



UK Referendum, So What?

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US views

- Obama visited London in April and made very clear his view that the UK should stay in EU: No time for the West to break up.
- Demolished idea there would be a quick trade deal. The UK would be 'at the back of the queue.' Could take up to ten years.



More US views

- A few days before Obama's visit, eight former US Treasury Secretaries wrote to 'The Times' arguing that it would make the UK economy weaker if it voted to leave and have a negative impact on Transatlantic ties.
- British-American Business Council (employing over 315,000 people): 96% in favour of UK staying in EU.
- All previous Pentagon chiefs (and NATO Sec Gens) pro EU.
- Hillary Clinton "transatlantic co-operation is essential and we value a strong British voice in the EU."

But guess who takes a different view?



- Donald Trump: 'Britain probably better off outside the EU.'

Why are we having a referendum?

- Internal party political reasons (just like 1975).
- Last time: Harold Wilson and the Labour Party.
- This time: David Cameron and the Conservative Party, which is deeply divided on EU – goes back to Thatcher era.
- Labour Party equally divided in 1975 - referendum did not resolve the issue.
- Indeed the Labour Party split four years later and fought the 1983 election on a commitment to leave the EU.

What happened in 1975?

- The PM set about a re-negotiation of the UK terms of entry in 1973 (UK entered EU under a Conservative government).
- The results of the re-negotiation were meagre: no treaty change but some minor concessions allowing for more butter imports from NZ and sugar from the Caribbean.
- The PM and two-thirds of the Cabinet and Labour Party campaigned to remain in the EU; so too did the Conservatives and Liberals (only the SNP was opposed).
- Six months before polls showed a 2-1 majority for leaving, but in June 1975 the country voted 67-33 to remain within the EU.

Fast forward to 2016

- **David Cameron won the leadership of the Conservative Party in 2007, with a promise to pull the party out of the EPP (the centre-right grouping in the European Parliament). An unnecessary move and the first step in an on-going effort to appease the Eurosceptics in his party.**
- **As PM of the coalition government (2010-15) he came under constant pressure from the right-wing Eurosceptics and the stridently anti-EU media to offer an in-out referendum.**
- **As support for the anti-EU UKIP party increase, he bowed to the pressure and promised a referendum.**

Honouring the commitment

- **Unexpectedly Cameron won a majority in the 2015 election. He had thought it would be another coalition and he could quietly drop the referendum promise.**
- **But the 100+ Eurosceptic Conservative MPs kept up the pressure and he stated there would be a referendum before the end of 2017. He called for a ‘fundamental reform’ of the EU.**
- **In November 2015 he outlined his demands in some detail, but they were immediately dismissed as insufficient by the Eurosceptics.**

The negotiations

- Cameron wanted a quick referendum, so he launched a hectic travel schedule to meet leaders of all EU member states.
- At a special marathon European summit in February 2016 he secured a deal that he trumpeted as a major success.
- Most other member states were irritated at the UK's behaviour (there were other big issues to deal with) but none wanted the UK to leave.
- Merkel played a key role in the final deal, along with Tusk and Juncker.

