

Economic Implications of Brexit

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Background

- Conservative Prime Minister David Cameron promised
 - To renegotiate the terms of UK membership
 - Then hold a referendum on membership
- Referendum is now scheduled for June 23
- Opinion is rather evenly divided between
 - Remain
 - Leave

Remain



David Cameron,
Prime Minister

Leave



Boris Johnson,
Mayor of London

Procedure

- “If Britons vote to leave, Article 50 of the Lisbon Treaty will come into force, giving the remaining 27 nations of the bloc up to two years to unwind their 43-year marriage to Britain and negotiate a new arrangement.” (NYT 4/2/16)

Economic Implications

- Payments
 - Will no longer have to pay money into the EU budget
 - Will no longer benefit from EU payments into the UK
 - UK net annual contribution is \$12.1 billion
- Regulation
 - Will no longer be subject to EU rules
- Financial Markets
 - London may lose its status as Europe's financial center

Economic Implications

- Currency and Migration: No effect, as UK is not a member of
 - Euro Zone
 - Schengen Area
- Trade – See below

Trade Implications

- By leaving the EU, UK will
 - Leave the EU Customs union
 - Be subject to tariffs on trade with EU 27 members
 - Leave the 30 Free Trade Agreements (FTAs) that EU has negotiated with other countries
 - Be subject to tariffs on trade with all of them
 - Be free lower (& perhaps raise, subject to WTO rules) its own tariffs

How Trade Negotiations Have Changed

The EU's **11** FTAs: With Europe

1972 Iceland	2008 Bosnia & Herzeg.
1972 Switzerland	2008 Serbia
1973 Norway	2014 Moldova
2001 Macedonia	2014 Ukraine
2006 Albania	2014 Georgia
2007 Montenegro	

Years are dates FTAs on goods were signed.

How Trade Negotiations Have Changed

The EU's 8 FTAs: With Africa

1995 Tunisia	2002 Algeria
1996 Morocco	2008 Côte d'Ivoire
1999 South Africa	2009 Cameroon
2001 Egypt	2009 Eastern & Southern African States Interim EPA

Years are dates FTAs on goods were signed.

How Trade Negotiations Have Changed

The EU's 5 FTAs: With Middle East

1977 Syria	1997 Palestinian Auth
1995 Israel	2002 Lebanon
1997 Jordan	

Years are dates FTAs on goods were signed.

How Trade Negotiations Have Changed

The EU's 6 FTAs: With Other

1970 Overseas Countries & Territories	2009 Papua New Guinea / Fiji
1997 Mexico	2012 Colombia & Peru
2002 Chile	
2008 CARIFORUM ETA*	

*19 Overseas Countries & Territories (Anguilla, Aruba, ...)

*14 CARIFORUM States (Antigua & Barbuda, Bahamas, ...)

Years are dates FTAs on goods were signed.

How Trade Negotiations Have Changed

The EU's 12 FTAs: In Process

Canada	SADC
East African Com.	Singapore
India	Thailand
Japan	US TTIP
Malaysia	Vietnam
Philippines	West Africa

Investment Implications

- By leaving the EU, UK will
 - Make itself less attractive as location for multinational enterprises to serve the European market.

Uncertainty

- Nobody knows what will happen if UK leaves
 - Under what terms will UK be able to negotiate FTAs with EU and others?
 - Will EU insist on the same requirements it now has for Norway and Switzerland?
 - Will it ask for even more, so as to discourage others from wanting to leave?