blaming lower than expected iPhone sales in China. Trade data published in mid-January shows an "unexpected contraction in imports adding to concerns about slackening demand." Investors say that Chinese consumers are spending but in more discerning ways with "less emphasis on luxury and big-ticket items." Alibaba, China's largest e-commerce business, recently announced that its earnings growth had fallen. "Its revenue was slightly below analysts' expectations, growing by 41 percent, its slowest pace since early 2016, reflecting both the sheer size of the company and widening troubles in the Chinese economy."

What does 2019 hold for China? Some economists believe growth will improve by the middle of the year. Towards the end of January, China's government undertook measures to boost consumption, including new ways to bolster the country's auto sales. The language, though, was somewhat vague, according to analysts: "Local governments with adequate resources" will be able to offer subsidies to rural car buyers trading in their old vehicles. Economy's demand might be bolstered by additional income from tax cuts,

tariffs and pension contributions.

Stefan Hofer, chief investment strategist at LGT Bank Asia, expects growth to stay above 6 percent this year and the next aided by tax cuts and easier monetary policy. There are indications that credit demand is growing and improving and business confidence is growing and these are positive signs of economic recovery.

Nonetheless, exports in February were down by 20 percent. Broader economic outlook is still clouded by the shadow-banking crackdown and the trade conflict with the US. China Beige Book recently confirmed that there are still weaknesses in auto, restaurants, and luxury goods sectors. "China's ability to kickstart the economy is weak. The most disappointing aspect of China's reforms is the underdevelopment of the rule of law, which leads to institutionalised state opportunism, self-dealing of the ruling class, and rampant corruption." Countercyclical policy measures might cushion the speed of growth deceleration but would be unlikely to reverse the downward trend in the economy," said BNP Paribas' economist Jacqueline Rong last November. "We expect a progressive decline in China's growth rate."

For many, the evidence of a slowdown in the Chinese economy and the willingness of the top brass in the Communist Party to acknowledge it are both positive signs. It confirms that existing reforms are working, and more reforms are in the works. Latest indicators such as growing credit demand and improving business confidence show that economic recovery is gathering momentum thanks to a mix of supportive policies. And the US-China trade talks are finally nearing an end with China promising to import an extra USD 1.35 trillion from the US.

With the US trade deal in his pocket, and the Party solidly behind him, Xi can confidently look forward to the forthcoming celebrations in October.