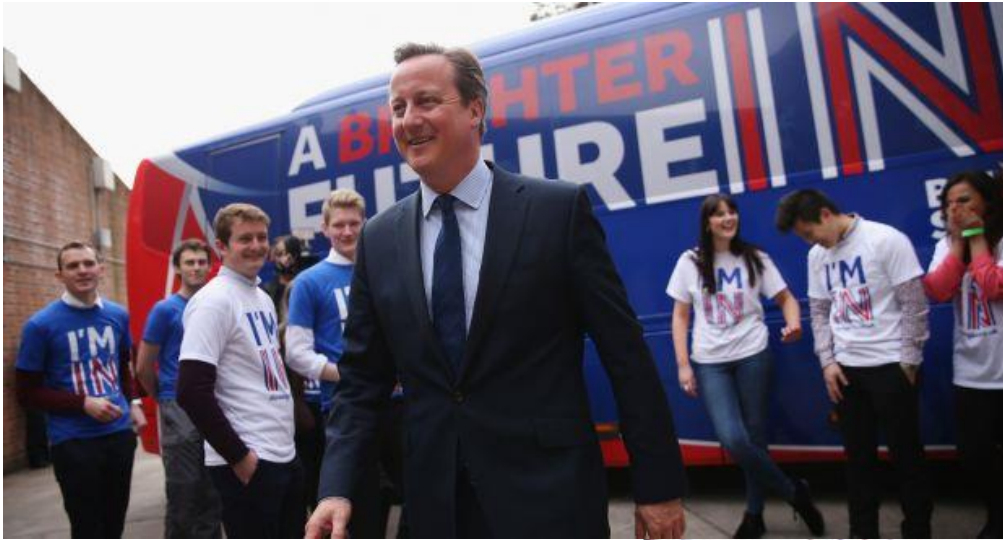
The deal

- **No treaty change except for a promise that the UK was excluded from the commitment to ‘an ever closer Union.’**
- **Greater emphasis on improving EU competitiveness.**
- **Some protection for non-euro countries (and the City of London).**
- **Restrictions on how long migrant workers would have to wait to claim child benefits.**
- **A declaration on sovereignty – UK Parliament supremacy.**

The campaign

- The government immediately launched ‘Project Fear,’ arguing that leaving the EU would be ‘a leap into the abyss’.
- It secured backing from business leaders, the military, trade unions and many foreign figures – Obama, Xi, Abe, Singh.
- But there were 140+ Conservative MPs who stated they would vote “No” – including Boris Johnson (mayor of London) and six Cabinet ministers. They were joined by a handful of Labour MPs, plus UKIP.
- Most of the Labour Party is in favour (but the new leader Jeremy Corbyn is a known sceptic). The LibDems and SNP are strongly in favour.
- Much of the media is against (Sun, Mail, Express, Times).

The campaign (2)



The issues

- The “YES” camp plays on the fear factor – the uncertainty and instability a “NO” vote would cause to the economy, investment, jobs.
- They argue that Britain is more secure within the EU in dealing with Russia, terrorism, and negotiating trade deals.
- The “NO” camp argues that the UK needs to reclaim its sovereignty and stop being ruled by ‘an army of unelected Brussels bureaucrats.’
- They claim that Britain would prosper on its own by negotiating trade deals with the BRICS.

The polls

- Opinion polls have fluctuated widely, but in recent weeks the poll of polls shows a steady, slender lead for the “YES” campaign.
- But many are undecided, bored with the arguments, and unclear how many of them will vote.
- The “NO” campaigners are more committed – almost a religious fervor, more likely to show up on polling day.
- 2 million Brits living abroad have no vote while Commonwealth citizens living in UK have a vote (legal challenge).

Conclusions

- Europe has been a poison running through British politics for two generations. Destroyed several leaders including Thatcher and Major.
- Unlikely that a “YES” victory will resolve much. The Eurosceptic Conservatives are not going to go away – indeed strong possibility of a party split.
- Another complicating factor is the EU question linked to succession – Cameron has promised to step down before 2020. Boris Johnson playing anti-EU card as a majority of Conservative activists are sceptics.
- A “NO” vote would almost certainly lead to demands for another Scottish referendum – and this time likely to win.

Conclusions (2)

- **Implications for Ireland**
- **Even with a “YES” vote the UK will still be a semi-engaged member of the EU. No chance of adopting the euro or joining Schengen.**
- **UK will continue to be a brake on further integration. Prospect of an inner core based on eurozone will grow. Germany will become even more influential.**
- **After a “NO” vote, lengthy and complicated period of withdrawal. UK weakened on international scene. Economic uncertainty. What kind of new relationship with the EU? End of the ‘special relationship’ with the US? Difficult to meet NATO 2% target.**

Business implications

- Uncertain, as no one knows the terms of the exit deal.
- Article 50 of Lisbon treaty allows up to two years to negotiate Brexit (but most think that is too short).
- UK would still have to pay substantial sum to access single market (like Norway and Switzerland) and provide free movement of labour.
- Mark Carney, Governor of the Bank of England, has said that the prospect of Brexit 'is the biggest risk to financial stability ... because of the uncertainty.'
- Centre for Economic Performance at LSE estimates loss of GDP between 6-9% depending on terms of Brexit.

UK-EU relationship (post Brexit)

- **Norwegian model:** Full access to internal market but not part of Customs Union (trade subject to customs procedures and rules of origin).
- **Swiss model:** 120 separate agreements that do not update automatically.
- **Turkish model:** Part of EU Customs Union, giving access to internal market, but not free to negotiate own trade deals.
- **Canadian model:** Free trade agreement along the lines of EU-ROK, EU- Canada .
- **WTO:** Trade under WTO rules and schedules until FTA negotiated (fall back position).

