

EU-UK Clash

Should I Stay Or Should I Go?

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The UK's 'Remain-Leave' Referendum – When?

The UK Conservative government's manifesto pledged a referendum on EU membership *'before the end of 2017'* – a somewhat arbitrary timetable.

The UK government's preference appears to be for an early vote – June or July 2016. Failure to reach early political agreement or UK legislative / administrative barriers could delay this until autumn 2016.

French and German elections suggest UK concessions will be harder to extract in 2017.

Our central case is for a referendum in **June 2016 or **September 2016**.**

What Does the UK Want?

The UK has set out 4 'key objectives':

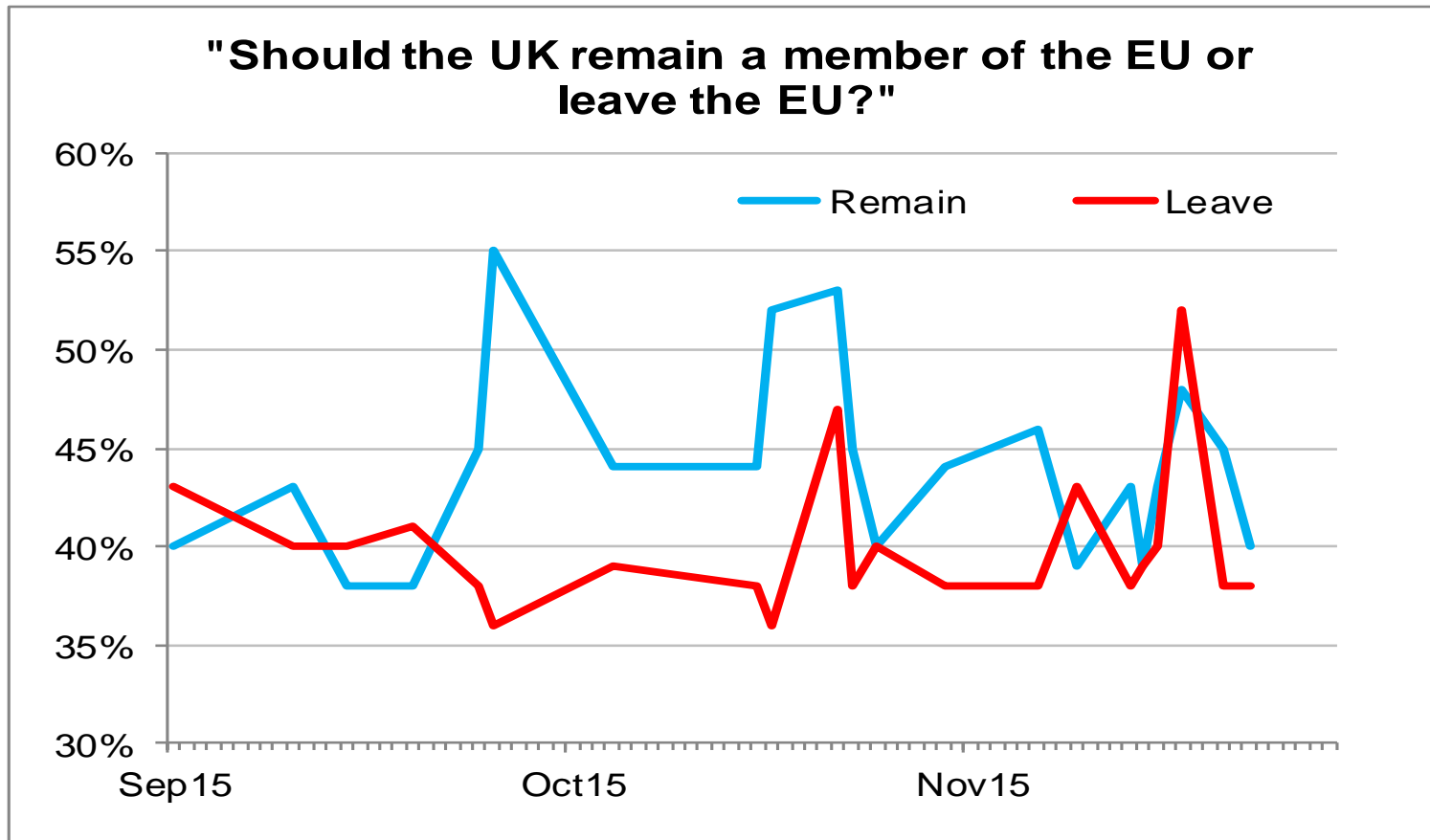
1. Protection for non-euro area countries.
2. The EU's policy agenda to promote competitiveness.
3. Exclude the UK from a commitment to 'ever closer union'.
4. 4-year qualifying period before migrants can access in-work welfare benefits.

The Economist concluded: 'Britain is about to demand things that are variously symbolic, uncontroversial and already in train – but with plenty of noise.'

Labour migration/welfare (No.4) is the only difficult issue but is not obviously insurmountable.

Polling data – Too close to call

Polling data are limited, but suggest a modest lead (~5%) for remaining in the EU. However, the polls proved volatile and unreliable ahead of the Scottish independence referendum (September 2014) and the UK general election (May 2015).



Conclusions & Observations

UK public opinion on the EU is an odd mix of realism, indifference & hostility.

Membership cost-benefit studies are inconclusive – much depends on what assumptions are made about the UK's post-EU trade and economic settlement.

Markets will respond to polls: uncertainty created by Brexit will be negative for UK assets.

My central case: A small majority (<10% points) to Remain in the EU, but the result is too close to call with any confidence.

But . . . The UK's modest demands suggest fundamental questions will not be resolved – another UK referendum once a new EU Treaty emerges?

Big implications for the EU: Although the UK needs the EU more than the other way round, 'Bexit' would be a set-back for advocates of a more free-market, liberal, internationalist EU.

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