

THE BROOKINGS INSTITUTION  
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BREXIT - IN OR OUT?  
IMPLICATIONS OF THE UNITED KINGDOM'S REFERENDUM ON EU MEMBERSHIP  
Washington, D.C.  
Friday, May 6, 2016

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## P R O C E E D I N G S

MS. HILL: Ladies and gentlemen, I'd just like to welcome you here on behalf of the Brookings Institution and the Center on the United States and Europe. I'm Fiona Hill, the director of the Center, and we've specially arranged some British weather here (laughter) so that not only can our guests feel at home but that you can feel the appropriate sensitivities and atmosphere that will be surrounding the topic that we're discussing today. Although hopefully by June there might be some sunshine here as well as in the United Kingdom.

Well, this has been quite a tumultuous time in the UK in terms of politics. Those of you who are political buffs have probably been following the London May elections, or maybe not, but anyway some of us here have been. There's been a whole host of other elections up and down the United Kingdom. But the big vote that is on everyone's mind here, as well as in Europe, is June 23 when British voters are going to have to go out again for a referendum about whether to stay in or leave the European Union.

As all of you are well aware, President Obama was just in the UK about a week ago. Ostensibly he'd gone to help the Queen celebrate her 90th birthday, but while he was there he had a few things to say on the topic of the referendum -- in other words, that your friends would like you to remain -- and had a rather controversial op-ed in one of Britain's leading papers.

So we thought that given all of this activity and the growing interest here in the United States, because Donald Trump, one of the famous candidates in our presidential race here in the United States, has actually come out contrary to President Obama and suggest that Britain leave the European Union as well. So it's all becoming quite heated. So we thought that it would be a good idea to take a step back from the politics of this in different ways and to explain what's going on. But our first panel will actually take you into the back story.

We have with us on the panel today, to my right, John Longworth, who is becoming quite a celebrity in the United Kingdom as the leader of one of the leave campaigns. He was the chair and director general of the British Chambers of Commerce and famously left his position based on his position about Britain within Europe. And we also have with us Douglas Alexander who we are actually quite pleased to know has now been snared by the United States, a former senior member of the British labor

BREXIT-2016/05/06

party, former shadow UK foreign secretary, and now a senior fellow at the Kennedy School where hopefully you can help us whip U.S. politics into shape as well at the Institute of Politics there. And moderating we have our very own Constanze Stelzenmüller, our Robert Bosch senior fellow, who is going to remain neutral -- we promise -- although her home country, Germany, has had a few things to say also about this debate.

Then what we're going to do, each of these are going to be short discussions with the panelists for about an hour and to give you plenty of time to ask questions as well. We'll then move into a panel with some colleagues from a British university consortium led by Kings College and Anand Menon, who I will be introducing shortly, who have been doing an overview of all of the issues that are shaping the debate from the political, economic, legal, and also the foreign policy aspects. And then our final panel will delve into some of the issues that are most concerning the United States and other international observers, which are the financial aspects of the debate about remain or leave. And our colleague, David Wessel, the chairman of the Hutchings Center here at Brookings and also a contributing editor to the Wall Street Journal, who knows a thing or two about financial matters, will be chairing that.

So we hope you'll stay with us for the whole day. Remember it is raining outside so it's much better to stay in here. We'll have a coffee break at around 11:15 and then we will move straight into the final panel.

I'd also like to thank several people who made this possible. In these days of economic austerity it has been remarkably difficult to actually keep our research going on Europe, and especially on Britain where people think it's very boring, but it actually has become, as you can see, quite interesting. And this event today wouldn't have been possible without the assistance of Wilton Park, which is one of the most venerable centers for dialogue in the United Kingdom focused on transatlantic dialogue and started up after World War II. And James Hoobler, who is a representative of Wilton Park in the United States, is here with us and helped to put together the panels. Also our friends from the Heinrich Böll Foundation, the German green party's foundation, Boson Hemison, who are extremely interested in things European, so this is also part of our series on European affairs. And also the colleagues from the team led by Kings College London who actually in the unusual position of having lots of money thrown at them to do research on this. So we're just hoping that maybe one day some of that will rub off as well.

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So we're very pleased that they were able to come over here. Obviously they're trying to devise other crises to follow, so if any of you have any ideas (laughter) it's obviously a very a lucrative business for Kings College and their colleagues.

We're going to have this on Twitter. We have the #UKReferendum behind me, and periodically this is going to be on Facebook live from some colleagues over here in the corner. So if any of you want to reach out to your Facebook friends that's the place to look.

So thank you very much. Constanze, the podium is all yours. And thank you so much to John and Douglas for joining us. John in particular is hard to break away from the campaign so he has to get back on a plane shortly after this. We're very grateful that he could come. Thank you.

MS. STELZENMÜLLER: Thank you very much, Fiona. I have suggested for a long time that we just pass around a collection plate at events. I don't think we've got them ready for this one. And I also wanted to note that I had an English visitor yesterday who said he was born in Scotland and who referred to this weather as Welsh (laughter) speaking perhaps to inter English tribal differences, which I suspect might also play a role in this referendum and possibly even on this panel given that Douglas Alexander is a Scot.

So I have been instructed to keep this panel zipping along. Some of you will have been following the polls; the FT has a poll aggregator that has the current in and out votes at 46 percent pro and 44 against. That in statistical terms is a dead heat. And so a great deal will depend on voter turnout. That on a day in the middle of the football season, or soccer season, whichever you want to call it. So that is going to be a rather big challenge. Also at a time -- and I say this without any Teutonic undertones -- when there is a fair amount of economic uncertainty in Britain.

This has indeed for a German been a fascinating debate to watch. And I have to admit it's hard to stay neutral on this for me personally. I spent my childhood years in Britain. I'm a foreign service brat; my dad was posted there. Part of me has -- well, rather a significant part of me had an English childhood. And I have to say I personally would regret enormously if this happened. So, so much for my neutrality. Sorry about that, I just had to put that out there. (Laughter)

We are very lucky to have two very distinguished debaters today who can explain to us, Americans and Europeans, in this audience what this fight is about. If you've been reading the

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newspapers in the last weeks and months you can get the impression that this is about many different things severally and at the same time. It's about trade, it's about laws and regulation, it's about immigration, foreign policy, intervention and security, it's about democracy, sovereignty, jobs, competitiveness, it's about the UK role in the EU, it's about the UK role perhaps in countering the weight of Germany, god forbid, it's about the future of the United Kingdom, and it's also about the future of the European Union. In other words, not a small issue.

And with that I'm going to turn to our first speaker, Douglas Alexander, who has 10 minutes to explain to us why it's a good idea for Great Britain to remain in the European Union. Over to you, Douglas.

MR. ALEXANDER: Constanze, thank you very much for that kind introduction. I have to say as I look out at some of the finest foreign policy minds in the United States you make a rather intimidating audience. Whenever I feel intimidated before an audience I remember a story that my father tells me, my father was a minister for many years in the Church of Scotland, and one of his friends was officiating at a wedding one day when to his horror he suddenly realized he had forgotten the name of the couple he was supposed to be marrying. (Laughter) But because he had many years of experience in the ministry, by the end of the final verse of the first hymn he'd come up with a cunning plan. Drew himself up to his full six feet and addressed the bridegroom, said in what name do you present yourself for marriage this day (laughter), and back came the reply, in the name of the father, the son, and the Holy Ghost. (Laughter)

So it is a genuine pleasure to be here. My sense is there will not be that many voters in the room, although there will be many people who are deeply concerned as to the choice that Britain makes. While the choice is for the United Kingdom, the consequences of the choice that we make on the 23rd of June will be felt far beyond Britain's shores. So in that spirit let me pick up where Constanze left off by trying to give you a sense as to what I regard as the geopolitical significance of the choice that Britain will make on the 23rd of June.

Let's start with Europe. I think it will significantly impact the balance of power within Europe. As a former Europe minister in a previous British government there has always been a delicate equilibrium between northern liberals and southern protectionists within Europe. My sense is

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economically that balance would tip quite decisively in favor of a more protectionist Europe if Britain were to choose to leave on the 23rd of June. Secondly, I would argue that nationalist forces abroad across Europe at the moment will only be strengthened if we were to see a British vote for exit on the 23rd of June. Look at the words of Marine Le Pen, anticipating with some relish the possibility of British exit in terms of what it would anticipate not just for Greece, but also for France and for other Euro skeptics across the continent.

But a Europe without Britain would also itself be fundamentally different. It would be smaller. Britain represents about 12 and a half percent of the European population. It would be purer. The UK represents about 14.8 percent of the European economy, about 19 percent of Europe's exports, and it would certainly be less influential on the world stage, Britain holding one of the permanent seats on the Security Council.

But I would argue that Europe would not only potentially be purer, smaller, and less influential, there would be a very real risk of contagion. And in that sense I would simply suggest to you that the view of Europe that many have held since 1989 when George Herbert Walker Bush talked of a Europe whole, free, and at peace, genuinely is in peril. My generation is the generation that saw a wall that divided Europe come down. But in 2016, 25 years on, we are seeing razor wire fences going up across Europe once again. So I would suggest that this is a really big deal, geopolitically, not just for Britain but also for Europe and indeed for the West, for America's relationship with Europe. If that would be some of the consequences for Europe, what would be the consequences for the UK?

Firstly, if there is an exit vote on the 23rd of June I would suggest we'll see immediate political instability, the likelihood of a new conservative prime minister who would be mandated to undertake the negotiations that would inevitably follow a vote for exit.

Secondly, constitutional instability. Last night there were elections to the Scottish parliament which saw once again a majority in favor of Scottish separation, securing their seats within that Scottish parliament. So as well as political instability with the change of government there would immediately be constitutional instability. The three founding -- or indeed the arguments on which the (inaudible) 18 months ago in Scotland were generally judged in policy terms to be as follows: firstly, a heroic assumption in terms of the oil price, an oil price they claimed would never fall below \$113 a barrel.

BREXIT-2016/05/06

Secondly, confidence that Scotland could enter the European Union as a successor state despite seceding from a member state, which was challenged directly by José Manuel Barroso, then the president of the European Commission. And, thirdly, great uncertainty as to what the successor currency and circumstances of Scottish independence would be. Objectively all three of those policy difficulties have gotten worse and not better in the last 18 months. So if it was entirely rational judgment it might well be that the case for Scottish independence in circumstances of Brexit would have diminished. But I can assure you that emotion will have a role to play. If the claim is being made in Scotland, somehow Scotland has been dragged involuntarily against her will out of the European Union. So we would have immediate constitutional instability.

And, thirdly, there would be deep uncertainty as to Britain's relationship with Europe. The Prime Minister David Cameron has indicated that he would trigger the so-called Section 50 process, which involves three simultaneous negotiations. Firstly, negotiation for exit from the European Union by the United Kingdom. Secondly, some form of renegotiation to reestablish some kinds of relationships with the European Union. And, thirdly, the attempt to replicate up to 100 regional and free trade agreements that presently exist between the European Union and the rest of the world. So there's no doubt that we would see a sustained period of uncertainty in the relation to Britain's relationship with Europe. There is, even in Britain, with just weeks to go before this referendum, therefore deep uncertainty associated with a choice to leave the European Union, not only in relation to the journey but also in relation to the destination.

Why do I make that claim? Because the exit side of this argument is itself hopelessly divided as to what the optimal destination for Britain having left the European Union would be. Some argue for a Norwegian model that would certainly involve access to the single market, although Britain would become a rule taker rather than a rule maker. It would certainly involve additional fees being paid by Britain to the European Union, but it would also guarantee the continuation of free movement of workers between the European Union and the United Kingdom. Others argue for the Swiss model, whereby instead of being part of the European economic area there would be bilateral trade accords with certain sectors of the single market. Others argue for a Canadian style relationship, that being the most recent and the deepest free trade agreement reached by the European Union and the United Kingdom.



My point would simply be this, amidst the complexity and uncertainty as to what those relationships would be there endures a political truth which is the more politically attractive, the more economically damaging for the United Kingdom. So ultimately there remains great uncertainty, both about the journey and the destination.

So where are we with just weeks to go? Firstly, I would respectfully suggest to this foreign policy audience that this is going to be dictated much more by domestic politics in Britain than by foreign policy. The lessons that I would draw from the referendum experience in Scotland 18 months ago is that certainly while evidence matters, and there has been voluminous reports produced not just by the British treasury, but the OECD, by PWC, by a range of independent economists, assessing the case for Britain's membership relative to exit. While evidence will matter in the coming weeks, emotion will tend to matter just as much in the choice that ultimately people make. And certainly if in those remaining weeks we see the same animation of feelings of belief and belonging, of deep politics of identity, then that will continue to present a sustained challenge to those of us who believe Britain's future lies within the European Union.

Let me simply conclude where Constanze began in terms of the opinion polls. They give you a snapshot of opinion at this stage, but I ultimately believe psychology more than psephology is going to dictate this judgment. Why do I make that claim? Because ultimately a referendum of this significance is not simply a weighing of economics of a ledger of accounts, it's a much more fundamental judgment about who we are as a nation, what we believe and what we aspire to in the future. I believe that Britain is at its best as an outward looking internationalist supporter of an international rules based system, and that's why I sincerely hope that Britain chooses to remain part of the European Union on the 23rd of June.

MS. STELZENMÜLLER: Thank you very much, Douglas. And thank you particularly for being admirably disciplined in sticking to our timeframe. Much appreciated.

I am supposed to ask you questions and I'm going to interject one here right now, and it's this, Douglas. You mentioned the polls just now and the emotional factor. And one of the most salient factors about recent polls is that they haven't budged. They haven't budged despite Cameron's renegotiating the terms of the UK's relationship with Europe and despite Obama's advice to Britain. One could also call it a desperate plea to please, please stay in, and his barely veiled hints that the

BREXIT-2016/05/06

relationship would become rather less special if Britain left. Isn't it the case that the remain camp have been very bad at making a positive case for the UK staying in Europe and describing the kind of Europe that they want to be part of, and instead of that have exaggerated or just, you know, highlighted the dangers of Brexit?

MR. ALEXANDER: Well, that's certainly the claim of the exit side of the argument, but generally in politics when you're explaining you're losing. And actually I would argue that the Obama intervention was significant, the full impact of which will probably not be felt until the 23rd of June. Because what he did in a very carefully constructed and sincerely held intervention was to explode the post imperial fantasy that Britain somehow would stand taller in the Washington or frankly in Moscow or Beijing outside of the European Union. And he rather deftly I feel answered the claim by the exit side of the argument that there is an anglosphere alternative to the European Union. He said listen, if the claim is that we will instantly in the United Kingdom see a free trade agreement with the United States or with Canada or with Australia or with New Zealand, isn't it reasonable for the President of the United States to explain what the position of the U.S. government would be? And he said very clearly, echoing the words of Mike Froman, the USTR, that Britain would go to the back of the queue relative to the priority of doing a deal with almost 500, presumably with Britain gone, 440 or so million consumers in the European Union.