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A WORD A DAY



MYTHOPOEIC ADJECTIVE

Relating to the making of myths

CROSSWORD BY THOMAS JOSEPH

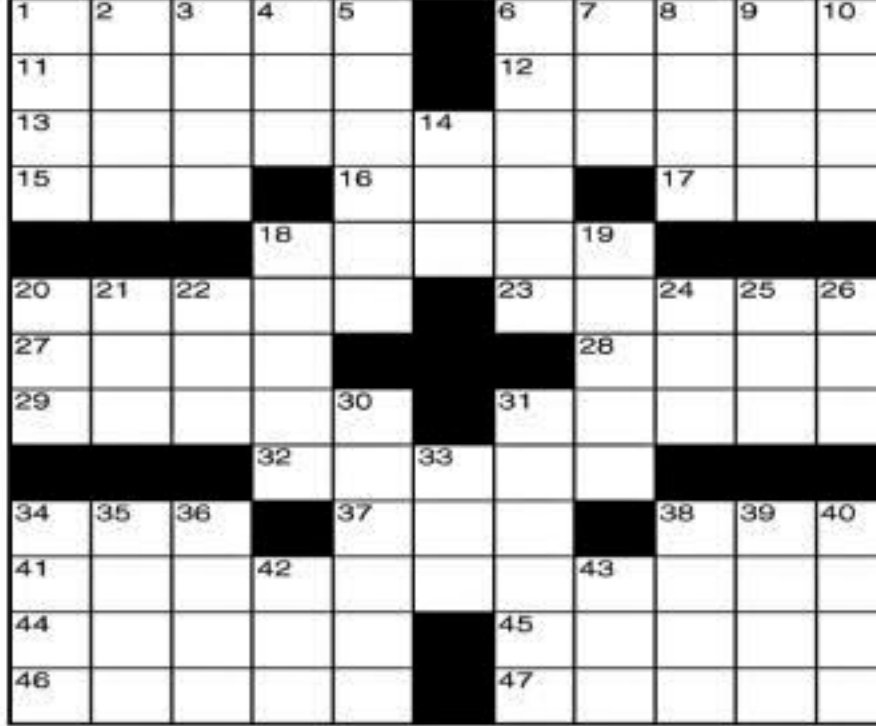
ACROSS

- 1 Play groups
- 6 Washington's successor
- 11 Put—to (end)
- 12 Winter quaff
- 13 Tony-winning musical of 1958
- 15 Use a needle
- 16 Free (of)
- 17 Wrap up
- 18 Tony-winning musical of 1977
- 20 Trounces
- 23 Sports shoe feature
- 27 Singer Guthrie
- 28 Lake near Buffalo
- 29 Sports spot
- 31 Trap
- 32 Tony-winning musical of 1980
- 34 Abel, to Adam

DOWN

- 1 Tony-winning musical of 1983
- 2 Tennis great Arthur
- 3 Hearty dish
- 4 Male cat
- 5 Rebuffs
- 6 Tart
- 7 Medic's nickname
- 8 High point
- 9 Pained sound
- 10 Dune makeup

- 14 Naughty act
- 18 Make amends
- 19 Kagan of the Supreme Court
- 20 Sheep call
- 21 Blunder
- 22 Heady brew
- 24 Chunk of history
- 25 Broadcast
- 26 Golfer's need
- 30 Steers clear of
- 31 Rocket sections
- 33 Tavern
- 34 Wild guess
- 35 Toledo setting
- 36 Nautilus commander
- 38 Obsessed with
- 39 German river
- 40 Tony-winning musical of 1982
- 42 Writer Kesey
- 43 Contented sound

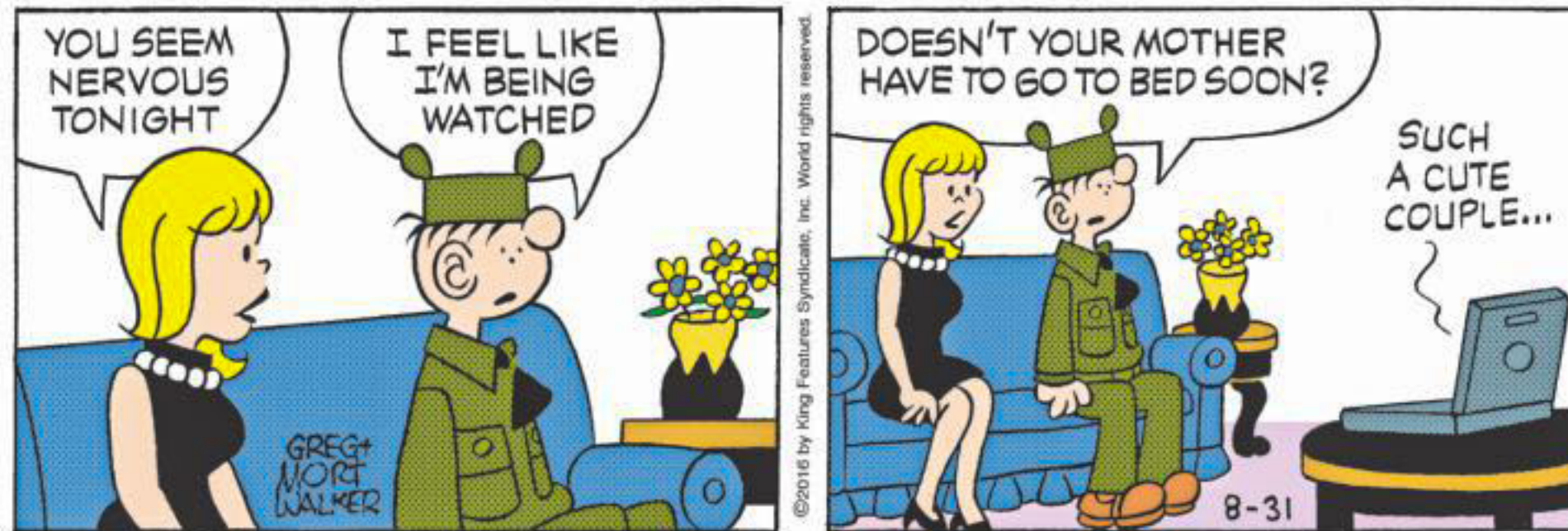


YESTERDAY'S ANSWER



BEETLE BAILEY

by Mort Walker



BABY BLUES

by Kirkman & Scott



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