Negotiating an FTA (Canadian Model)

1. Scope:

- Expansive - UK would want to cover all sectors in TTIP + financial services.
- Broad - EU but also with +/- 50 other countries where EU has FTA.

2. Timing:

- EU-ROK 4 years.
- EU-Canada 5 years and not yet ratified.
- EU-US 10 years?

Period of extended uncertainty

Life under FTA

- **Trade barriers: Potential tariff and non-tariff barriers.**
- **Lost protections: ECJ judgements to lift bans, enforce licences (e.g. food, chemicals, gambling). Government contracts and public procurement rules.**
- **Reduced market access: No longer able to operate under UK licence (e.g. audiovisual and financial services).**

Regulatory change

- **Regulatory burden or protection and market access? Product standards, licensing regimes, public procurement.**
- **Most EU rules transposed into UK law. Likely to remain in place through grandfathering clauses.**
- **Where are EU rules directly applicable? Likely disruption, impacting competitiveness resulting in status quo or alignment (e.g airport slots).**

Antitrust and tax

- Substance of UK and EU competition law very similar: Practical consequences likely limited.
- State aid rules: Likely to be part of agreement for access to EU market.
- Mergers lose access to EU “one stop shop” regime, resulting in double scrutiny of some deals.
- What about tax?
 1. Lost protections against Member State tax discrimination.
 2. Potentially significant implications in moving dividends from EU subsidiaries to UK HQs (withholding tax).

Influence

1. European Commission

- At heart of European Commission agenda?

2. Council

- Impact of largest free-market oriented Member State?

3. European Parliament

- Punching its weight?