So I think evidence is necessary but insufficient in the coming weeks. But I would rather be on this side of the argument than on the exit side of the argument because the weight of evidence, I would argue, is almost overwhelming. The challenge is to match evidence with emotion and to make exactly as you say, an impassioned, patriotic, and principled case for cooperation. To my mind that rests on three foundations: peace, power, and prosperity. Every one of them I believe can generate the kind of emotion, but I expect we will see after the elections that took place in Britain yesterday, most normal people not focused on politics in an obsessive way on a day to day basis have been aware that this referendum is coming, but are not yet fully engaged. The coming weeks of the campaign therefore will be critical to whether that combination of emotion and evidence delivers a vote to remain on the 23rd of June.

MS. STELZENMÜLLER: I wasn't trying to give you the opportunity to give a second -- so I'm going to cut you off here. I think what we have sort of left unaddressed is what kind of Europe the UK

BREXIT-2016/05/06

wants to be part of. And I think we may want to get into that in discussion later, but let's leave it at that for the moment.

I'm going to turn to our second speaker, John Longworth, who as Fiona already mentioned is a former director general of the British Chamber of Commerce and left said body among other things -- or mainly I think because you felt that you could no longer remain a neutral director. You I think said that the UK could have a brighter future outside of the EU, for which and -- or for leaving British parliamentarian David Davis called you the first Brexit martyr. Strong words.

Over to you.

MR. LONGWORTH: Well, I'm still alive, there is that. (Laughter)

MS. STELZENMÜLLER: Probably good, yes. Good point.

MR. LONGWORTH: Probably the busiest unpaid volunteer in the land at the moment. Just to be clear, I'm actually chairman of the Vote Leave Business Council. We have literally hundreds of the top business people in the UK have signed up for our campaign. Those are the people who actually invest their own money and who have created and run businesses themselves as opposed to the employees of corporates, i.e., the CEOs of corporates, who I suspect have not actually asked their shareholders what they think before making pronouncements on this issue. However I'll come back to that in a moment.

I always like to put in my caveats first when I'm in front of such an (inaudible) audience, and clearly I'm not a foreign policy specialist in any way, shape, or form, nor am I an academic, an economist, or a politician, I'm just a simple business man, but I do have some experience at Brussels. I've been dealing with the European Union for the best part of my 35 year business career. I have been what would you call in U.S. executive vice president of various corporations. I've done business on every continent and virtually every country in Europe. And I've also during that time -- and I've got the lashes to prove it -- been an entrepreneur and chairman of my own science and professional services business.

I have always held the view that the best place for the UK to be is in a reformed European Union. But I have also been a healthy euro skeptic. And I have to say, one of the things that drove me to the point of making what was a risky speech and then resigning from the British Chambers was that actually I came to the conclusion that the European Union is incapable of meaningful reform as I

BREXIT-2016/05/06

would see it. I mean they actually have been reforming in their own terms relentlessly for 40 years, relentlessly in the wrong direction because it is actually a political project not an economic project. And the truth of the matter is that the UK has never really seen it as such.

And I'll just say a few words about the broader picture before I go on to my more chosen area, which is the economics and business aspects of the decision. First of all I would say that I have written in the press likening this to a peasant's revolt. Of course the peasant's revolt, not many of you will know in the UK took place in medieval times and Wat Tyler, to his cost, the leader of the revolt, found out that the establishment are ruthless in pursuit of their own interests. I think he had his head cut off actually while meeting the King. But actually in the wider context of the European project it's more like the reformation. All across Europe is a quiet revolution taking place. We've seen a referendum take place recently in the Netherlands, which voted down a European project. Now the European Union, and we must always of course not conflate the EU with Europe, which is a much bigger, wider consonant than the EU, has always ignored the people when they actually say we don't want to move in a particular direction.

But it is interesting that we now have the arising of parties in various member states that are deliberately opposing the European elites. And that's why I'm actually really comparing this with the reformation. Because once again we have European elites that are interfering by doctrine in every aspect of the lives of the people of Europe, but are themselves ignoring the democratic process. Europe is a fundamentally undemocratic, corrupt and corrupting organization.

In relation to our relationship with Europe, and of course Britain itself with the mother of parliaments has always been a highly democratic society and a society where the government held to account rather than being appointed bureaucrats, mustn't forget of course that when Monnet set up the European Union they deliberately set it up to be a bureaucracy because feared that politicians were unreliable, having experienced what happened in Germany in 1933. But this bureaucracy that rules as in Europe and increasingly is an integrating factor, fails to take account of the democratic rights of people. The UK itself of course has a long and noble history of democratic accountability.

Moving on very quickly to the economic situation, I wanted to deal with a number of points in turn because there are fundamental misunderstandings in relation to the stay side in respect to both trade and the UK economy. And I hear all the time the script being trotted out by the largest of the

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campaign groups in the stay side, that is to say the UK government. We must not forget that the best funded and largest campaign group in the stay side is actually the UK government itself, which need to be -- those myths need to be debunked.

First of all, 87 percent of the UK economy is not associated with exports to the European Union. Only 13.3 percent of UK economy is actually associated with those exports. 87 percent of the UK economy is burdened by the treasury's own estimates, 125 billion pounds a year of costs that European regulation bears upon the UK economy. In addition to that the UK also pays 350 million pounds a weeks, 350 million pounds a week to the EU machine. Part of that of course is given back to us through projects that we probably don't want in the first place, top sliced for European administration and wrapped up in red tape. But that still leaves a net 10 billion pound burden on UK tax payers. That's about half a percent of UK GDP. That would actually go a long way if invested in the UK to improving public services such as the NHS and education, but also could be invested in business and productivity growth.

Of the 13 percent that is actually concerned with exports to the European Union, of course that section of the economy that is dependent on exports to Europe, if we were to leave would very probably have an impact which is marginal to UK economic activity. Let me explain why I say this. If the worst case scenario happened and the UK chose simply rely on WTO rules outside the European trading block, customs union, the average tariff that the Europeans apply externally is 3 percent. That is actually a rounding error in a currency moment. The UK currency itself is moved 7 percent since the beginning of the year, so the vast majority of potential tariffs have already been eliminated in terms of the cost of UK goods within the EU. Almost all tariffs are less than 5 percent. It's only really automobiles at 10 percent, and automobile spares at 13 percent, and food where very high tariffs were applied that the -- that -- that apply tariffs well above 5 percent. The UK could very easily deal with that if necessary. If we were able to leave the European Union of course we would then not have to apply external tariffs to the rest of the world ourselves. Though immediately for those products in the UK that the UK cannot produce because of climate in the agriculture sector or cannot produce enough of, we would see an immediate drop in the cost of food because the removal of tariffs at 50 percent and upwards and the importation of food products from the Americas and from Africa would be much cheaper than the current imports that we have from continental Europe. However, there is an extremely good chance that the UK would actually

BREXIT-2016/05/06

be able to negotiate with our former European partners trade deals. We would be able to negotiate for trade agreements.

The reason for this is very simple. Key countries in the European Union, the biggest voices in Europe, in particular Germany, have a massive trade surplus with the UK. And if they wish to maintain the UK as their market -- and by the way the UK over the recent years has been in the top three, and frequently the number one, export market for Germany ahead of the United States and China -- if they wish to maintain those export markets then we would have a very good chance at negotiating a trade deal. Furthermore, the UK itself would be able to maintain many of the trading arrangements that the EU has already negotiated on our behalf. I asked these questions of both the commissioners of internal market and trade and the director generals of internal market and trade last year. And having considered the questions it became clear that trade deals that were negotiated before the Lisbon Treaty will continue because member states are cosignatories. Even if they didn't continue it was irrelevant because as per negotiations per Lisbon it is actually a matter for the third country to choose whether to continue with the UK or not. All the countries that the European Union has negotiated trade deal with put together in terms of their collective economies add up to a fraction of all the countries that Iceland has been able to negotiate trade deals with around the world.

In fact countries such as Iceland, Norway, Switzerland, Chile, South Korea, Australia, have better trade deals than the European Union. This isn't economically rationale. Try to negotiate a trade deal on behalf of 28 member states whose interest vary from feta cheese in Greece to canned tomatoes in Italy and beer and (inaudible) in Germany, is like boiling the ocean. If you're actually a small country, nimble and able to formulate deals that suit you with third countries then you get a better outcome. The UK will be able to swiftly negotiate trade deals elsewhere like the Australians have done, where it took them only just over 12 months to negotiate major trade deals. So, all in all, the domestic and rest of the world exports for the UK and the ability to negotiate better deals will actually make the UK economy better outside the European Union than in the European Union.

I should also just say one final thing about customs unions and those trade deals. There is a huge misunderstanding about trade. Many people seem to think that you have to have a trade deal to trade. The vast majority of trade that takes place in the world takes place without a trade deal. China

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exports to the UK and Europe without a trade deal. The UK has a trade surplus with the United States in services which is the biggest part by far of the UK economy; 80 percent of the UK economy is services, 10 percent is public sector, and less than 10 percent is manufacturing. We have a trade surplus with the United States in services that is almost twice the size of the trade surplus we have with the EU in services. And yet we have no trade deal with the United States, but we're supposed to be part of a customs union with Europe. How does that work? Well, it very simply works because of this -- there is no single market in services to speak of within the European Union. And if the United States wishes to negotiate TTIP, or the US-EU FTA as I think the UK government preferred to call it, they need to be mindful of that fact because it would be a bizarre situation and highly unlikely to take place that Texas could access French services markets easier than the UK can. If there is no trade deal within the European Union in service, and I have been reliably informed consistently that there is no appetite for that to be created, I suspect that the potential for TTIP deal to be signed is very remote indeed.

I think I probably better leave it there.

MS. STELZENMÜLLER: All right. Thank you very much. Thank you also, John, for being disciplined about the time; it's much appreciated. And I am firmly going to leave the minutia of trade and economics to our third panel, and perhaps to the second one. But I can't resist pushing you on your historical references. I will say I'm really glad we got the mention of Germany in 1933 out of the way early (laughter) rather than later.

MR. LONGWORTH: I thought that would please you.

MS. STELZENMÜLLER: But I am fascinated by an earlier reference of yours, which is your remark that Europe is a fundamentally undemocratic, corrupt, and corrupting organization and that the rise of parties opposing European elites is something like a reformation. Now I'm a Lutheran myself, and while I'm -- and I mean I seem to remember that Henry VIII also put an end to Catholic rule in Britain - - well, anyway, let's not get into that part of it, but what I'm -- I want to ask something else, which is do you really think that the likes of Geert Wilders and Marine Le Pen and other people, some of whom take party funding from the Vladimir Putin ought to be compared with (inaudible) and Martin Luther, and are these really the best friends for the exit campaign to have?

MR. LONGWORTH: No, they're not. And actually the exit campaign in the UK for asked,

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for example, for Marine Le Pen's access to the UK to be banned. She's actually intended to come to the UK and campaign for Britain to leave the European Union; we've asked for her to be banned. It's a very smart move on our part because we know that since the UK government has no control of its own borders they can't prevent her coming in. (Laughter) So that's going to be a very interesting outcome. However, actually I'm glad you raised this point because it's one of the points I would like to focus on.

It is very disturbing, very disturbing indeed that the way in which the European Union operates has generated right wing parties in Europe, in France, and Germany again that are actually scoring shares of vote for their equivalent to the labor party in the UK. In the Bavarian elections the German right wing party and the in the French elections the proportion of vote attained was equivalent, very nearly, within a percentage point or two, to the labor party in the UK. I find that a very disturbing thing. And I would say that it's a function of the inability of the European elites to actually react to the legitimate concerns of the people.

MS. STELZENMÜLLER: All right. I think you still have to decide whether the reformation was a good thing or a bad thing, but probably not on this panel.

I'm going to open up to Q & A now. There are microphones coming up and down this aisle. I will remind you that a question is short, terse, addressed to one of the panelists and not to the moderator, and ends with a question mark. And, please, as you ask your question if you could preface it by introducing yourselves also briefly.

Michael Leigh.

MR. LEIGH: Thank you. Michael Leigh, German Marshall Fund, former director General, in one of those corrupt and corrupting institutions in Brussels. (Laughter) I think that the political arguments that have been put forward and which have been echoed in Britain for exit speak for themselves, so I'm not going to comment on those at all. Just one specific point, I think Douglas Alexander said that during the period immediately following an exit there would be renegotiation on three points, the second point being trade arrangements. I think it's now become clear that the two year period provided for by Article 20 would be inadequate. And if one takes any of the models such as the Canadian model, Swiss model, or Norwegian model, we're talking about a negotiating period of two to seven years. Therefore it's clear that upon leaving the European Union Britain would revert to third party



BREXIT-2016/05/06

status and have to rely on the WTO. Is this is analysis shared? Does this seem to be the most likely outcome or does Mr. Longworth seriously think that within this two year period we would have a new ambitious agreement at the scale of the Canadian agreement or, indeed, TTIP negotiated, signed, sealed, and delivered within that two year period?

MS. STELZENMÜLLER: You, John.

MR. LONGWORTH: Okay. Well, I mean first of all let me make it completely clear, because whenever I get -- suggest the economic outcomes I usually have to repeat it several times before it sinks in. It doesn't actually matter to the UK whether or not we get the deal because the truth of the matter is the UK economy will be more productive, grow faster, and perform better outside of the European Union with or without a trade deal with the EU.

The second point is that Article 50 can be triggered at our leisure. It is actually up to the UK to trigger those negotiations not the European Union. There is no mechanism to throw us out. The third thing is that it's highly unlikely that countries within the European Union will actually decide to put themselves in the position where their biggest export market is denied to them for the free movement of goods. But if it happened what you'd simply have is a marginal effect, an effect at the margins. So there will be less BMWs and Mercs bought in the UK and more home produced Nissans and Jaguar and Land Rovers. Simple as that.

I have to say -- by the way, I just want to take this opportunity to say one thing about -- because you did raise the question of Obama coming over and talking about trade. It was a great favor to the leave campaign that Obama came over because since Obama's made his rather arrogant and lecturing comments in the UK the polls have shifted in our direction again. I have to say that there was a significant negative reaction to the interference in internal affairs, particularly in a rather hectoring way by a U.S. president. And at least a third of the UK population will remember that for a very long time.

MS. STELZENMÜLLER: Douglas, do you want to come on that?

MR. ALEXANDER: Slightly struggling to know where to begin. Let's try and have some facts to challenge some of the preconceptions we just heard. Firstly, the British home secretary does have the ability to stop somebody coming into the UK who they regard as a threat to public order. You don't need to take my word for it, take the word of the British home secretary.

Second, it is inherent in the nature of a single market as it deals with non tariff barriers as well as tariff barriers. That's why Mrs. Thatcher, back in 1985, was so keen to ensure that British interests were served by being in the room rather than out of the room. So in that sense if we want to remain part of the world's largest single market surely there are benefits in continuing to influence the regulations, although incidentally I don't see the German economy has ever been crippled by European regulation anytime recently.

Thirdly, the difficult that John faces is there isn't a single credible international ally of the United Kingdom who is arguing that it is in Britain's interest or their interest for Britain to secede from the European Union, not one. There is the leader of North Korea, there is we anticipate the leader of Russia, but beyond that I'm struggling to think of any global leader who argues that it's actually in Britain's interest or the rest of the world's interest.

