

US

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# The Great Brexit Debate

## Views from other parts of the World

Please note that the commentary below could change significantly based on the results of the US Presidential election. The US election results will shape how the US government, as well as US industry, responds to a potential Brexit, especially with respect to trade agreements and other bilateral relations.

### What does the business community in the United States think about the UK's EU referendum?

The Obama administration sees a potential UK exit from the European Union as highly destabilizing to the EU and the continent in general. The EU accounts for about 20 percent of US exports, with the UK representing the largest share within that EU figure. Roughly one out of every five dollars of exports to Europe goes to the UK. Therefore, as a major market for US exports, US business is

concerned about implications for the future of the EU without Britain.

However, there still needs to be an enormous effort undertaken to understand the practical meaning of what would be the new reality for businesses. EU-wide regulations would not come off immediately, and a new agreement would still have to be negotiated.

So there would be an intensive period of uncertainty which would likely put future investment plans on hold. Moreover, it is not clear at this stage what impact a Brexit would have on existing contracts and distribution agreements. More than anything else, it is this uncertainty and possible instability that causes concern for US business interest.

### How might a possible Brexit affect foreign direct investment from your jurisdiction into the UK? And into the rest of the EU?

There would be a pause in new foreign direct investment (FDI) to Britain, and some examination of alternative sites for future investment

within the EU minus the UK. This would possibly cause a chill in investment throughout Europe, as there is already low growth in the EU

and a possible Brexit causes greater uncertainty going forward. Any instability in Europe would further reduce FDI throughout the continent.



## Is the Brexit debate seen purely in economic terms, or does it expose a wider disagreement about the role of supra-national rules-based collaboration models?

From the perspective of business - as opposed to the Government - as of now it is probably seen primarily in economic terms. However, it is easy to see that, as the US election year progresses and the inherent nationalism of a Trump campaign grows, that the UK's exit from a supra-national governing body will play into this nationalistic narrative.

Trump has made much of his anti-trade position which is likely to extend to an anti-WTO position. Likewise, he has expressed an anti-NATO position. This is likely to expand to other organizations such as the UN and World Bank. A Brexit would likely add credibility to this view point.

This is likely to spill over to the trade area. A Brexit would complicate current US plans to negotiate the Trans-Atlantic Trade and Investment Partnership (TTIP) with the EU. Britain is the US' main business gateway to continental Europe and the value of TTIP without the UK is likely to be questioned.

## In the event that the UK votes to remain in the EU, what is the view about whether the referendum process has strengthened or weakened the EU as a concept? What might be the long term effects of this?

This is probably where the views from the United States are least developed. The administration and business interest, that have a view, would like to see Britain remain in the EU because this would reduce

uncertainty. However, the implications of the UK remaining in the EU, beyond reducing uncertainty, have not been widely considered. There is some understanding that the agreement that Prime Minister Cameron

negotiated as a condition to stay in the EU has already weakened the EU and will lead to more local autonomy going forward. However, these are seen as more domestic issues with fewer global implications.

## What is the view on whether a Brexit would be the first step towards the drastic reorganisation or even collapse of the European Union?

There is a view that a Brexit would have a chilling effect on EU regulatory momentum which business is generally not opposed to. Moreover, there is an understanding that a UK exit from the Union could have a domino effect and many European nations could face pressure to hold referendums on their own EU memberships. Czech Prime Minister Bohuslav Sobotka

has suggested that his country may consider its own referendum and Serbian Prime Minister Aleksandar Vucic has indicated that the EU may become less relevant (although his country is still at the EU candidate status stage).

However, even if the UK were to leave the EU, the US - both the administration and business - would like to see the EU continue. From the

US perspective, post-war, the EU has represented an institution of regional order and stability on the continent. It has played a critical role in stabilizing the continent both economically and politically. In particular, the EU has been a major force in stabilizing the former communist regimes in Eastern Europe, and has a major ongoing role in the Balkans, and to some extent Ukraine.

The basic tenets of the EU including democratic principals and human rights, the concept of “acquis communautaire”, has allowed the EU to be an “exporter” of stability and

order to the southern and eastern rim of the Mediterranean. This can be seen when Spain and Portugal joined the then-EC in the post dictatorship years and how the EU is trying to

direct events in Turkey as that country goes through the EU application process.

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