What’s at stake in a possible Brexit?
A personal view

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What a difference water makes

• Britain’s relationship with ‘the continent’ shaped by geography and war
• Always been ambivalent Europeans
• The Channel means the British haven’t had to come to terms with the neighbors...
• Consequently they have frequently been insular and condescending
• Any illusions they still have about their place in the world will be ended by Brexit
Why is Brexit even possible?

• Relations with EU always been problematic for the Conservatives
• Cameron promised in/out referendum to placate the skeptics/unify the party (!) if they won 2015 election (which they didn’t expect)
• Much greater divisions in leadership now make loss of referendum real possibility –
• Especially because the issues are complex
The economic impact (1)

- EU provides 60% of UK FDI – over 50% of MNCs say they’ll reduce it
- Carney warns of recession, £ devaluation - planning for a run on sterling, higher inflation
- BoE forecast economy 6.2 per cent smaller in 15yrs, costing each household £4,300 a year.
- Actual cost of membership only 0.5% of GDP (!)
- EU would undoubtedly punish UK for leaving – still have to follow EU rules with no capacity to shape them.
- Have to renegotiate many trade deals bilaterally ‘from the back of the queue’ (Obama)
The UK is deeply reliant on access to the EU

**Exports**
- European Union: 51%
- North America: 15%
- Asia & Oceania: 15%
- Middle East & North Africa: 8%
- Sub Saharan Africa: 5%
- Latin America & Caribbean: 2%
- Other: 1%

**Imports**
- European Union: 51%
- North America: 19%
- Asia & Oceania: 9%
- Middle East & North Africa: 4%
- Sub Saharan Africa: 3%
- Latin America & Caribbean: 2%
- Other: 2%
The economic impact (2)

Financial groups, retailers and construction companies could feel the heat.

Source: Thomson Reuters Datastream
The failure of political leadership

• We want, in an ideal world, to stay in a reformed European ... It’s better for us to stay in, but to stay in a reformed EU. That’s where I am.’ (Johnson 2015)

• "If Mr Cameron fails to deliver a good package or one that reduces the social gains we have previously won in Europe, he needs to understand that Labour will renegotiate to restore our rights and promote a socially progressive Europe.” (Corbyn)
The political impact (1)

• Entrench divisions in Tory politics – more insular, isolated as a consequence?
• No more likely to be able to ‘control borders’ anyway – especially from France
• (1.2m) UK residents won’t be able to access EU in same way
• Given Corbyn’s lukewarm support, new political alignments are possible
• Scots will undoubtedly demand referendum on independence and readmission to EU
The political impact (2)

- UK would be a diminished international presence (especially without Scotland)
- No influence in EU/less significance to US
- EU diminished too – Germany loses key ally, EU loses British military capability
- Demonstration effect on EU could be dangerous
- ‘UK’ could lose UN SC/other positions
- 2\textsuperscript{nd} rate middle power in middle of nowhere?
Brexit wouldn’t fix the immigration ‘problem’
The way out via Article 50

- 2 year timetable under Lisbon Treaty
- Other members decide UK terms by majority
- New trade deal requires unanimous approval
- Timetable could be extended if European Parliament didn’t ratify – or not
- Couldn’t have 2\textsuperscript{nd} referendum – anti-democratic
- EU-Canada deal taken 7 years – still not ratified
- Why would Europe be generous?
The impact on EU and the possibility of political progress

• The real importance of EU is that it demonstrates cooperation is possible
• Pacification of world’s bloodiest continent it’s greatest (and most enduring) achievement
• Rise of nationalism across EU and RoW a reminder of what’s at stake and indeterminate nature of history
• Agents make (sometimes very bad) choices in structured environments
• The collapse of the EU would be a deeply pessimism-inducing triumph for ‘realists’ everywhere