And on the final point as to what would follow under a Section 50 procedure, first of all Prime Minister David Cameron has indicated that he would personally trigger a Section 50 agreement before he may have to leave Downing Street. But the additional point that I would make is this, the whole argument as we've heard it this morning is premised on somehow Europe being something that is done to Britain, a kind of continental conspiracy that is ganging up on Britain. But in circumstances where Britain chooses to leave the European Union suddenly enlightened self interest and friendship will be the order of the day. Well, honestly, I mean we have to have the humility to say there is politics on both sides of the channel, and if there is a realistic possibility of contagion surely it will be the interest of the German chancellor, of the French president, and of other European leaders, to say there is a cost to exit. And in that sense I would simply say from a political and governmental perspective I think it is inevitable as those leaders have themselves said that these would be complex and very difficult negotiations for the United Kingdom despite John's assertion to the contrary.

MS. STELZENMÜLLER: Thank you very much. Now, next, the gentleman in the back in the green sweater.

MR. MORO: Thank you. Daniele Moro, U.S.-Italy Forum. Question, Mr. Trump is siding with Brexit, Marine Le Pen is siding with Brexit, five star movement in Italy and Northern League are siding with Brexit. This morning front page from Financial Times, two-thirds of the Europeans will not be

allowed to stay in Britain. How do you comment this?

MS. STELZENMÜLLER: Who is that question directed to? Presumably Mr. Longworth.

MR. MORO: Both.

MS. STELZENMÜLLER: All right. Why don't you start?

MR. LONGWORTH: All right. Well, I'll trot down those questions and answer Douglas' points as well.

First of all, all customs unions are protectionist, remember that. The European Union is a protectionist organization. It has an external barrier to trade. If the UK leaves the European Union we can actually remove the external barrier to trade with the UK.

Second thing is that the eurozone is the decision making body of the European Union. In an uncertain world in which global debt is 2.4 times global GDP and there are political problems around the world, the most uncertain and riskiest thing the UK can do it to cede control of our own economy to the Euro Zone. Because if we stay in the European Union we will be marginalized. We are not in the eurozone, we ostensibly have no intention of joining, although many on the stay side would like us to. The eurozone will always be able to caucus and make decisions within the EU and the UK will have to pay the bill, comply, and have no say. We have 12 percent of voting right in the Council, just over 5 percent in the Commission, and our interests are not aligned with the rest of Europe. It's not designed (inaudible); it's designed for German manufactured goods and French agriculture. We are essentially a service sector economy.

The Germany economy has done very well relative to the European Union because as a mercantilist nation they have effectively impoverished Club Med to buy German goods. So it actually works very well for Germany, except of course as all mercantilist nations find in the end, they have to pick up the tab because beggaring your neighbor means you have a responsibility to put it right.

The gentleman asked the question about these various groups that support Brexit. Well, that's their decision. We have no connection with those groups, nor do we take a view about those groups. What was the last part of the question you asked?

SPEAKER: Foreigners have to leave.

MR. LONGWORTH: That's complete nonsense. I mean, you know, you've got to

BREXIT-2016/05/06

remember that the Financial Times is part of the stay campaign. They have been running an editorial bias since the beginning of this process, just as other newspapers have been running a bias in the other direction. There are no neutrals in the UK in this campaign; do not think there are. The most neutral reports I've ever come across have been the Open Europe report which looked at the balance of advantage of staying and leaving. And don't forget the head of Open Europe became the prime minister's advisor on the EU negotiations. So it was hardly biased in our favor. But it was very clear, the Open Europe report that we would be better off in a reformed Europe, and if we weren't in a reformed Europe we'd be better off out. Jared Lines report for the City of London, the Civitas report on how the single market has not worked for the UK even though the common market did. In fact, the single market has worked better for third countries like USA quite frankly than the UK. Those are the most neutral reports I've seen.

But the stay campaign had made it very clear that anybody who is in the UK at the moment can stay.

MS. STELZENMÜLLER: Right. Next question. Okay, over here.

MR. HUTTON: Thank you very much. Tony Hutton, former director general of the Trade Policy in London, and more latterly executive director of the OECD. When I listen to the argument I hear a degree of skepticism on the remain side that Europe is not perfect. I never hear a single word about possible benefits of being in the EU. In other words, the whole experience has been negative. I have to say that in my 30 years of experience of working in and around Europe I really cannot recognize Mr. Longworth's description either of the internal processes or the balance of influence. In my experience the UK has exerted considerable influence over the formation of EU policies, possibly even greater than its economic strength would suggest. I've never found, for example, the commission at all unsympathetic to the free trade instinct of the United Kingdom in collaboration with Germany, Netherlands, and other countries.

My question (laughter), which I'm coming to, is whether Mr. Longworth can actually see any benefit in membership of the EU or whether it is all negative. Secondly, and perhaps I'm --

MS. STELZENMÜLLER: No, no, no, one question please, Mr. Hutton.

MR. HUTTON: Well, I was going to ask him about regulation, but I'll leave that until later.

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MS. STELZENMÜLLER: Thank you. Mr. Longworth.

MR. LONGWORTH: Sorry, I'm getting all the questions.

MS. STELZENMÜLLER: If Douglas doesn't get enough questions I'll ask them; don't worry.

MR. ALEXANDER: You're making my case; it's fine. (Laughter)

MR. LONGWORTH: I'm used to this. When I speak to audiences such as this normally it's stacked. I was at Oxford University night before last and it was me versus four panelists and the adjudicator. However, they like to do tutorials at Oxford, don't they?

MS. STELZENMÜLLER: I am pulling myself together you know. (Laughter)

MR. LONGWORTH: Well, first of all, you would say that wouldn't you?

MS. STELZENMÜLLER: Another historical reference --

MR. LONGWORTH: Former commission --

MS. STELZENMÜLLER: -- for those of you who weren't around for Profumo. (Laughter)

MR. LONGWORTH: -- and the OECD. You know, a lot of the organizations have come out in favor of the government's stay campaign of course are EU funded or part government funded or part of that same political and business elite that are actually pushing the stay campaign. The UK has lost 42 votes out of 42 at the Council of Ministers since 2010. For them to have been Council of Ministers votes, they must have been quite serious for the UK. We're simply not aligned to the rest of our European partners in many policy areas and the EU is not good for us as opposed to the common market, which was.

Of course there are good things in the European Union. I mean the fact is, as I said before, I had held the view for many decades that if we could make it work and get proper reforms, the best place for the UK was within the European Union, but they're simply not prepared to make the reforms necessary. Not only is there no appetite for reform, democratic reform, for liberal economic reform, and so on, on the contrary there is a distinct and relentless process toward political integration. We have friends in Europe. The Netherlands, Sweden, Denmark, and the UK, amongst others have been working for quite some time to try and get liberal reforms within the EU and have failed. There is no prospect as far as I can see now of the European Union heading in the right direction.

MS. STELZENMÜLLER: I would just like to reassure people on this panel and in the room that we didn't actually select the audience before this event. I know that Douglas would like to jump in here.

MR. ALEXANDER: It was Daniel Patrick Moynihan in a different era; he said you're entitled to your own opinions, but not your own facts. I'm afraid this debate evidences the extent to which public discourse has moved on. You see it with Donald Trump and you see it played out in the referendum campaign where people are unwilling to converge on facts and divergent opinions and instead just simply say I don't believe you or it's not true.

I think actually beneath the statistical howitzers going there's a much more elemental question that we are being called to answer in Britain, which is what kind of country are we and what degree of confidence do we feel in Britain's capability to make a constructive, at times leading role, both within the continent of Europe and more broadly in a rules based international system. And I would simply put out there that if you look at the big challenges that we face, whether it is climate change, whether it is building economic growth globally, whether it is challenging and meeting the threat of terrorism and security issues, I struggle to see any way in which Britain is more equipped to meet those challenges by voluntarily absenting itself from the European Union at this juncture. This is an era defined by interdependence not isolation. And there is a strain of British history which celebrates Dunkirk, we says we stand alone against the world, we are a buccaneering free trade nation, our only interest in the continent is to keep ourselves apart from that. But that no only argues against the fate that is our geography, we don't choose to be adjacent to the European Union, we physically are. But by fate we are geographic neighbors, by self interest we are economic partners. And by the experience of the European Union -- I was myself the Europe minister under a previous labor government -- take the specific example of the Western Balkans, it is unequivocally in Britain's national interest to see those countries leave behind at times many years of ethnic conflict and warfare and instead to embrace a European future. Outside of the European Union, Britain's capacity to affect that outcome is almost zero. Within the European Union we could be part of what was a magnetic effect, drawing those countries out of conflict into a shared stable and peaceful European future.

Take the issue of piracy in Somalia. One of my former constituents when I was in

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parliament was themselves taken hostage by Somali pirates. What capability does the Royal Navy these days have alone to deal with the issue of Somali pirates? As part of a European taskforce we've been able to massively reduce the level of threat that is posed to international shipping off the east coast of Africa. So whether specifically on security challenges, whether in relation to peace on the European mainland, we have to allow ourselves to range more broadly than simply to see this as a contest where we produce our own facts and the evidence is somehow conclusive.

What we've heard today is an analysis which I would argue is a form of "sub-Trumpian" populism. If you look at what is driving Trump at the moment it is a combination of real economic anger, with people seeing flat wages, cultural anxiety, with people being persuaded to fear the other in society, and deep political alienation. Now the last time I checked, Donald Trump is heading to be the nomination of the republican party. You can't blame that on the European Union. These are much broader forces at work, but it is exactly those same sentiments that some people within the leave campaign are trying to animate amongst the British public. And I believe that the British public have a broader vision of themselves, a more generous vision of Britain's place in the world, and more ambition for themselves, than to succumb to that vision on the 23rd of June.

MS. STELZENMÜLLER: You know, when you mentioned the Western Balkans I was worried that you were heading for the sunlit uplands of Albania, but I'm glad we're not. (Laughter)

Let me see, Matteo Garavoglia and then (inaudible). Matteo?

MR. GARAVOGLIA: Thank you. Matteo Garavoglia, Center for United States and Europe here at Brookings. Douglas, you're wrong. Britain has been ruling the oceans for centuries, it still does.

MS. STELZENMÜLLER: This from an Italian. (Laughter)

MR. GARAVOGLIA: Absolutely. European, Constanze, European.

MS. STELZENMÜLLER: Sorry.

MR. GARAVOGLIA: Quick question for Mr. Longworth. What I'm hearing from both Berlin and Paris is a discourse that fundamentally says well, if Britain votes to leave we're going to say okay, we take notice and Britain will leave. The day after we'll turbo charge European integration, we'll move forward much faster than we've been able to do until now.

BREXIT-2016/05/06

How do you feel about that? Does that trouble you or do you think that's brilliant? The rest of Europe moves forward? Which one of the two?

MR. LONGWORTH: I'll answer that in a moment. Just to respond to Douglas, I said at the beginning of my commentary that one of the things that tipped me over the edge to actually make a stand and wish to be free to speak out was the whole issue of the question of whether the Europeans were capable of reforming. In fact the British Chambers of Commerce has written to the prime minister asking for such reforms in the previous year. The second thing that actually tipped me over the edge, and the only other thing, was the campaign of talking Britain down that the government had embarked on at the beginning of March. I actually thought it was disgraceful that we were facing a position where our own government rather than presenting both sides of the case and the facts to the British people had decided to reduce itself to a campaigning organization and run our own country down. In fact they've gone beyond that now by inviting foreign leaders in to do it on their behalf. It was a ludicrous position. And the leave campaigns view -- and the thing I wanted to be associate with -- was an optimistic view of the UK outside of the European Union and in the world, in a globalized word, because increasingly that's where trade and relations should be heading. And it is a complete fallacy, a fantasy to think that the European Union has actually been involved primarily in keeping the peace and dealing with issues around the world. In fact it is the Five Eyes Group and it is NATO that have been the primary movers in this quite independently of the European Union. And Britain has been a great ally of the United States, along with old commonwealth nations, since the Second World War and will continue to be so. There's a great fondness in the UK as you know for the United States. And the fact of the matter is whatever the current president says, that will continue.

We also of course have had in the last few weeks over a hundred senior people in the City of London write an open letter supporting the leave campaign on behalf of the City of London. Eight leading economists, including Patrick Minford, are writing a large report on why it would be better for the UK to leave and that we would have additional four percent GDP growth. And the former governor of the Bank of England himself suggesting that we'd be better off out because of the risks involved in staying in what is a very unstable and very broken eurozone project.

In respect of the further integration, I think if the UK leaves the European Union we'll

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actually be a beacon for other countries within Europe to demand reform. And we're already seeing that in countries like Sweden, for example, that there is agitation certainly for reform to take place. However, we have been a constant obstacle to the ambition of France and Germany, the designers of the European project, to further integration. And if the Franco-German political project comes to fruition more quickly and more transparently as a consequence of the UK leaving, not only so be it, that's a good thing.

MS. STELZENMÜLLER: All right. The last question will be from (inaudible) over here, and then I will conclude.

QUESTIONER: (Inaudible), Atlantic Council. Thank you very much for a discussion. My question I'm afraid is to Mr. Longworth. (Laughter) You elaborated quite interestingly upon how the Cameron government has been very ineffective in Brussels. I completely agree with you on that, but I think that this is really a self goal by the Cameron government. Where I see the fundamental mistake was that the Tory Party left the European People's Party and therefore Britain became ineffective in the European process. And therefore Britain has not been able to push its ideas as it should have. Do you think you would be in the same place as you are now if the Tory Party had stayed in the European People's Party in the European parliament? Because the whole ineffective argument would probably fall then.

Thank you.

MR. LONGWORTH: Okay, thank you for the question. I mean just let me say first of all I have no worries about the fact that this audience maybe has a particularly -- my former policy director at the British Chambers of Commerce, Adam Marshall, was actually born in Washington and is an American, although he sounds curiously like quite a posh (inaudible) Scot for some reason. I can't quite work it out why, but nonetheless he always used to tell me that 97 percent of the population in Washington -- I don't know whether this is true or not because I'm not a politician -- are democrats. So I was fully prepared for this conversation. And, you know, to that point I am not a politician. It's very difficult for me to answer the question that's just been asked because I really don't know the answer to the question. It's very probable -- let me put it this way, I think it's extraordinarily disappointing that the prime minister, in two years of negotiations came back with what was a pathetic set of results. One has to ask the question was he really intending to get the result anyway.

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By contrast, by the way, it took Turkey, who are not a member of the European Union customs union, to get the visa-free movement within the Schengen Zone in just 10 days. And I ask the question of a politician, why was Turkey so successful by comparison with our prime minister, and he said because Turkey has more leverage than Britain. That was very telling.

MS. STELZENMÜLLER: All right. Douglas, would you like to come in on that?

MR. ALEXANDER: Let me just answer one or two of John's specific suggestions, because I think it is revealing in terms of how the argument is developing in Britain. He began his contribution by comparing the peasant's revolt to the peasant Brexit campaign and ended his argument citing 100 senior figures in the City of London. Well, the last time I checked the financiers of the City of London, what are rather incredible series of advocates for the interests of the populists against the elites and most people in Britain --

MR. LONGWORTH: Usually self made men actually.

