



Greater Birmingham  
Chambers  
of Commerce



# Briefing Paper

## EU Referendum Next Steps

### June 2016

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## What is the EU Referendum?

On the 23rd June 2016 the UK public will go to the polls to vote on whether the UK should remain in the European Union, or leave. It will be the first time UK citizens have been able to vote directly on the UK's involvement with the EU since 1975, when just over 67% of voters voted to stay in, what was then called, the European Economic Community.

At the GBCC, we want to provide some clarity on what the immediate 'next steps' would be post-Referendum for both "remain" and "leave" scenarios so that business leaders can gain a better understanding of how their organisations could be impacted after June 23rd.

## How will my business be affected if the UK votes to Remain?

If the UK votes to Remain in the EU, it is expected that the deal negotiated by Prime Minister David Cameron will be implemented. (See our briefing on the EU-UK Deal for more information on this). In this scenario, it is unlikely that there will be many tangible impacts for businesses as the situation will largely remain the same.

Economically, we would likely see an initial increase in the strength of the pound versus the Euro due to the reduced uncertainty surrounding the UK's economic and political trajectory however predictions feel that this is unlikely to be dramatic. It is also expected that a Remain vote would bring the topic of Bank of England interest rates back to the fore, although the global context will be a key factor as well'.

## How will my business be affected if the UK votes to Leave?

In the scenario where the majority of votes are cast for 'Leave', the UK would begin the process of leaving the EU, more colloquially known as 'Brexit'. For information about the options available to the UK in the event of a Brexit, the GBCC has produced a briefing detailing the alternatives to EU membership.

In terms of the actual leaving process, the most important mechanism is **Article 50 of the Lisbon Treaty**. This Article sets out the procedure and timelines for any member state that wishes to withdraw from the Union. The article states that, unless the European Council and the Member State concerned unanimously decide upon an extension, the withdrawal will occur two years after the activation of the Article<sup>2</sup>. The main point of contention revolves around whether the UK would have to activate Article 50 as soon as possible in the event of a Leave vote, or whether there would be a period where the UK could put its affairs in order before activation. Given that there has to be six weeks allowed for legal challenges to the referendum result, the first week of July would be the earliest point that activation of the article is possible. The Government has repeatedly stated that they would activate the article as soon as possible.

Another important process that the UK would have to undergo in the event of Brexit would be the negotiation of a large number of **Trade Agreements** to ensure that trade with the EU can continue efficiently. It is estimated that the UK will need to renegotiate 80,000 pages of EU agreements to cover existing practices<sup>3</sup>. The UK would also need to begin the process of negotiating agreements with countries that the UK currently trades with via arrangements made by the European Union. These include the USA and China. The longer term impacts upon business are difficult to predict as they would depend upon the detail of the agreements that the UK was able to make with individual countries. The Government would need to act decisively to limit the damage on businesses caused by the trade uncertainty in the short-to-mid-term.

UK business **competitiveness** is an aspect which would likely be impacted by a Brexit vote. Given the uncertainty that is expected to follow a Leave vote, there are worries that business would be disrupted as investors look to move their attention to locations where the economic conditions are more stable<sup>4</sup>. Losing access to the European Union could also affect the attractiveness of the City of London as a financial services hub as the City is viewed positively by many global organisations because it can act as a bridge to the EU<sup>5</sup>. However, many pro-Brexit campaigners argue that negative impacts would be short-term only.

The **political ramifications** of a Leave result could also be important for businesses as it is likely to be an unsettled time for Government. Whether or not there would be a leadership challenge or resignations remains to be seen, but the Government would undoubtedly be largely focused on dealing with the UK's exit from the EU and the diplomatic process of negotiating trade agreements.

## What is the GBCC position on the EU Referendum: Next Steps?

In the event of a Remain vote, it will be vital that the government draws a line under the Referendum so that there is an end to the uncertainty which has restricted economic performance over recent months. Prolonged debates over the results or the suggestion of a second Referendum would be extremely detrimental to the UK businesses and must be avoided.

In the event of Brexit, the GBCC believes that it is imperative that the Government does everything in its power to limit the negative short-to-mid term impacts on the UK business community. Whichever political and economic direction the Government chooses to go in, it will require strong businesses in order to be successful.

## How can the GBCC help?

Whatever the result announced on 24th June, the GBCC is committed to keeping its members informed and will be working to provide unbiased information on developments. In the event of a Leave vote, we will be running a campaign to communicate exactly what this means for local businesses. We will work with key stakeholders to develop a detailed understanding of the impact of Brexit upon Birmingham and the West Midlands, and lobbying decision makers to ensure that the views of businesses are heard and that the impact upon the business community is as small as possible.

- 1 Will the Pound Surge After Remain Wins? PoundSterlingLive.com, May 2016
- 2 Article 50, Lisbon-Treaty.org
- 3 If Britain voted to leave the EU, what would happen next? TheGuardian.com, February 2016
- 4 A practitioner's guide to Brexit, TheCityUK.com, March 2016
- 5 EU Referendum: Brexit would damage competitiveness of City of London, warns UK finance lobby, ibtimes.co.uk, March 2016

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