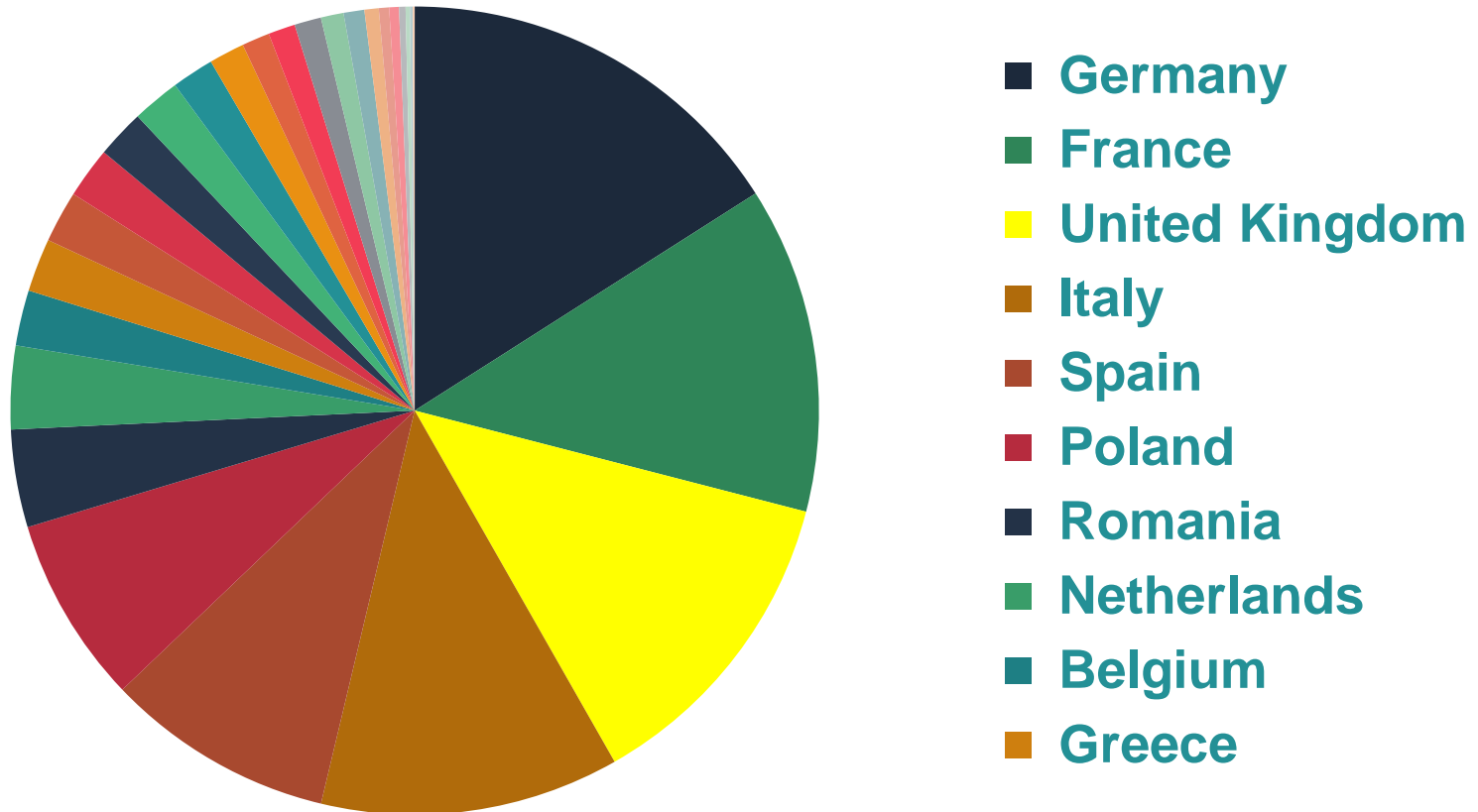


Council

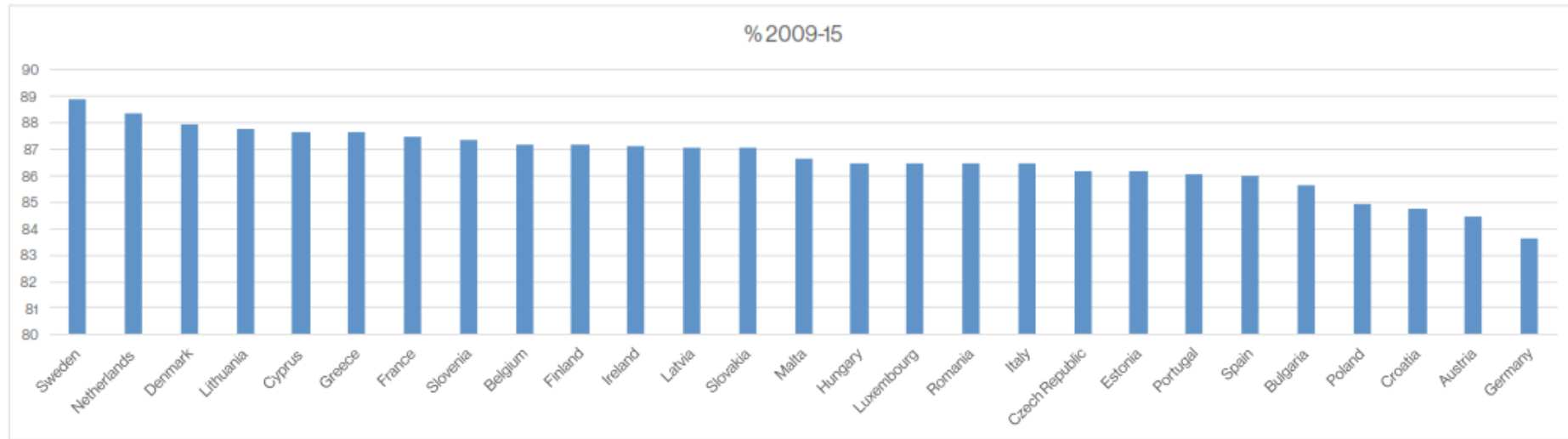
1. **80% of all EU legislation is adopted by Qualified Majority**
 - **Voting, and approval by both the Member States and European Parliament.**
2. **In the Council, double majority is required**
 - **55% of member states - or 16 out of 28 – and representing 65% of the total EU population.**
3. **Currently, 6 biggest EU countries make up 63% of population**
 - **UK = 12.73% of EU population.**

Population Power

% of EU population (by country)