MR. ALEXANDER: -- just let me finish the point -- most people in Britain feel a deep sense of grievance over the conduct of the financial services community at the time of the financial crisis. Second point is he asks you to believe that the better understands the interests of the United States than the present president of the United States. He then says well it's actually democrats who believe this. John McCain says British membership in the European Union is a vital contributor to the security and prosperity of Europe and the United States. Hillary Clinton has said pretty much the same thing.

He also goes on to suggest that somehow the threat that is posed to Britain by the single market will evaporate as a consequence of Britain choosing to leave the European Union. And what we see is a cocktail of grievances which I don't believe is an adequate prospectus for a great nation like the United Kingdom. When it comes to trade negotiations the suggestion is somehow while we are a small nation with a limited number of objectives therefore we'll be more successful than 500 million people with a wide range of objections. Well, trade negotiations are also about arithmetic. Why would you walk away from a position where you have 500 million people behind you in those negotiations, when sitting alongside China or India, both of whom have more than twice the population of the whole of the European Union?

So in that sense I think that there is confusion at the heart of the exit campaign. I think

BREXIT-2016/05/06

the important task for those of us who genuinely believe Britain's best future is served by membership in the European Union is therefore to make a passionate, principled, and patriotic case in the coming weeks. And that is that if to my father's generation peace was itself a rationale for the European Union, if prosperity continues to be a rationale for the European Union, we also need to look in the 21st century towards power. And the fact that if Britain wants to play its part in continuing to influence an increasingly interdependent world, then we are better able to achieve that by the strength of our common endeavor with our European partners than succumbing to a kind of grievance fueled populism that suggests that Britain's best aspiration is simply to get away from our neighbors and is unable to offer a coherent alternative vision for Britain's future in the years to come.

MS. STELZENMÜLLER: Right. Given the --

MR. LONGWORTH: Must let me respond to that, surely. Because that was a final speech.

MS. STELZENMÜLLER: No. I'm very sorry, no. No, no, no. Because you've actually had on whole more air time than Douglas Alexander.

MR. LONGWORTH: Only because we have (inaudible).

MS. STELZENMÜLLER: And I would actually love to go on here, but I will actually be strangled by my colleagues and by Fiona. So sadly we can't.

Thank you very much to both of you for what I thought was a splendid opening.  
(Applause) And the moderator has of course tried but failed at staying neutral. Thank you very much.

(Recess)

MS. HILL: Well, as we're getting seated I'd like to thank our previous panelists and moderator for what I think was a very lively start to this discussion. I would actually like to thank especially John Longworth for coming here because we've had a lot of complaints that previous events just around town that there's been no one to really articulate the Leaf side of the whole compet. So we're very pleased you actually did come to do this because we know you're in considerable demand at the moment, and I think that what you've done, along with Douglas Alexander is really given people here a flavor of what's going on in the debates in Britain, which I don't think people are very happy for, so on that case I mean as we go on with the events I'd encourage you, John, not to run away. Remember, it's

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raining outside. We've taken your bolly away, so you can't leave -- to feel free to interject as we go along as well. I think Douglas actually had to head off, but we've got plenty of opportunity here to discuss the different aspects.

Now, what we're going to do here, as they say, is something a little bit different, and in spite of John's assertion that there is no neutrals in the campaign, we actually have three people who've aspired to do that, to try, and they're actually involved in a campaign to get out facts that can be inspected as part of the whole debate.

It's an independently funded research project -- which Anand Menon is going to tell us about in just a moment -- on the U.K. to change in Europe, and they've got a pamphlet which is obviously not for us here in Washington, D.C. who don't have any role to play in this unless somebody here have a parcel vote, to give people who are contemplating their positions in the referendum: "A Series of Facts, Leave/Remain, the Facts behind the Claims."

They've also been producing information for online sites including some media outlets, so we have -- this is a larger team and in a moment Anand is going to tell us about it, but we have Anand Menon who is a professor of European politics and foreign affairs at Kings College, London, who's the head of the team; Damian Chalmers, professor of European law at the London School of Economics and physical science; and then Richard Whitman, professor of politics and international relations at the University of Kent.

And I'm going to firstly ask my colleagues to delve into some of the issues we've had presented on the first panel from different perspectives. So, first of all, Anand, you've had the chance to listen many times to the different prospects in the debate. The campaign for the referendum is actually only relatively recently begun in many respects in terms of the most intense parts of the debate, but you've been doing this research for some time now in advance. You're also part of a larger consortium looking at the Scottish referendum some time ago, at least with some colleagues, so this is being done before in the British political system to get groups of scholars (inaudible) to get together to air out the different aspects here, so perhaps you could tell us just a little bit about this.

MR. CHALMERS: Thanks, Fiona. It's always great to be here. Yeah, we're funded by the British Social Science Research Council, and what they said to us is try and inject research-based

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knowledge into a debate, which for those of you who haven't had firsthand experience of it is often anything but fact-based. We have to remain non-partial in this, and I'll leave it to us to judge. You're welcome to go look at our website, but all I can say for now is we get roughly equal number of complaints on a daily basis from each campaign which always reassures me that we're doing our job relatively well.

MS. HILL: And one of the big topics in all of this, Anand, is really about the polls. There's been a lot of discussion and Constanze mentioned the FT reports on polling. I think one of the questions is about how reliable the polling is. There's been debates about whether telephone poll or online polling; nobody gives you an accurate snapshot. There's a lot of discussion that there's actually a large degree of popular ambivalence and about this in Britain.

As those inside the U.K. know, this did not start as a grassroots initiative; the decision to have a referendum. It's part of party politics and TIMs is a conservative party, which obviously gives a whole different aspect to the discussions about the role of the government, the British government in this, considering the role the British government is extrapolated from its base in the Conservative Party.

There's been very much an internal party dynamic here that has been shaping this debate, and it really kind of puts to one side then the grassroots attitudes towards this, and as I said, there's sort of sense that there's a lot of ambivalence at the popular level. Perhaps you can give us a bit more of an idea of what's actually going on to both of those different levels of the government, the Conservative Party, and then the grassroots in Britain.

MR. MENON: Well, let me start with the polls, and I'll say four very quick things about the polls. One, sadly for those of us who feel that this campaign has lasted a lifetime already, it's very, very early days as yet, and we do events around the country where people still will say quite honestly "I haven't started to think about that yet." We've just had elections in the U.K. now. People have been thinking about that insofar as they've been thinking about politics at all and judging from turnout, not many are thinking about politics at all. It will be a while before this becomes a focus of popular attention if it does because, of course, it will be competing with football and Glastonbury.

Second, what is noticeable about the polls is that for a very long time they really haven't shifted. If you look at the polls over the last three or four years, you take a longer time span, what is interesting is how little impact the campaigns have had. In fact, the most striking impact of the launch of

BREXIT-2016/05/06

the two campaigns for the first two or three weeks afterwards was a massive increase in the number of undecideds, so the campaign started, people started to feel confused, so there's a lot of churn to come.

The third thing is, you're absolutely right. There is a big difference between the telephone and the Internet polls. Broadly speaking, the telephone polls give a significantly lead for remain. The Internet polls say neck and neck. None of the pollsters are willing to say definitely why this is the case because no one knows. Plenty of people have theories, so it might be, you know, one theory is shy ukubus; that is to say you feel more comfortable telling a computer that you side with Nigel Farage than you do telling someone on the end of the telephone, but no one knows for certain, and actually one of the interesting things over the last two weeks I think is the telephone polls have narrowed, so the lead for remain in the telephone polls has narrowed of late.

The final things about the polls and the thing where I think even in the general election where, of course, famously, the pollsters got it wrong, the polls were right is in terms of which demographics go which way, and what they show absolutely compellingly is the younger you are in general the more likely you are to vote remain, and the higher level educational attainment the more likely you are to vote remain. Those two things have remained constant across the polling.

MS. HILL: What about the role of London in all of this, because there's a lot of discussion -- we had a little bit on the panel also about Scotland. There's at least in the popular myth about the whole referendum that London and Scotland have much more of an interest in terms of their voters in remaining in the EU I mean is this true, or is there much more to this story?

MR. MENON: One of the annoying things about the United Kingdom is that for a very small set of islands we manage to have enormously divided populations amongst ourselves, and you can see this in terms of the referendum. The most pro-EU part of the United Kingdom by a significant margin is London, probably followed by Scotland, Northern Ireland, and Wales, and actually the least pro-EU part of the United Kingdom is most of England outside of London, so when we have this referendum there is the potential for all sorts of interesting outcomes that exacerbate territorial politics within the United Kingdom.

You imagine a situation where we vote to leave as a whole, but Scotland votes to stay. That's the scenario that Nicholas (inaudible) has talked about, though I'm less convinced than Douglas

BREXIT-2016/05/06

Alexander whether this will precipitate a breakup of the United Kingdom. I'm not sure it would, but anyway.

You can imagine a situation where we vote to remain, and large chunks of provincial England are voted to leave which might increase this sort of sense of disenfranchisement that the English feel. The English feel everyone else has got a parliament, why don't we, so this is going to have lingering effects on the constitutional settlements in the U.K.

MS. HILL: And what about the party politics for the Conservative Party and that role in government and also for Labor. The Labor Party's rather famously going through a period of implosion one might say in the U.K. right now, but pops the exception of London where it looks like they've gained the mayoral race. But I mean how is this playing out in the individual party politics?

MR. MENON: This is started to feel like an exam now.

MS. HILL: It is an exam. That's right. (Laughter)

MR. MENON: Okay, let me start with Labor. Labor in an odd situation, they've elected a leader the membership wanted and most of his MPs don't like, which is why actually you'll find more members of New Labor in Cambridge, Massachusetts now than you will than in the United Kingdom (laughter), because they all decamped to Harvard.

So, the Labor vote is absolutely fundamental to this referendum campaign. The majority of Conservative voters will probably vote to leave, which means if we're going to vote to remain, on top of the Scots and the Northern Irish -- and there aren't many Northern Irish, that many Scots to be honest -- (laughter) proportionately to the U.K. as a whole.

The Labor vote is going to be fundamental, and what is interesting is that there are two Labor campaigns. There's a Labor campaign to stay. There's a Labor campaign to leave. Neither has started properly yet. The Labor campaign to stay hasn't started because they were focused on the elections in which they didn't do very well yesterday. The Labor campaign to leave hasn't started for reasons I can't quite figure out, but I think there's a lot of fertile ground for them.

What Labor are terrified about is if they campaign beside the Conservative government to stay in the EU they will pay an electoral price down the line because their supporters will feel there's one big establishment. We need to vote for someone that represents our interests. Labor is scared of

BREXIT-2016/05/06

hemorrhaging votes to U.K. in subsequent elections, so Labor is lukewarm at best about campaigning and that will have implications.

The Conservative Party is also interesting because the Conservative Parliamentary Party is divided. There are about 130 of 300 in the (inaudible) MPs have said publicly they want to leave. There are probably more who want to leave but some have decided not to say so for political reasons.

What that means -- well, it means several things. It means, one, that the Tories are divided going into this referendum which means the Conservative Party remains neutral, wouldn't spend money in the campaign. That might have an impact. Two, and I'm sorry to have to say this, the divisions in the Conservative Party means that even if we vote to stay, this issue remains alive when in British politics.

The next election for the leader of the Conservative Party which has to take place before 2020 is going to be dominated by Europe and it is not inconceivable, though it probably isn't probable, that contenders for that leadership try and outbid each other in the Euro-skepticism; that is to say to win the leadership of the Tory Party -- and it's the Tory members who have the final say -- you have to sound you're a skeptic. It is not beyond the realms of possibility that someone says "Actually, we should do this again in a situation where the government hasn't rigged it by campaigning one side or another," so the politics of the Tory Party means we're going to continue to be very boring talking about ourselves in Europe for some time to come.

MS. HILL: Well, it might be helpful for getting more grounds to do what (inaudible) what (inaudible) about this. Now that we've decided to leave or remain, the facts. You've got the next follow-on. I think I'll Damian as the next part of the exam here. I'm actually enjoying this (laughter) (inaudible) questions thrown at me.

I mean Damian, you've been looking at the legal aspects of this, and we had a lot on the first panel discussions about what the relationship might look like under various scenarios where the EU afterwards, the question whether you need a trade deal or not, and what is likely to happen in any kind of negotiation, even irrespective of the results between the EU and the U.K. afterwards.

I mean you've writing a great deal about this and (inaudible) your own views on these topics. I've been really very interested to hear how you can explain this to an American audience that

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BREXIT-2016/05/06

hasn't been sitting at home thinking through the Maastricht Treaty.

MR. CHALMERS: Okay, --

MR. MENON: (inaudible)

MS. HILL: (inaudible) London is (inaudible).

MR. CHALMERS: (Inaudible) was asking lawyers. I said it's simple, and then an hour later you'll still be confused.

(inaudible) previous panel might or might not be very complicated to agree some -- make some arrangement between the U.K. and the EU if the U.K. decides to leave, and my own view on that is that it all depends what the U.K. government wants. Now, just to start as sort of a context to this, I agree to what John said in the last panel, and I think Tarists are neither here nor there. In fact, the EU's taken that that position since 1968, which was when it became a customs union two years earlier, when Kennedy Round really got rid of a lot of Tarists and industrialized (inaudible) between OACD states in the 60s.

The bigger challenge is non-tariff barriers which can be very significant. Now, this is historically which is the stuff that is difficult in customs unions, free trade areas, whatever you want to call original trade arrangements and can be difficult to negotiate; however, there's a different context here. On the one hand those who are currently arguing for remain will say, "Well, the EU and the U.K relationship is very wide ranging and interdependent," but that is actually a source of simplicity as much as a source of complexity because not all aspects of that arrangement have to be renegotiated. There's something that is already in place. If the U.K. and the EU want to say "Well, we've got those legal arrangements," which is what U.K. industries, businesses that used to having, and we want to keep it in place for the foreseeable future, not EU (inaudible) continue to govern, U.K. businesses but by the EU laws which are going to apply for the next five years or whatever, the arrangement can really be agreed in 10 minutes. Of course, that probably won't be sufficient for those who have voted to leave. They will say well, we want the freedom to depart from EU law in all kinds of fields. And what becomes important is how much freedom they want.

What you might have is if the British government after triggering Article 50 says well, we have a situation where U.K. legislation's going to be largely following EU law subject to one of two

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derogations the next five years or so, but we won't confer over migration or the social policy. This is an arrangement that is not difficult to conclude in my (inaudible).

If you want an arrangement where the U.K government wants a position where it can do away with all market regulation that the EU has established and create free trade between the U.K free-trade arrangement, between the U.K. and EU in its place, this is, of course, much more complex. This is that latter scenario and only that latter scenario that might yet take several years to conclude.

I will say one other thing that people don't focus on too much. It is in the U.K.'s interests to conclude an arrangement quite quickly if it wants an arrangement. Quite simply, the reason for that is that if it doesn't conclude it within two years there's a problem of disorganized exit.

