



## EconoMag

The show that demystifies economics

### The Impact of a Brexit ©

by Pierre Vercueil



Hi there EnglishWaves listeners and welcome back to another edition of Economag. Britain's potential departure from the European Union is a hot topic at the moment, making headlines worldwide. On 23 June the UK will vote in a referendum on the country's continued membership of the European Union. Prime Minister David Cameron has campaigned strongly for the UK to remain in the EU, convinced of the benefits of membership in the club of 28 countries. However, Europe's migration crisis and the economic malaise of the Eurozone means that many in the UK want out. At the moment it's anyone's guess as to which way the referendum will swing.

Since joining the EU in 1973, the UK has repeatedly opted for a more limited membership of the political union as it continued to evolve. The UK forms part of neither the Schengen nor the Eurozone, a result of an historic reluctance to cede sovereignty to the European Parliament in Brussels. Nonetheless as a member of the EU, Britain participates in the free movement of EU citizens – meaning a French citizen for example is free to move to and work in London – and contributes to the EU budget to the tune of £350 million per week for a seat at the table. On top of this, the UK has adopted a host of EU policies pertaining to health, agriculture and trade relations with non-EU nations.

Given the UK's already limited membership of the EU, what would really change if the country decided to leave? Quite a lot actually! There are good arguments both for leaving and stay.

Let's start with the merits of a Brexit. First, out of the EU, Britain can negotiate a new relationship with its European neighbors without being bound to EU law. For example, Brussels won't have any say over how Britain's industries develop and trade with countries such as China or India. Second, the pricey membership fee (£350 million per week) could be spent elsewhere, say scientific research. Third – and of much contention – Britain would regain full control of its borders, meaning the country would decide who qualifies to live and work in the country. At the moment, the argument goes that Britain is flooded with EU citizens – not all of whom necessarily contribute to the UK's economy

– meaning there is less space for non-EU individuals who might otherwise be better for Britain. Lastly, it is argued that Britain has a louder voice on the international stage outside of the EU, as it currently has little individual influence on EU foreign policy.

Convinced that a yes vote is the logical choice? Well, hold on. There are plenty of great reasons to stay, too. First and foremost, EU membership means exemption from trade tariffs. Given that 45% of the UK's exports go to the EU, this is a big motivation in keeping EU membership. Second, of the £340 million the UK pays per week, which converts roughly to £340 per household per year, the country gets back more than £3,000 per household in membership benefits, translating to a sizeable economic return on membership. Lastly, there's little evidence to suggest that leaving the EU would result in lower immigration. On the whole the data shows that non-EU countries trading with the EU have higher rates of immigration – including from EU countries – than Britain currently has. Think of places like Scandinavia and Switzerland, both of which have large numbers of EU immigrants.

It's not clear whether Britain will choose to leave the EU. The topic might have inspired lively debate from both sides of the table, but only June 23<sup>rd</sup> will reveal how the British public feels about its future in the European Union. Join us again next week for a brand new episode of Economag here on EnglishWaves.