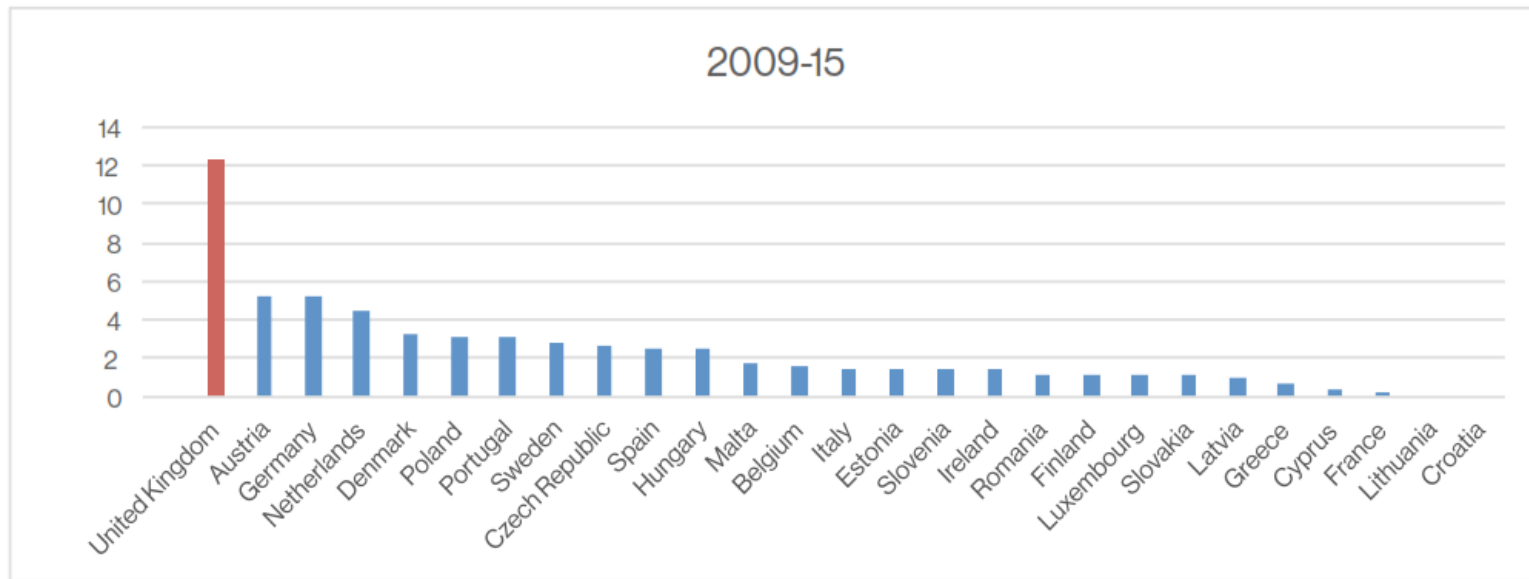


UK allies in Council



VoteWatch Report 2016

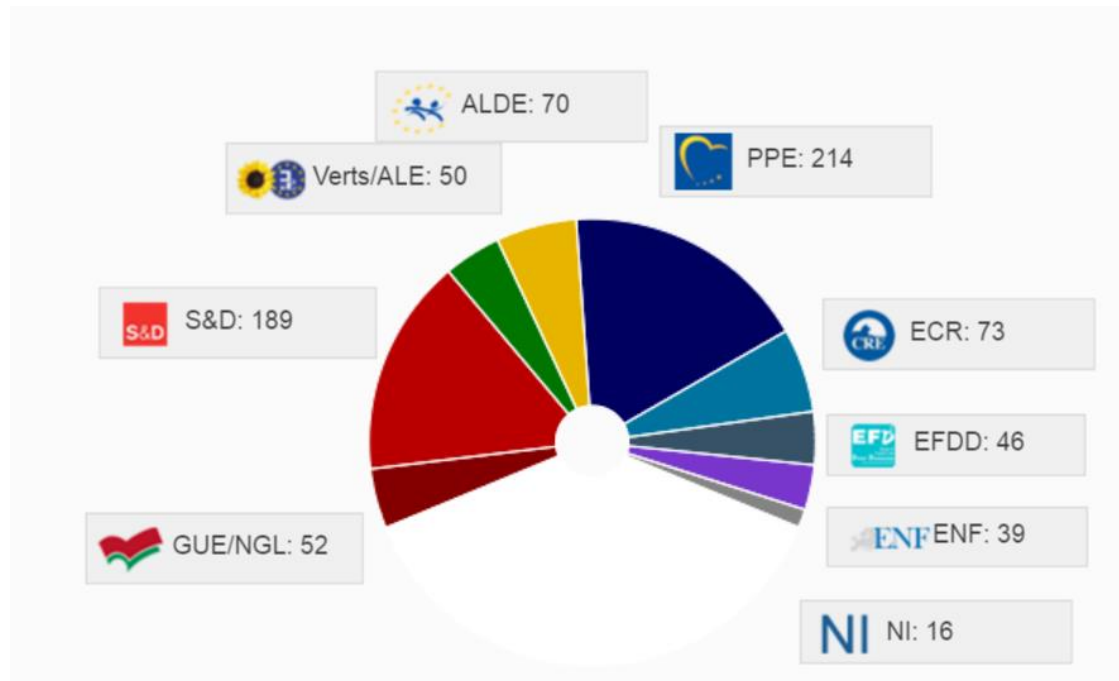
Percentage of times MS in minority



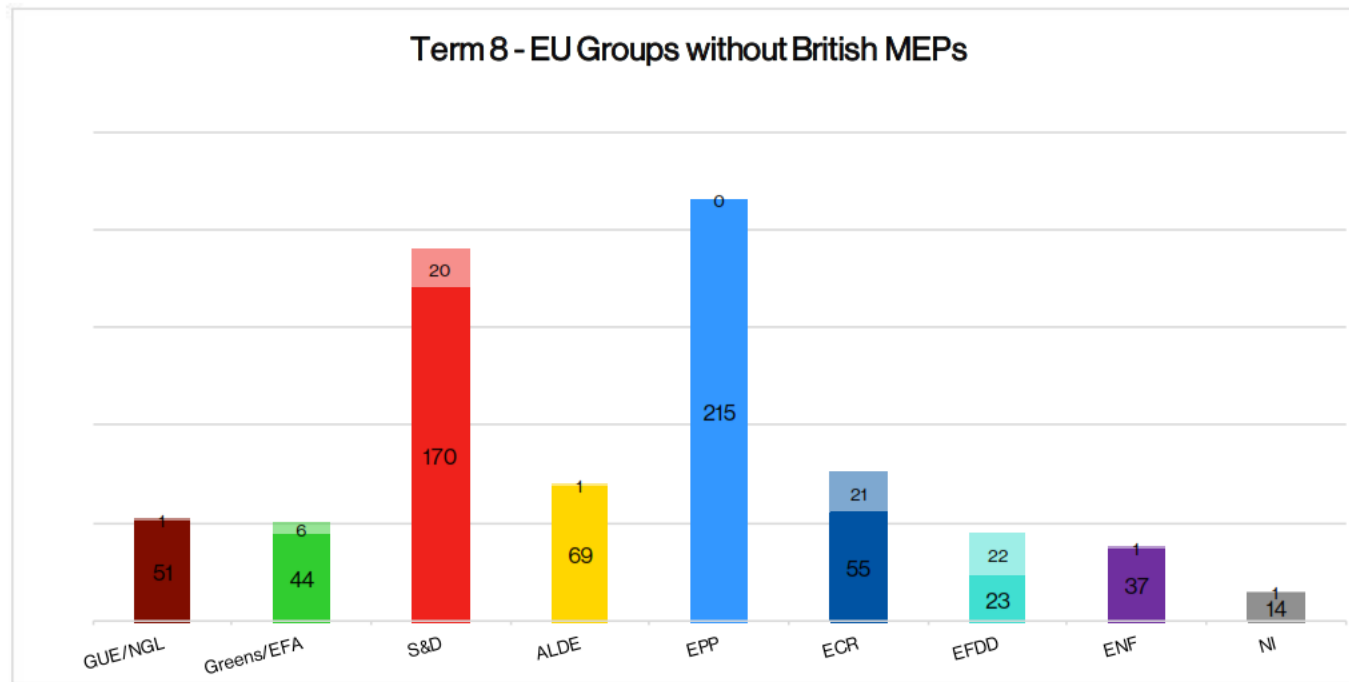
VoteWatch Report 2016

European Parliament

- UK position in EP relatively weak (formation of ECR, decimation of ALDE).
- UK MEPs often opposed to the majority positions of their groups.
- UK MEPs have held powerful agenda setting positions.



Strength of EP political groups



VoteWatch Report 2016

Overall conclusion

1. Renegotiation will be protracted and painful.
2. Business uncertainty will result from negotiation of future agreement.
3. Lost access to EU market and protections.
4. Tax implications that need to be assessed carefully.
5. Reduced influence of pro-market (US) perspective.

Areas of lost influence:

- Better regulation agenda.
- Ongoing expansion of internal market (goods, services, DSM).
- Trade deals, including TTIP.
- Flexible approach to data protection.
- Robustness of copyright protections.



About Cambre

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approach to **government relations**, **public affairs** and **public relations**.

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thinking and dedicated teams organised by sector/policy area, we bring answers not services.

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