Now, the second reason why it's important is that non-EU states will probably not want to conclude agreements with the U.K. until it's seen the types of concession that the U.K. has got from the EU. The benefits of the U.S. or any other state will see from a trade arrangement, will in part be relative to what they see the U.K. is offering the EU, its largest trade partner. So, for that reason which is in the strong interest of the U.K. to agree to some arrangement -- if it thinks arrangements of these kinds are necessary, and that's not the view of all members of the Leaf side. To agree, one, with the EU first quite quickly and that allows the U.K. to move on quite quickly after that, hopefully to agree arrangements with third states.

MS. HILL: Damian, one of the most controversial aspects of all of this has been really the issue of mobility and mobility of labor. It's not just the free movement of goods, but obviously the most pops emotional part of the (inaudible) has really been about people, and there's many different aspects to this. It's not just the issue of EU citizens working in the United Kingdom that Constanze mentioned at the beginning and the FT headline, it's also issues of British businesses that are based in Europe or have offices in Europe, and their employees as well, which are actually -- there are quite a number of those. And then it's -- you mentioned benefits in a different context, but there was a big debate about benefits for -- in terms of welfare benefits and social security provisions, pensions, and the like for EU citizens working in Britain or coming into Britain, but it's very similar for Brits inside of Europe.

Famously in Spain there are 600,000 British citizens who live there, many of whom are pensioners and have moved to Spain because of the lower expenses related to living there. So, we've

BREXIT-2016/05/06

got lot of complicated issues there to unpack. I mean how does that look in the course of this debate? There's been remarkably little, to my view, of the role of Britain's in the EU in this, and how is this likely to play out do you think?

MR. CHALMERS: Well, I'll make three points on this. I think, as Anand said just earlier, the debate is still to heat up a bit in the U.K. I mean there has been debate in expat newspapers in France and Spain about the position of Britains just living there. First, as John I think said in the previous session, I think it's highly unlikely, in fact, NGOs and stakeholders from both sides of the debates came out and spoken that there won't be any great sort of decision to sort of force people who are residents in the U.K. to leave. It's fair as a bit of a schinner and that's absolutely right.

That's first, and the second thing is likely to be a source of tension if the U.K. decides to leave is this idea of withdrawal of benefits to EU citizens that are currently in the U.K. Now, of course, that is part of the current packages on the table should the U.K. decide to remain, but if it leaves there might well be a decision and there will be -- not that the U.K. would want to withdraw those benefits from the EU citizens. There might be a push by other EU states to withdraw the benefits such as health care and the like but they're currently easily accessible to U.K. citizens who have been in other EU states for a while. Now, this might be something -- I say this is speculative which is a might -- that could act as a complicating factor under some source of destabilizing sort of stability in any negotiations.

The third point I would like to make -- and this is a more comparative point -- is that if you look at many regional trade arrangements even if they don't have provision for free movement of persons, they generally involve quite significant amounts of free movement of labor. One has this with NAFTA. One also has it, would have to say with ASIAN where large numbers where ASIAN nationals live either in Malaysia particular, or Singapore. Malaysia, very high numbers are living there and regularly, conversely Marcosil provides for actually a much more wide ranging freedom of movement of persons, but actually has less than we do in the EU. So, to imagine this is something that will go away after the referendum should we choose to leave, I think is not the case -- remain an ongoing debate for some time to come.

MS. HILL: How does Ireland play into this because I was in Dublin just a week ago, and in a meeting with some of the Irish government it was mentioned that there are 800,000 Irish citizens currently in the United Kingdom, and this is (inaudible) arrangement for mobility of labor between Ireland

BREXIT-2016/05/06

and the U.K., so this is the Republic of Ireland. How is that likely to be affected by the EU, or is it not at all?

MR. CHALMERS: Well, there's two points to make about this. If the U.K. decides to -- votes to remain, there are a number of features that are actually legally problematic or legally controversial about the deal. It's not clear that it's a legally safe deal, and the most juicy part of this for those of us lawyers and like mischief is that we'll probably know the results of this because it will take that long for it to be challenged and to get to European Court of Justice, just before the next general election in the U.K., which could make the next election a lot of fun if the European Court of Justice doesn't play ball.

The second thing is if the U.K. decides to leave, these arrangements (inaudible) which have been in place for a long time well before the year U.K. and Ireland joined the union. One would expect -- once again this is all a matter of speculation given what has already been committed in terms of remain -- would expect those arrangements to actually continue for Irish business to be -- to continue to enjoy pretty much the same entitlements as they did (inaudible).

MS. HILL: So these have been worked out irrespective of a EU frame?

MR. CHALMERS: If the U.K. chooses to choose to leave it's formally free to work out whatever wants. It may, however, complicate the politics of that if it was offering particular deals to more favorable deals to some EU states than others.

MS. HILL: Right. I'll use that as a segue to go to Richard because you've been looking at the foreign policy aspects of all of this, and in some respects Ireland tends to be a little bit of domestic policy but also foreign policy. And one of the issues that is being raised but that wasn't really mentioned on the first panel is the question of the future of the Northern Ireland peace process. There's been a great deal of investment by the European Union in actual reconciliation efforts. It's not just an issue of the United States and its role in this.

Scotland has tended to get much more of a scrutiny in this, but there is a great deal of nervousness in Ireland -- the Republic of Ireland -- and also in Northern Ireland about what the implications of a decision to leave might be, but also frankly whether there will be (inaudible) effect even of a very narrow margin to remain.

So then how does that play out in your view, and what does that tell us about some of the other likely aspects of the foreign policy of this debate?

MR. WHITMAN: Thank you very much. I mean the Northern Ireland situation is fascinating because of course it's a culmination of both domestic politics and foreign policy and to come back to the polls. One of the things that we've got a pretty good sense of is the population in Northern Ireland is cleaved along sectarian lines with unionists tending to favor an exit and nationalists tending to favor remain.

So, there are all sorts of very interesting things going on within Northern Ireland itself, but the political situation in Northern Ireland is generally assumed to have been stabilized as a consequence of the (inaudible) membership board, the Irish Republic, and the British government's membership. It's not to say that it was a direct contributing factor in resolving the conflict or getting where we are now, but it has been one of the facilitating conditions to reach a settlement.

And, of course, the notion that you might, for example, re-impose border controls or checks between north of the island and the Irish Republic would be something that is a cause of concern, and that concern has been expressed north, so I think probably if you were looking for sort of foreign policy challenge that the U.K. would have to address very swiftly after a vote to leave on the 23rd of June, it would be.

The relationship with the Irish Republic and with Northern Ireland for a whole series of reasons, not least because the Irish Republic relies very, very heavily on its trade with the U.K., so I think if you look at governments around the world I think the sort of things that Mr. Obama said when he came to London looked quite mild in comparison to the kind of things that Irish politicians have been saying about their anxiety about a U.K. exit.

So, I think there is a big foreign policy challenge there for the U.K., but interestingly foreign policy is not one of the areas in which the prime minister sought to renegotiate the terms of the U.K.'s membership. We haven't really touched that much on what those terms actually were; the job that he set himself and the package that he came back with. Foreign policy wasn't one, but one of his core messages in launching the process of negotiation was that this was for him about safety and security. And one of the core messages for the remain campaign has been this safety and security message.<sup>9</sup>

The U.K.'s future may be jeopardized in terms of not just the security of its economy, but potentially the destructive effects of a U.K. exit as a consequence of a sort of public vote to leave, so it's interesting that that has become quite central certainly for the remain campaign. But it doesn't seem to work that much in terms of moving sort of public interest and public sentiment. It's a message that seems to work better for the remain campaign, but it's not sufficient apparently to shift opinion in one direction or another.

MS. HILL: So, have the interventions from foreign leaders like President Obama and then Donald Trump recently had a rather negative effect then you think on the debates, or was it a mistake for the President to make an intervention the way that he did because of course it's been a big debate here as damned if you do, damned if you don't; kind of a feeling that you have to express some kind of concern about this and make this clear, but obviously being very mindful of the fact that if you do, depending on how you do it and even if you do it all, there could be consequences to this. So, how does that look from this part of the debate?

MR. WHITMAN: Well, President's don't make mistakes, of course, but I think what was interesting about the intervention was that it wasn't so much the intervention, but I think it was the style and the tenor and certainly watching the coverage of the press conference between David Cameron and President Obama, I mean I think that it would be fair to say it probably (inaudible) the language that one would normally expect in a press conference of that kind, and the choice of words was obviously something that the president looked as if he was running back from in the subsequent interview that he did for the BBC. But as Anand's raised already, it hasn't had an effect on the campaign in the very short term in terms of a (inaudible) for the yes campaign.

But what we don't know, and I think this was a point made by Douglas Alexander, I mean there has been this sort of constant drip of foreign leaders making statements to say that they do take the view that it would not be in the interests of the U.K. and indeed their own interests to see the U.K. exit, but if you were just looking at the sort of narrow foreign policy issues, an issue as to whether the U.K. would lose more by leaving, I mean that's much more finely balanced than many of the other areas that we could look at such as the economy.

MS. HILL: Well, John made a reference quite rightly, in fact, to the role of NATO; that

BREXIT-2016/05/06

Britain's position is unlikely to be changed inside of NATO, although I suppose if Scotland then goes through another referendum there would be some shift.

We have a NATO summit coming up in Warsaw in July, and the timing of the summit is actually been pegged to the referendum to try and get beyond the referendum because there is a debate about how much cooperation there should be between NATO and the EU moving forward on a whole host of issues because the EU is also within its jurisdiction touching on many of the security and other concerns that we have to do especially issues like migration, and obviously intelligence sharing across the European Union after the terrorist attacks in Paris and Belgium and obviously Britain having had that experience prior to that. How do you think this is going to play out? Again, is this in the debate? How have you tried to tackle this within this larger research project?

MR. WHITMAN: I think what's interesting is that there are two sort of security pow-wow moments that come around the time of the vote. One is that there is a European Council meeting, a meeting of EU heads of state and government which is scheduled for this at the same time as the U.K. has its vote, and one of the issues on the agenda there is to consider the new EU global strategy which is posed to sort of set out the way that member states have agreed to kind of scope out where they see sort of security threats and then really to set a roadmap for addressing those, and I think it's part of a reboot or a refresh really of the EU's attempts to sort of get beyond the financial and the Eurozone crisis to sort of remake the case for its role internationally.

So, I hope they have a second draft because if the U.K. votes to leave then, of course, that puts rather a hole in the EU security strategy partly because of the contributions that the EU does make to the EU's foreign and security policy. So that will make for a very interesting European Council, and as the (inaudible) you've got the Warsaw Summit, and there, of course, the idea is to sort of set NATO onto a new path particularly what it wants to do really with Russia, but also significantly what it wants to do in terms of things like cyber and so on.

And I think this issue of the EU/NATO relationship is a footnote rather than a prime mover in the kind of things that NATO is thinking about because quite frankly the EU's developments in the area of defense policy have been modest and disappointing, and I think that a U.K. withdrawal from the EU wouldn't really have a devastating effect on that policy area I think because the policy area itself is rather

atrophied, frankly.

There are interesting questions as, you know, whether this is an area that the U.K. wants to make some running on after a vote to remain because it's clearly one of the areas in which the U.K. can play some cards, not being in the Eurozone and so on, and it's already done that once before with the Samalla Agreement when the U.K. indicated it wasn't going to be part of an economic monetary union.

MS. HILL: Well, what about the -- you mentioned Samalla, but this is slightly different. The French and British defense arrangements, are they likely to be affected in any way?

MR. WHITMAN: I think they can run perfectly happy without the European Union, and indeed, I mean the part of the rationale for that deal between Britain and France, not just nuclear issues but also on being able to operate together much more effectively was because of disappointment around the CSDP and disappointment around the other member states sort of ponying up when it comes to CSDP. And I think also, frankly, sort of running out of patience with Germany when Germany had its own white paper coming out (inaudible) read some of it, but coming out in July, so it will be interesting to see how that fits into the picture.

But I think an argument can be made that defense and European defense integration or collaboration could actually advance more effectively outside the EU rather than within, although that may confuse the controversy for some members in the audience.

MS. HILL: Well, I mean this is giving us a flavor of the broad range of issues here that are (inaudible) the headlines of the debate but are certainly percolating behind it. I mean clearly there's going to be a lot more irrespective of the outcome on June 23rd.

I'm going to turn over now to you in the audience. Hopefully some of the questions have been addressed but -- yes, sir, here -- then as Constanze said if you'd introduce yourself briefly before -- and then the gentleman in front of you after this, but we'll take one question at a time.

MR. STOWARS: My name is Joe Stowars. I have a lot of interest in the subject, but my primary interest is after my wife and I traveled as tourists to learn something about the Muslim world, we got really -- we went to Turkey and to Tunisia, and we've come back with a lot of recommendations for what might be done to help Tunisia, and we're trying to get help from your next door neighbor, the Carnegie Institute or the Bill and Melinda Gates Foundation with the help of our Congressman Gerry



BREXIT-2016/05/06

Connolly.

The first question I guess I'd like to put to the moderator or you can perhaps push it off to somebody else, probably everybody in this room almost read Samuelson's summary of the issue of Brexit a couple of days ago, and I might kind of summarize as what somebody said in the last session is a peasant revolt. Do you want to answer that, or would you like to throw that off to one of the others?

MS. HILL: Well, they may not have read Samuelson's piece in the paper. They've got enough interventions the British press, but I mean essentially there's a very negative outcome predicted from -- on an economic and political basis for Britain leaving the European Union. I mean you must have -- well, made a comment in the beginning that actually didn't really play very much into the Brexit topic, but the issue of migration and Muslims in Britain is a very big one, and in fact the London -- so perhaps we can also address that as well because the London mayoral election has been quite interesting in this respect.

MR. STOWARS: It looks like according to today's paper that London might have a  
(inaudible) --

MS. HILL: (inaudible), yes, indeed.

MR. STOWARS: -- Mayor.

MS. HILL: So, I'll actually ask Anand to reflect on this. I mean obviously there is a consensus the United States that Britain leaving the EU is not favorable by any stretch, but there is this larger debate about Britain's place in the world which Douglas actually mentioned. Britain also has own domestic politics is extraordinarily interesting in a way of describing Britain's place in the world. I mean London is one of the great megacities -- global megacities -- a city of very diverse and increasingly diverse population which is actually quite different from the larger swear the Britain particularly the further away from London you get, and Anand, I mean yourself have had plenty of experience of the way that Britain has changed as all of us actually have, so perhaps you could reflect a little bit on Britain -- the domestic politics and how this is really affecting Britain's role.

MR. MENON: Okay, there's London, there's the economy, and there's -- third question was about the peasant's revolt. I'll try and do them all.

