

Why Brexit Matters: Caroline Bradley

On Thursday, UK voters will answer the question "Should the United Kingdom remain a member of the European Union or leave the European Union?" (Leaving the European Union is what is commonly referred to as "Brexit").

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What would be the impact on the British Economy if the UK exits the EU? On the EU? On the United States?

- **Uncertainty and financial instability**

The risk of Brexit, and the uncertainty associated with the risk, has already led the Federal Reserve Board, the IMF and the OECD to be concerned about global financial stability. Such a dramatic change to existing economic and political relationships risks creating volatile conditions in the financial markets. And the fact that no-one can predict with any certainty what would happen after a "no" vote increases the risk of volatility.

- **Uncertainty and EU instability**

A vote for the UK to leave the EU also creates uncertainties about the survival of the EU. Relationships between the other EU Member States are already under stress due to the European sovereign debt crisis, the austerity measures introduced to address it, and the ongoing refugee crisis.

- **No-one knows yet what the terms of a UK withdrawal might be**

If UK citizens vote to leave the EU, the UK and the EU will need to negotiate the terms of the break-up of the relationship. The negotiations will take a long time to complete. On the day after the referendum very little will change even if the UK votes to leave. UK statutes which implement EU law will remain in place, at least for a time.

- **Uncertainty for UK financial services after a Brexit**

Finance is important for the UK economy, and the UK has benefited from being part of the EU and outside the eurozone. Financial institutions based in the UK currently have the ability to do business throughout the EU's single market on the basis of their UK authorization to do business and they risk losing this ability. On the other hand, some commentators suggest that the likely fall in the value of the pound after a no vote would make the UK a more attractive place for investors.

- **UK relations with the EU could be like Norway's**

One possibility for the future is that the UK will be a member of the European Economic Area (with Iceland, Liechtenstein and Norway). These countries are subject to essentially the same rules as the EU (they benefit from and are subject to free movement of goods, persons, services and capital) but they do not have the voting rights EU Member States have. So one outcome could be that the UK might retain some of the economic benefits of a relationship with the EU but have even less control over the terms of that relationship than it does now. However, some European politicians have argued that the UK should not be allowed to remain in the single market if it withdraws from the EU.

- **Will the vote be final and, if they vote to leave, how soon would changes take effect?**

This year, next year, some time....

If the UK decides to leave it would cease to be a Member State when an agreement about the terms of the withdrawal is concluded or two years after the UK notified the EU of the decision, whichever comes first (subject to the possibility that the two year period could be extended). In theory an agreement could be reached quickly. In practice this seems unlikely.

The Treaty does not say how quickly any notification must be given.

The UK would be allowed to ask to rejoin the EU after withdrawal, although all of the other Member States would have to agree for this to happen. It is difficult to imagine such an agreement.

- **What is the argument for Britain to remain in the EU?**

The Remain campaign slogan is "Britain Stronger in Europe." The Remain campaign says that Britain is stronger, safer, and better off in the EU. Leaving the EU would result in a

loss of jobs, and average wages would fall. The Remain campaign also argues that education and research in the UK benefit from EU membership.

●What is the argument for Britain to remain in the EU?

The Vote Leave campaign focuses on the idea of taking back control of the UK from Europe. The Vote Leave campaign says that membership of the EU is expensive and decisions as to allocation of the money should be taken by the UK Parliament rather than by the EU.

Much of the Vote Leave campaign advertising concentrates on immigration: one advertisement states that five more Member States “with a total population of more than 88 million are being lined up to join.” Turkey (which has been a candidate for membership since 1999) is the largest of these potential new Member States.

●Was there some event that precipitated the movement to exit the EU at this time?

The referendum is not the result of any single event. The UK’s relationship with the rest of Europe has always been complicated. There are people in the UK who believe that Europe’s future lies in closer union with other European states. Others believe that the UK’s relationship with other European states should be a looser, free trade relationship rather than an economic or political union.

In 1975 there was a referendum in which the UK voted to remain part of the EU project. But, as the EU evolved, expanding in membership and making decisions which affected more aspects of policy, discontent about EU membership among some groups in the UK increased. The financial crisis and the EU sovereign debt crisis also increased the discontent.

A new political party, the UK Independence Party (UKIP), was established with one main policy aim: to leave the EU. UKIP attracted support from people who had supported the Conservative party and in January 2013 David Cameron, the UK Prime Minister, announced that if his party won the election in 2015 there would be a renegotiation of the UK’s relationship with the EU followed by an in/out referendum. This was a choice he made, based on his own assessment of the political situation the Conservative party faced going into the election. They won the election, but at a cost.

●Who wants to stay and who wants to exit?

Conservative party politicians are split between the Leave and Remain camps: David Cameron argues the UK should remain in the EU. Boris Johnson, the former Mayor of London is

a prominent advocate of leaving the EU. The UK's parliamentary Labour party supports the Remain campaign (and argues that those who advocate Brexit are not natural allies of the working classes). But polls suggest that many of the citizens who are likely to vote for a Brexit are working class voters who were traditionally Labour party voters, and who believe that immigration is a significant cause of their economic hardship.

Among different groups in British society there are different views on the issue. For example, there are business leaders who support both camps: Richard Branson supports Remain and James Dyson has said the UK should Leave. George Soros and David Beckham have joined the Remain Campaign.

● **Brexit and Scotland**

A Leave vote would likely reinvigorate the Scottish independence movement: although a referendum in 2014 narrowly supported Scotland remaining part of the UK a vote that the UK should leave the EU might make a difference. Some have even speculated that, because polls suggest that Londoners are likely to vote to remain in the EU, a no vote might provoke London to seek independence from the rest of the UK.