London is very interesting because London is one of the most cosmopolitan cities in the

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world that keeps electing people who say racist things as its mayor. (Laughter) Quite hard to see what the causal connections here are. The mayoral contest in London this time round has been particularly nasty with, for instance, targeted leafleting of people the Conservative Party thought were Hindu with leaflets about Muslims. This was (a) wrong, (b) they got it wrong several times because they ended up sending these leaflets to people who were in fact Muslims, and it's not great politics to send a leaflet to a Muslim saying do you want to live next door to a Muslim. (Laughter) Might get the wrong impression. (Laughter)

But there's been a curious sort of rationalization in politics in the Conservative Party over the Muslim issue and the Labor Party over this row about anti-Semitism; what it is, what it means, what can you say and get away with. One of the big figures in the Labor Party recently made some absolutely stupid comments about Hitler, which any self-respecting politician doesn't say things about Hitler, and there's been a massive (inaudible) anti-Semitism in the Labor Party as well. I'd like to think this is just an unfortunate blip in our politics, but who the hell knows. I mean the capacity of British politics to surprise and disappoint is limitless, so anyway. (Laughter) (inaudible)

On the economy, everyone is competing for negative -- one of the things that strikes me about our referendum on the European Union is how certain people seem to be about a future that no one can predict. People are coming out with specific numbers as to how much leaving the European Union would cost us. I would have thought the economic crisis would have put paid to the notion that economists can see the future because they can't, and I would treat all these numbers with a massive amount of skepticism.

Broadly speaking, in terms of academic studies there is a range that goes from a 3 percent hit to GDP to a 1 percent increase in GDP depending on what the terms are we agree once we leave, and we don't know what they are. So, confident assertions about the state of our economy post-Brexit I think shouldn't be as confident as they are.

The third thing, the peasant's revolt -- Douglas touched on this this morning. This kind of primal howl of protest that you're getting on both sides of your political spectrum in this country at the moment is very much behind this referendum campaign in the United Kingdom as well. Broadly speaking we're talking about the losers from globalization; people that free trade the open borders have left behind

BREXIT-2016/05/06

who feel unrepresented by the mainstream political class which is why I said what I said about Labor not wanting to identify with business and the Tories because they'll suffer from this backlash, and those tend to be the people who are most attracted to the exit clause.

And here I'll say two things. One, what is interesting particularly since the financial crisis is how little traction aggregate economic data has on normal people, and you find this in this country as well. When President Obama says our economy is doing pretty well, and people in the Midwest say "Well, we haven't noticed," is precisely the syndrome we're getting in the United Kingdom, too, where our government says our economy is doing quite well and people in the north or in the east say "Well, actually our wages haven't risen in four years. What are you talking about? EU membership might benefit GDP but we get none of that anyway, so why should it bother us?"

So, there's that, and two, actually how little traction facts have at all in some parts of this debate, so every respectable economic study of the aggregate economic impact of EU migration on the United Kingdom says it is probably on balance good for us. It has probably boosted our GDP, that EU migrants on balance probably contribute more to the state than they take out, and you say this in front of an audience in I don't know, a town hall event in Stoke and they'll just say "We don't believe you. That is simply not true. Look at our experience." We have to wait for GP for longer, so there are isolated issues in the United Kingdom.

But one of the interesting things about the immigration debate in the United Kingdom is there's been some polling done on what people think about immigration where they say the first question is does immigration negatively affect you. The majority of people say no. Does immigration negatively affect the country? The majority of people say yes, so this isn't a personal experience thing.

One of the interesting things about British politics is that you get which is based on a dislike of migration. Its strongholds are places with below average levels of migration.

MS. HILL: Right, absolutely, yes.

MR. MENON: So communicating in this referendum is an interesting challenge.

MS. HILL: Well, we both actually originated in one of those places where about 80 percent of people being from somewhere else which is the north of England; one of the places that feels somehow most aggrieved by the EU in some ways or other.

But it is -- the issue of mobility to London, I mean, you've moved from the north of England to London is actually a big question. A lot of people from other parts of Britain don't actually move within Britain because London's become something of a bottleneck. I mean you've done some work on this in other (inaudible) aspects. I mean how much is this playing into the debate as well; a kind of an anti-London sentiment because some people have actually argued that in the Brexit debate, it's that disconnect between London and the rest of the Britain that's actually playing out in some respects even more so than the EU. Would you agree with that or not?

MR. MENON: Yeah. I say to Americans here if you want to visit Britain don't go to London and say you have. I mean because you visited London, and go to Hole or go to other places in the north of England because they're different countries. I mean the differences are striking, and yes, there is a geographical element to this. As I said, London is the most pro-EU membership part of the United Kingdom by a significant distance. There is a lot of resentment about the southeast and the fact that it seems to suck in the wealth of the rest of the country, and this is overlaid by the fact that, of course, London is also the home of our financial services industry which isn't going to win a popularity contest in our country at the moment owing to the financial crisis. So, there are several different overlaying elements to this, but there is a geographical element, yeah. The country is very divided.

MS. HILL: Richard, you wanted to come in on this quickly before we go to the next question.

MR. WHITMAN: Yeah, maybe to just to say something about Wat Tyler because I come from the part of Kent where Wat Tyler lived and from the village where he lived, and Wat Tyler's house is now occupied by a bank (laughter), so make of that what you will in terms of a changing Britain. Anyway --

MS. HILL: You're talking about 700 years though since the (inaudible), right?

MR. WHITMAN: It has, it has, yeah. I mean I'm not --

MS. HILL: Two houses expanded a bit. (Laughter)

MR. WHITMAN: It has. House prices have gone up. But one of the things about the referendum, it does tend to cloak other developments that have been taking place. This is very true about the discussion about the discussion about Britain's place in the world. There has been the for the

BREXIT-2016/05/06

last decade and a half, two decades, really a rethink about Britain's place in the world and particularly on the right of British politics; a sort of decentering of the European Union as part of thinking about how Britain should relate to the world outside itself, and if you look back to the coalition government and William Hager's foreign secretary there, he was very active in a way of sort of re-articulating how Britain might fit and how the European Union was just one network of which Britain was a part alongside the Commonwealth and all sorts of other networks.

And I think where you get the most interesting thinking about Britain's place in the world is on the right rather than the left, frankly, because the left doesn't really want to talk about foreign and defense policy too much after the experience of Iraq and the Blair government, so even if we have an outcome to remain, there is still going to be this rethinking, this retooling, and not least because, of course, the United Kingdom always sees the U.S. as a bellwether, so shifts in the way in which the United States is thinking about the world are for the U.K. adjustments for us to make in our thinking about our place in the world, so shifts in U.S. thinking about the European Union would also in some sense be reflected in U.K. thinking about foreign -- you know, its place in the world and how it wants to relate to the United States.

MS. HILL: So, U.S. presidential election's going to be another wild card in the debate. I have a question over here. This -- sorry -- (inaudible) and then I'll come over here, yes, please. Microphone's coming.

MR. FRANCIS: Ben Francis. I'd like to hear the panel's views on the extent to which this is a Boris versus Dave dispute, two of the most interesting politicians in the U.K. right now; very similar backgrounds, both Conservatives, but will one of them be fatally damaged by the outcome of this vote?

MS. HILL: So, this is, of course, Boris Johnson, former mayor of London, and David Cameron, the current prime minister, and classmates at Eaton as well. But I don't know if anyone on the panel was at Eaton with them, but anyway, any thoughts on this?

SPEAKER: If we vote to leave, David Cameron will resign. I don't think there's much doubt about that. If we vote to stay Boris Johnson will almost certainly still be a candidate for the Conservative Party leadership. We don't know when that is going to take place. It might take place about the time the European Courts of Justice is ruling on our renegotiation which would stir it a little bit.

BREXIT-2016/05/06

So, David Cameron, either -- if he wins then it's a triumph. He's secured the future of the union. He's won an election he never should have won, and he's secured Britain's place in European Union. He will be a prime minister with a spectacular track record even if all of these things have happened on a knife edge far from certain before they actually happened.

If we vote to stay in, certainly it doesn't do Boris's chances that much good, but the Conservative Party is fatally split, and remember the leadership election for the Conservative Party takes place in two phases. The first phase is the Conservative members of Parliament votes to narrow down the field of contenders to two, okay?

Once there are two contenders left, Conservative Party members vote. Conservative Party members, all the polling indicates are 60/40 in favor of leaving the European Union, so to win that election it is good to be a pro-Brexiteer. The problem that Boris Johnson has is he is by all accounts quite unpopular amongst his party colleagues in Westminster, so the problem he will face is getting through that first hurdle.

MS. HILL: I've got two colleagues from Europe here want to ask questions, then I'll come over here.

SPEAKER: (inaudible).

MS. HILL: I'll take the -- I know, but the European Union mainland.

SPEAKER: I'm (inaudible). I'm a European Union visiting fellow here at Brookings, but usually based in Brussels at the European (inaudible) Service. I wanted to actually ask on the other part of the political equation and the U.K. it was mentioned I think by you that it hasn't really started yet; the Labor campaign, and that there's a split there. We don't hear very much here about the Labor position for leaving. I mean if you look at the U.K. position on the EU who was one of the greatest exponents was the Conservative Party, not the Labor Party. The Labor Party was traditionally against, but what are the arguments now within the Labor Party? I would personally see this as the weakest link in the state campaign. Would you enlighten us on that?

MS. HILL: Yeah, let's take a question from Philippe Le Corre and then I'll come over --

MR. MENON: Philippe Le Corre. I just wanted to go back to Richard's point about the defense and security element. We live in a contact stuff, you know, terrorism and a lot of security issues.

BREXIT-2016/05/06

I was wondering how this -- the referendum issue was playing out in this context in the general public knowing that the Samalla Agreement is a sort of bilateral France/UK arrangement, and CSDP, as you say, has not worked that well. It has not been helped by the U.K. in many ways, and also there are lots of questions about the future of NATO, so if you're part of the British electorate today, do you favor -- of course it depends which side you stand on -- but do you favor Britain playing a major role in NATO? Used to be the case for many years, or do you think bilateral agreements might work better which means that's a very complicated process? Not many countries in Europe can provide equivalent forces to the U.K., and it hasn't really worked very well either, and many people would argue that CSDP might be better off without the U.K. as well.

MS. HILL: Thanks. There was a gentleman over here in the hat who's trying to get a question earlier, and then I'll come back to the panel. Over here, yes. Thanks.

MR. HEROWITZ: Thank you very much. I'm Elliot Hurowitz. I'm a former State Department, World Bank, and intelligence community person. I'd like anyone on the panel to comment on the relationship of the European Union and NATO.

MS. HILL: Well, that fits together with the question. Is there one more question (inaudible), yes, over here, and then I'll have to cut off because we need to get the coffee break. I'm sorry, so we already had your question. The gentleman here in the (inaudible). Thank you.

MR. DOYLE: Peter Doyle. A simple factual question about the opinion polls on this subject of voting intentions. Does anyone on the panel know how the opinion polls treat expatriate voters of whom there are a great many in Europe and whom I presume would be overwhelmingly in favor of remain?

MS. HILL: Yeah. This is actually also a good question because there was a cutoff also for the referendum and who should be eligible to vote for 15 years, and certainly in the case of many people living in Spain, they've been living there for a couple of decades particularly if they've retired, so maybe you could meld those together.

So, we have a question about the Labor Party and how that splits on this issue of Europe and how that's likely to play into the campaign. A melding together of a couple of questions that you touched upon in your discussion, Richard, about NATO and the EU and the common security and

BREXIT-2016/05/06

defense policy, and then this question about the polling and expats, and then Damian you might have some thoughts on that as well. So, Anand and then I'll ask Damian, and then we'll go back to you, Richard.

MR. MENON: Let me do the polling and Labor. I don't know of a poll that has taken into account expats. In fact, there are big gaps in our polling. There's very little polling in Northern Ireland, for instance. Partly this is just a question of expense. I imagine it would take a Lord Ashcroft to organize a poll of British expats eligible to vote just because of the sheer expense of it. I do know the British embassies are trying to get these people to register quite actively at the moment; the people who haven't been abroad for 15 years because they are eligible to vote, and of course they have a very large vested interest in the outcome.

I think your question was you don't understand what a Labor leave campaign would say. Well, let's pretend I was Labor leave hypothetically speaking. You would say two things. You would say, one, I imagine, if you want to fatally weaken the Conservative Party, vote to leave, and I would plaster northern Labor constituencies with posters of David Cameron and George Osborne saying "Want to get rid of them? Vote leave on the 23rd of June." Okay? So there's a political aspect.

The second is I would say the European Union is a rich man's club that disproportionately helps large corporations. Look at T-TIP and the things we've heard about T-TIP recently, that basically helps the city, that has done very little for northern working-class communities across northern England, Wales, and East Anglia. The trivial amounts of money we get in structural funds don't make up for the massive wealth transfer that's happened from the north to the southeast which is linked to our membership. This is basically a right-wing near-liberal organization. We should vote to leave it. I mean French socialists -- parts of the French socialist movement have been saying for a long time "We haven't had a left-wing Euro-skepticism since Tony Bennett was in his palm which was back in the 1970s," but it will be interesting to see whether Gisela Stewart, Katoe and (inaudible) are leading the Labor leave, and they're just having some spats I think organizationally with vote leave I think.

XXXmicrophone problem?XXX

MR. MENON: Okay. There are different factions but there is no sign yet -- I mean I haven't noticed much in the way of campaign -- as I said there's an awful long way to go and people are

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going to start paying attention in June, so that will be (inaudible).

MS. HILL: Has there been any research, just quickly, on the point that you just mentioned about the lack of funding for European structural funds, because surely in the 1970s and 1980s some of those same areas that you talked about in Wales and northern England and elsewhere did actually get quite a lot of money. It's just that that was the immediate entry into the EU and there's been 20-plus, 30 years since then.

MR. MENON: Yes, there are several aspects to this, aren't there? One, yes, absolutely, parts of the U.K. did quite well. Two, they do less well now because there are poor members (inaudible) and we're doing better economically, but three, if you compare the amounts that the structural funds give to the aggregate gains and losses in terms of GDP, that the single market gives, and if you believe that actually those latter gains disproportionately benefit some parts of the country over the others, the structural fund amounts look trivial.

MS. HILL: Yeah, so this is very much the same debate as we're having in the United States about globalization and different parts of the United States benefiting disproportionately. There's actually having very negative impacts on that.

MR. MENON: Can I say one last final thing? We have done some polling on secure before Richard goes to CSDP. We did a poll after the attacks in Paris last year which asked how would the attacks in Paris affect how you intend to vote in the referendum, and people split down the middle 50/50, so 50 percent of people were of the pull up the drawbridge persuasion, i.e., there's loads of terrorists in continental Europe. The less we have to do with them, the better. And 50 percent of people said we are safer in a club where we can deal with this together than we are by ourselves. So, it had no -  
-

MS. HILL: So, Richard, if you'd like to comment, and then ask Damian if he has any final thoughts, and we'll complete.

MR. WHITMAN: On the EU/NATO, I think that what's helped, if you like, the relationship between the two organizations recently are two things. One is that it looks like we're getting closer to a settlement of the division of the Island of Cypress which really would unlock much more developed institutional cooperation between the EU and NATO.

But secondly is Russia, and Mr. Putin's actions in Eastern Ukraine and in Crimea; his invasions there which have -- I think they very clearly now are the way in which the two organizations are or can be complimentary on security questions. On one hand taking care of the economic sanction side of things where you can really start to have quite significant effects on a third country or certainly on Russia.

And also with NATO, I mean I think it's actually breathed quite a lot of life into NATO and into the NATO -- into the Warsaw Summit actually. I mean Mr. Putin may well end up being the savior of NATO actually, and certainly he's done quite a lot I think to interest people this side of the Atlantic in NATO again.

On the CSDP part, there is an argument that CSDP would do very well from a British exit. It would unlock the ability to have an operational headquarters and either European defense agency to suddenly really let rip and so on, but I'm not sure and perhaps we can discuss this over coffee. I mean I just wonder whether France is as interested as it was in the past in seeing the CSDP as a vehicle for those kind of things. I think the CSDP has sort of plateaued frankly. It's very good at what it does, which is very limited in terms of conflict management and so on, and that may well be all it ever does, not least because NATO is now taking on a different complexion, but I think it's really interesting time to be interested in European defense and security cooperation issues.

MS. HILL: Thanks, Richard. Damian, do you have any final thoughts on the legal aspects of this?

MR. CHALMERS: Well, just briefly. You asked about the UK expats and the possibility to participate in the referendum. The two groups that were excluded, and this has been highly controversial -- one was U.K. expats who've been away for more than 15 years from the U.K., and the others were EU citizens resident in the U.K. other than Irish separates and Maltese nationals who don't have a right to vote for various idiosyncratic reasons.

Now, the English High Court has said that the referendum is perfectly fine legally in terms of U.K. expats, but that's being appealed, and its reasoning in my view wasn't the greatest, and apparently EU citizens bringing cases challenging the legality of the other exclusion. So we'll have to wait and see there, and this would be once again quite interesting. If it's a narrow vote either way if the

BREXIT-2016/05/06

referendum was then declared illegal -- should be said it's not clear quite which way the expats would vote.

The second, I want to make one point about, if you like, the Labor arguments -- possible Labor arguments to leave. One of the strongest swings in the campaign has actually been on the NHS where four out of five Britains believing that the EU is humble to the NHS. Now, (inaudible) the sort of the facts first is the fact (inaudible) and this is I think quite -- my view -- quite an interesting cypher, so the arguments and (inaudible) that have been raised, been raised to possibly T-TIP leading to some privatization of the NHS, and this is being denied by almost everyone involved in the negotiations, and it also ignores the fact that if the U.K. wants to have free trade arrangement with the U.S., something like TPP has rather similar arrangements.

But what it gets at more broadly, which a lot of these aggregates of numbers don't is the arguments -- distributive arguments that take place, so a lot of the problems the remain side of (inaudible) the EU doesn't deal very well with internal distributive issues, and my own view -- once again, this is slightly speculative -- is the national health argument is a little bit of cypher for that. This is actually perceived quite strongly by U.K. citizens, so there's an issue of distribution that arises in relation to a number of EU policies, one of -- that's always talked and so I think has some justice (inaudible) in its relationship between export industries and small and medium sized enterprises which don't export, how EU regulations may benefit one and not be so favorable to the other. But there are all kinds of complex other distributive issues that sometimes aren't picked up in the data, which people feel quite strongly about and observe quite strongly in their day-to-day lives.

MS. HILL: Other things might be tipping points in the vote. Well, thank you. I think we've got even more sense of the complexity. I feel that we're all probably just as confused as British voters do. You know, really what are going to be decisive elements here. Really appreciate all of you giving us all the benefit of your considerable wisdom on this. We're going to have a -- what's going to be now a 10-minute coffee break, and then we're going to get to the meat of the questions that are really being reverberating from here in the United States, so when my colleague, David Wessel, which is about the financial and economic implications because there's one element by Mr. Putin is not so happy about the prospect of Brexit which is economic uncertainty because for anyone -- he was trying to think about

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managing their economy, another potential blow to the international financial system is not actually very welcome, so when some of Putin's economic team were here for the recent World Bank and IMF meetings, they made it quite clear that they actually did not like Brexit irrespective of what the rumors might be emanating from the Kremlin. So there you have it. So coffee and then back to financial discussions. Thank you very much. (Applause) Very good.

(Recess)

MR. WESSEL: So welcome back. As Fiona said, I'm David Wessel. I'm director of the Hudson Center here at Brookings, and it's a pleasure to be here. I want to say how much I've enjoyed having a conversation about some other countries' problems with polarization, elites who are deaf to the cries of the victims of globalization, political debates that are grounded in something other than facts. I mean, it's really refreshing.

I also wanted to assure Mr. McDonald, if he can hear me, that while it probably is true that 97 percent of the residents of the District of Columbia are democrats, it is also true, I'm sure, that at least 97 percent of the residents of the District of Columbia have no clue what Brexit is in the first place. So he should be assured that this is not a cross section of the District population.

We're going to move now to the question of what are the economic and financial implications of Brexit particularly for the rest of the world, and we have a particularly good panel to discuss that.

Tim Adams, who is now presidency of the Institute for International Finance, a group of big global banks, and is formerly undersecretary of the Treasury in the Bush Administration for International Affairs. Heidi Crebo-Rediker, who is at the Council on Foreign Relations, among other things, and who was for a time John Kerry's chief economist.

And Bertrand -- say it for me.

MR. BADRE: Bertrand.

MR. WESSEL: Bertrand Badre, who is now at the Peterson Institute across the street, was formerly at the World Bank, and who has also had substantial experience in financial markets.

So we'll have a fairly well-rounded conversation, and we'll have a conversation up here as we did in the previous panels, and we'll leave time at the end for some participation from the audience before we end promptly at 12:30.

And I thought I'd start maybe, Heidi, I can start with you. We heard a lot in the first two panels about whether this does or doesn't mean good or bad things for the people of the United Kingdom, and to some extent for the people of Ireland. And I am fascinated by the fact that the Cypriots and Maltese, who live in Britain, can vote. I've learned something today. That's something. And I'm trying to think of the analogue area.

Can you imagine if -- and people often say that the presidential election in the United States is so important the whole world ought to vote, but can you imagine what it would be if we said no foreigners can vote in the United States unless they happen to live in El Salvador or Zimbabwe. It would certainly make for an interesting conversation.

Heidi, so why should the rest of us care at all what the Britains decide on June 23rd?

MS. CREBO-REDIKER: So I have a personal disclaimer as Constanze did when she started, which is that I spent most of my professional career based in London, and went to school there, did my A levels there, did my graduate work there, and so I actually care very deeply about the future --

MR. WESSEL: So can you vote or not?

MS. CREBO-REDIKER: No.

(Laughter)

MR. WESSEL: Okay.

MS. CREBO-REDIKER: But had my daughter. So, actually, I care personally about the outcome of this vote. Why does it matter for the U.S.? I think a lot of reference to economic studies on what the impact would be on the U.K. both in terms of what the leave and the remain campaign are putting out there.

The vast majority of them are saying that this will be a negative impact on the U.K. It would likely be quite a negative impact on the EU, and what really, I think, matters first and foremost for the U.S. from a financial and an economic perspective is what the IMF was saying which is that there will

BREXIT-2016/05/06

likely be a severe impact on the U.K., and that this is one of the greatest risks right now to the world economy.

And what the IMF did recently, which they rarely do in a matter like this, they had the entire board ratify this statement, which if you look at 189 members of the IMF, board members that include China and Russia, there is concern from the global community, the global financial community, that this could have significant repercussions.

The importance of having a wide range of economic studies is it's healthy for debate. A lot of economists have run their models. The one thing we could be absolutely certain about on the 24th of June if there is a vote to leave, the most certain thing will be uncertainty.

Nobody knows what that two years is going to look like. I would imagine it's going to be incredibly messy to negotiate a country the size of the U.K. out of the European Union. And what comes next? That level of uncertainty hits foreign direct investment of which the U.K. depends on to a great amount. They're one of the largest recipients of FDI.

So I think that the uncertainty and the risk to global markets that are already in fragile state, a global economy that is not running on all cylinders, is something we should all care about here.

MR. WESSEL: Okay. So I understand there will be a lot of uncertainty. But the United States exports \$1.5 trillion worth of stuff every year. About 270 billion of that go to the EU. Only 56 billion of that go the U.K. So let's say things suck in Britain for two years.

(Laughter)

SPEAKER: Is that a technical term?

MR. WESSEL: Yes. Really, when you think about all the things that are going on in the world economy, oil prices, the possibility of tension between the U.S. and China over trade in the South China Sea, do you really think that a bad blow to the British economy is going to have repercussions that American would feel?

MS. CREBO-REDIKER: So it depends if you just think that the blow to the U.K. economy would be a blow to the U.K. economy as opposed to what are the domino effects. What does it mean for Europe's economy? What does it mean for European cohesion? Is it going to draw them very quickly together? Is it going to draw them more quickly apart? Will there be follow-ons?

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I don't think the uncertainty is just around what happens in the U.K., and I think because of that, you have a much more widespread potential for impact outside of the EU context.

MR. WESSEL: John, same question to you. Why should the rest of us care about what the Brits decide?

MR. WESSEL: Bertrand, same question to you. Why should the rest of us care about what the Brits decide?

MR. BADRE: Well, first, I have three disclaimers to make first.

MR. WESSEL: Great.

MR. BADRE: Yes, I'm French.

(Laughter)

MR. BADRE: And I'm really French. Second --

MR. WESSEL: So what's the difference between French and really French?

(Laughter)

MR. BADRE: I'm French tainted with a kind of German influence.

(Laughter)

MR. WESSEL: It's either the best or the worst of all possible worlds.

MR. BADRE: That was my kind of second disclaimer. And my third one is I spent four years of my life restructuring (inaudible), which as you know is a physical link between England and the continent. So I wish (inaudible) and no way this physical link will remain more than just a physical link. So that's, I think, important.

So that being said, a second comment why it matters. And I will join Heidi in many respects. For me it was very interesting to hear the discussion this morning. It reminds me of the referendum in France in 2005. (inaudible) referendum in France since (inaudible) than the U.K. And a referendum is always a very tricky instrument. It's yes or no.

And I remember in 2005 we had exactly the same issue, all the kind of fact-based arguments, it's going to be bad, et cetera, and at the end of the day it was (inaudible), and I remember the people -- and I worked for reconstitution for transparency, but I was kind of very interested by the arguments of the no campaign.

And it's exactly like today. The yes campaign was complex because Europe is complex. It's a very complex animal. It's a long history. You have a thousand dimensions, et cetera. And people are not totally at ease because it's true that Europe is not perfect. You cannot make a very clear case that Europe is great, just join Europe, it's perfect.

No, it's difficult, and we know it's challenging. Whereas, the guy from the no side says, well, you know, the yes is complex, and maybe you should listen to that, but everybody in this room has something to vote no. Everybody has the right reason to vote no.

And at the end of the day, the reason the referendum is not necessarily tied to the question itself. And that's what makes it very difficult. If you vote no, you don't know which alternative do we have. And that comes to the point, which is your question. I think -- and that's where I'm not happy with this referendum. As a matter of fact, the results at the end of day like some French people (inaudible) response to leave. I mean, you can argue that. That's democracy at the end of the day.

But the point is that in today's world, it's an unnecessary crisis. I think we have too many uncertainties in this world, and I was really amazed that a very important country makes a decision for reasons internal to its political party to play that game in today's world.

MR. WESSEL: We would never do that in the United States.

(Laughter)

MR. BADRE: Well, I mean, the truth is that in France a referendum on the European (inaudible) is exactly driven by the same reason. The difference that in 2005 the growth in the world was okay so it didn't really matter. Today, it's very different.

Again, you cannot demonstrate, and that's what exactly you said and, Anand, you say that. And the economic argument, and most of the arguments are tilted towards the negative impact on the U.K. to a very negative to somewhat negative or marginal, and somewhat marginal (inaudible) and at the global level.

And again, economies can play a lot with that because you can run different models, and you run models, I mean, we all know the model is, so you have to place in your model, et cetera, and then you have a lot of game theory because we don't know what's happening next.



And when you vote no, you don't know what happens next. You vote no to you want to leave the EU, but you don't say I want to choose the Norwegian option, or the Swiss option, or whatever option. I mean, you don't know. You don't know what's going to happen.

And that precisely is the point. And this uncertainty for me is at the heart of everything. You know whether this whether this is going to be the drop that will make the crisis -- I have no idea. But it might be. And when you are responsible today, you don't play with that type of thing.

MR. WESSEL: Well --

MR. BADRE: That's really -- for me these kind of uncertainties, this kind of issue -- and on top of that, why does it matter? As a French person, I think Europe today matters in the world. Look at the number of crises around the world. I mean, the tensions with Russia, with Ukraine, with the Middle East, with North Africa, with China.

It's not just about trade. I mean, the signaling effect, and the uncertainty for two years is exactly what we don't need today. I strongly believe this. I cannot demonstrate it. I mean, nobody knows what's going to drop on the 24 of June, but uncertainty in today's world is, as a matter of fact, not very good.

MR. WESSEL: So, it's clearly a disadvantage being an American in these things because so far we've done Henry VIII, the peasant revolt, Napoleon, the Reformation, all of which happened before the United States even existed. But I'm curious about two things. I want to ask a question around two things.

One is so are you so uncertain what happens if there is a yes vote? I mean, let's say there's a marginal yes vote. Is everything suddenly clear and --

MR. BADRE: No. Things are not clear, but at least you don't have the additional layer of uncertainty. At least, you're still within the framework, and you can -- it's not great (inaudible) it's better than to collapse.

MR. WESSEL: Okay. Right. And the second thing is so that's a rather risk averse approach to life that -- so now I can do my American history thing. The founders of our Republic took a rather substantial risk when they decided to throw off the -- declare independence.

So is it that you think that this is a particularly bad time to take a risk? Is this a particularly bad kind of risk to take? Or do you think that societies basically ought not to take risks?

MR. BADRE: No, I think it's a bad time.

MR. WESSEL: I see.

MR. BADRE: For me it's mostly -- again, when I consider the U.K. is a (inaudible) referendum which actually was probably first at the time, it was not easy to swallow -- I mean, the goal was, as you all know, opposed to. I was one of the (inaudible). They say France has two (inaudible) enemies, the U.K. and Germany, but from time to time you can get along with Germany.

(Laughter)

MR. BADRE: So, basically, we like the European Union, and then for 30 years we had this negotiations. I want my money back. I want out of this, and this, and this, and this. This means, I think, the U.K. was in addition to Europe. I think that (inaudible), I mean, it's very fascinating because you see from the U.K. that Europe is very Franco-German, but from France it was, oh, it's too liked by the Brits, you know, all about free trade, et cetera, which show that probably we have the right balance at the end of the day, if we want to live together and we have this difference of perception that matter.

MR. WESSEL: Okay. Tim, how much of a risk do you think Brexit is to the world economy, and to the financial markets?

MR. ADAMS: I think markets are hypersensitive right now. Just look back at August 11 when the Central Bank of China announced the new exchange rate basket, a new approach to manage exchange rate, the markets gyrated for months. It wasn't 'til February and Governor Joe Sichuan at G-20 announced that, in fact, the Chinese would stabilize the currency. They weren't going to devalue.

We are incredibly sensitive right now. There's lots of risk on/risk off mentality. We live in a fragile global economy. The world was growing at 6 percent, and banks running across the capital, and (inaudible) I believe was at 3 percent, and, you know, you could paint a more stable world and say, oh, okay, I can make another set of arguments why it's in U.S. interest not to do it, but from a market's perspective, you could paint a more stable picture.

But that's not the what we live in. One-third of the world's sovereign debt is now trading at negative interest rates. You know, we've had negative interest rates in Europe. We got Japanese

BREXIT-2016/05/06

experimenting with even more aggressive monetary policy. We just had a weak Q-1 growth in the U.S. We saw employment numbers this morning. European growths picked up a little bit cyclically, but the banking sector is under enormous stress. We saw Italian (inaudible) this morning with earnings down 20, 30 percent.

You know, I can give you a litany of things to worry about. Why do we want to add to that at this point? And I just think markets are hypersensitive, and you will see the first ordered transmission vehicle will be through the market.

MR. WESSEL: Okay. And so let's look beyond the first six months after Britain votes to Brexit, and we have lots of turmoil in the markets, and all that. Let's take a somewhat longer view.

I think the view in Washington expressed often in this room is that when you look at the post-World War II period, and the post-Cold War period, that the United States has had a strong stake in a strong Europe. Richard Haas wrote recently that, "The European integration project that began in the wake of World War II has helped to bring unprecedented stability and prosperity to much of the continent for nearly three-quarters of a century. A British decision to sue for divorce would add to the centrifugal forces already in evidence. National and populism already on the rise for both economic and social reasons would gather even more momentum."

MR. ADAMS: Yes.

MR. WESSEL: So it seems to me that one of the concerns here is not, oh, well, do we have a bad day in the dark market or the U.S. dollar, but that somehow this is a major step, just as the fences going up in Europe are, to -- an end to a chapter in European integration.

So two question for you. One is what exactly does -- what stake does the U.S. have in a strong and United Europe, one that includes the U.K.? And secondly, do you agree that the reason this has taken on such import is it seems to be taking a big chunk of the foundation out?

MR. ADAMS: Yes. I think Richard Haas is spot on. I worry about the centrifugal forces. I mean, just like at the rise of right wing populist parties in Hungary, Poland, Austria, the Netherlands. I mean, there's an endless list of this angst, and this anger, and this euro skepticism, and I worry about the U.K. Brexit being an accelerant to that.

BREXIT-2016/05/06

And what we've witnessed in the 20th Century when Europe disagrees, and there is violence, the U.S. pays a price, 400,000 dead in World War II, 4.3 million people mobilized. That's just World War II.

In fact, if you want to Google something, Google European Wars, and its endless pages and pages since the time the Romans evaded Britain. The 30 Years War -- I'll reach for some history -- when whole villages of Germany and France were decimated. It is in our national interest, for political stability in Europe, it is in our defense and military foreign policy interests for stability in Europe.

And then it's just micro issues. In my time at Treasury, the financial war on terror, our partners, the U.K., were instrumental in stopping terrorist finance, and their voice in the EU was instrumental.

Iranian sanctions. We couldn't have done it in Europe without the U.K. A more muscular approach toward Russia. Couldn't have done it in Europe without the U.K.

MR. WESSEL: So your point is that -- part of your argument is that the U.S. has a European Union that is more favorable to American interests if the Brits are at the table?

MR. ADAMS: It gives us a proxy seat at the table because of shared interest, shared history, and it enables us to shape the debate in a way which is much more favorable to us, and that's in our interest.

MR. WESSEL: Heidi, some remarks were made in the earlier panel which resonated with me that part of what's going on in Britain is the elites who have benefitted from globalization are shocked, shocked, shocked to discover that the people who did not participate in globalization are pretty angry. That certainly could explain much of the Washington think tank and pundit community, who assured us that Donald Trump was going to peak at 30 percent.

So I wonder how you think about that. Is there a lesson here for all of us in this that goes beyond just the peculiarities of the city of London versus Northern England, and the questions of whether the EU is in a memorable phrase which will stick with me, "undemocratic, corrupt, and corrupting," clearly, the headline of this event?

MS. CREBO-REDIKER: So I think, and actually raised very important point in this in that a lot of the foundation of the discontent is economic in its nature. The way that it's manifesting itself, and

BREXIT-2016/05/06

this is not just in the U.K., is through hugely emotional bouts of discontent, and who to blame, and what hasn't worked, the governments haven't delivered, Brussels hasn't delivered, and some to blame meaning immigration as a -- or illegal immigration.

There's someone that is taking the brunt of the blame, and I think that I see that very clearly in this campaign. I don't think that if you are looking at a June 24th, and an exit, that you are addressing that inequality issue, and the loser of globalization issue at all in the U.K. I think the U.K. will still have that to deal with in a very significant way. And if those forecasts of not only the U.K. treasury, OECE, IMF, and some of the private forecasters looking at a real hit to the economy, it could make it actually worse and not better.

MR. WESSEL: Bertrand, what about -- is this likely to be a shock that helps the European Union reform itself and deal with some of both the tensions among the European countries, and between the European elites and the others, or is this likely to be another one of those things where there's a crisis, they have a summit, they put a Band Aid on it, and things are okay for another six weeks?

MR. BADRE: I'm afraid the second one is the most likely. I think what the issue is, is also besides the global economic situation (inaudible) is that we have (inaudible) of Canada and Europe is French and German election next year.

So it will make every negotiation complex. I can tell you the French campaign if the U.K. leaves, I mean, you will have (inaudible) kind of, I mean, showing off and say, yeah, look at that. They left. We could do the same. (inaudible) argument. We'd have a lot of tensions between the conservative and the socialists. Remember, Hollande was in favor of the referendum, whereas, (inaudible) was against it, and the Socialist Party was the almost (inaudible) on that, and so was the right, and so it's still very difficult. And so will be in Germany.

So I mean, I wish that the shock would kind of (inaudible) Europe to greener pasture. But I think short-term, it's a little bit theoretical, I'm afraid. I don't see that this integration the disintegration either because people will try everything to protect from any (inaudible) into pushing people out, et cetera.

So I hope we maintain, and hope the new leadership in France and Germany, whoever they are next year, will kind of move forward and --

BREXIT-2016/05/06

MR. WESSEL: How would you characterize the attitude of people in France and Germany towards Brussels and the EU? Are they very different than --?

MR. BADRE: Yeah. I think -- again, I'm a strong European (inaudible) occupied (inaudible) during the war, and my grandfather told this many times. My grandfather always told me the right is not the border. The right is a place you cross.

It's very important. I think it's important to (indiscernible 18:52:03.) It was really about peace and prosperity, and we had every reason in (inaudible) village to be against this. And now we are (inaudible). I think it's -- don't forget that. We tend to forget that history can become tragic. I mean, we have good wake-up calls. I mean, all across -- I mean, all around Europe.

So we shouldn't play this with a coin. I mean, that's really why I'm very anxious about all this. And so -- that's why I really wish the leadership to come back to the roots of all this.

The problem is that Europe has become too technocratic. That's exactly the point. And that's why I'm much more anxious with the refugee crisis, or with the Brexit issues, than with a Euro crisis. I never really saw that the Euro crisis might derail Europe because at the end of the day, the euro is a central bank issue. You'll find the dollars, or you find the euro. I mean, (inaudible) for the crisis a 100 billion euro dollar is not a big deal, and you find them when you need them.

Refugees while it's sometimes difficult and costly, but still --

MR. WESSEL: Yeah. But you can always print --

MR. BADRE: Yeah, yeah. I mean, we have found ways. And the Greek discussions, okay, I mean, we (inaudible) and we let it become a global issue (inaudible) small thing, but it's okay.

The refugee crisis is about values. Why are we together? (inaudible) is about values. I mean, do we need to put borders at the right river, et cetera? And so that's why it's very, very sensitive. And it's true that it's been very useful in France, probably mostly in Germany, actually, to say well, when it's good, it's because of Paris, and when it's bad, it's because of Brussels.

And at the end of the day, it pays a bill. I mean, when you look at this, and this, and this, I mean, that's why 55 percent of French people voted no in 2005. And I'm afraid if you organize this type of referendum today, you would have the same results.

BREXIT-2016/05/06

MR. WESSEL: So just to push you a little bit on the migration thing, is your point that this is -- it's so wrenching for the societies to have this many migrants, and to think that there are so many more comings that this just leads to more xenophobia and willingness to say let's chuck the project?

MR. BADRE: No. But I think it really touches on what is a European project for.

MR. WESSEL: I see.

MR. BADRE: That's for me -- we live together, and, again, you should come back to the sixties. I mean, before the U.K. joined. It was really a (inaudible) Europe. I mean, a lot of money was dedicated to Africa, and the Caribbeans, and it was both welcoming the rest of the world, so you have this dimension, and today Europe is still the most generous continent on earth in terms of (inaudible), et cetera.

So this is part of the (inaudible), but it's being challenged by this crisis. It's being challenged. And that's really what is very difficult to (inaudible).

You see Chancellor Merkel suggest we want to help, and then like a week later say, oh, maybe we should think about it, and it's very -- and to have the prime minister going to Munich and say, well, the German policy is not really great. I know exactly what objection to use. I don't want to remember, actually. That does not help. So that's why it's very challenging. Very, very challenging.

MR. WESSEL: Heidi.

MS. CREBO-REDIKER: So when we started the conversation about what were the interests to the United States, and why we should care, I focused on the economic and financial spillovers, but I would like to associate with the comments that Tim made, and say that the European project, and a cohesive Europe that includes the United Kingdom is a very significant interest of the United States.

And so some of the -- it's for, for some of the reasons that Bertrand has touched on, as well as all of the financial and economic. There are strategic. There are --

MR. WESSEL: But the --

MS. CREBO-REDIKER: It's a multitude of issues  
that --

BREXIT-2016/05/06

MR. WESSEL: -- underlying assumption is that if they leave the EU that everything else falls apart. That the defense arrangements that they'll no longer be interested in helping us, is -- I just want to make sure we're not over-exaggerating this.

Britain fell out of the European monetary union at one point. The world did not end. There will still be -- the tunnel will still be there. I doubt that people in London will stop going to Paris and Rome. So is there --

MR. BADRE: It'll take a little more time because the customs will kind of take --

MR. WESSEL: Well, at the rate we're going, that'll happen no matter what happens with Brexit. Do you worry a little --I mean, reference was made to Mervin King earlier. What I read Mervin King saying was that both sides are getting a little carried away with exaggerating the consequences of this thing either saying the benefits or the cost of leaving are saying.

Is it possible that we're making just too big a deal of this?

MS. CREBO-REDIKER: I think it's a very emotional issue, and I don't think that many of the points that we're making too big of an issue. I do think that from a U.S. interest perspective that it is very strongly in the U.S. interest to not have the U.K. and Europe absolutely consumed with the next two years of the disentanglement that is akin to removing a vital organ rather than a simple divorce. It's much more of a surgery that's going to be painful, and the potential follow-on political ramifications that we're uncertain about --

MR. WESSEL: Right.

MS. CREBO-REDIKER: -- are not positive for a good, constructive relationship with our leading partner in the world from a shared values and interests perspective. Your partner on the other side already has a lot of challenges on the plate.

MR. WESSEL: Right. It, certainly, would be preoccupying, that's for sure.

Tim, if you look at financial markets right now, correct me if I'm -- my sense is the financial markets think there's a substantial chance that perhaps it will pass, but they don't think it's the most likely outcome.

MR. ADAMS: That is correct. Well, the bookmakers are now it's about 70 percent that the stay campaign will win. Most of the pollsters I talk to in London last week said a 55-45. I think in many



BREXIT-2016/05/06

ways, the financial sector was not paying close attention to this until just about six to eight weeks ago. And to Marc Carney's credit at the Bank of England, he really pushed the banks to begin to think about contingency planning, and they are now doing that.

So there is a robust effort underway to think about what comes next after June 24th not immediately, per se, although certainly provisioning about what market turmoil might look like. But then longer-term what does it mean for the trillion dollars worth of U.S. bank assets that are sitting in the U.K.? What does it mean for-- over 90 percent of U.S. investment bank employees are in London, so what does it mean for a whole host of -- the U.S. financial service industry that's based in the U.K.? Where do they go? What does it mean for them?

MR. WESSEL: But do you think that -- obviously, this is a guess, but as we saw in previous panels, guesses are allowed. You just have to qualify them by saying they're speculative. Given where the markets are positioned today, would a vote for Brexit be a shock to the market?

MR. ADAMS: It would be a surprise.

MR. WESSEL: It would be a surprise.

MR. ADAMS: Yes.

MR. WESSEL: And that could have ripples?

MR. ADAMS: I think absolutely in ways we don't -- again, if the system wasn't so fragile, I would be less worried about it in the first order effect. But we just don't know how this plays out.

MR. WESSEL: And what about my question to Heidi about is there a chance that we're overdoing this a little bit?

MR. ADAMS: Sure. But it makes better theater up here if we do.

MR. WESSEL: Right. But I'm trying to bring some balance.

MR. ADAMS: Look, it's --

MR. WESSEL: I mean, you pointed out that some extent some happens in China may be a lot more significant to the world economy than what happens in England.

MR. ADAMS: Well, it was a surprise, but it was the uncertainty of what that one decision-- the position they took. There was no press conference. It took four days to explain --

MR. WESSEL: I'm just saying that China is a pretty big force in the world economy.

BREXIT-2016/05/06

MR. ADAMS: But I think London is a global financial center too. And it's not the size of the U.K. economy per se, or their impact on the real economy, it's the role they play, and does it lead to an acceleration of -- back to what Richard said, which is these political forces in Europe which began to tear at the fabric of what I think is a global public good in a politically stable and vibrant European economy.

MR. WESSEL: Right. So what you're saying is -- I just want to make sure I understand -- is the immediate consequences of whatever Britain decides to do, what the U.K. does, are not best thought about in terms of some model of the U.K. economy, or trade flows between Frankfurt and London, but you see it as sort of a step in the direction that you don't think we should go.

MR. ADAMS: That's right. The first order effect is a financial spillover effect which we just --

MR. WESSEL: Right.

MR. ADAMS: -- you can't model. We don't know. We don't know where it takes us. Again, a very fragile background. And then over the medium and long-term, we just don't know what does that mean for Europe writ large, the rise of populist, right-wing parties, and do we see an unwinding of what was a post-war agenda, which, again, I think is a global public good, and what does that portend?

We always think this generation is smarter than the previous generation. that we won't make the same mistakes. They thought that in 1914 as well. But look at the political decisions we're making in this country. Countries can make big mistakes.

(Laughter)

MR. WESSEL: So I'm trying to figure out, so if Donald Trump wins am I better off in the U.K. if it's in or out of the European Union, I guess. Haven't quite worked that out yet.

(Laughter)

MR. ADAMS: Well, imagine a Boris Johnson and Donald Trump state dinner.

MR. WESSEL: I'm looking forward --

(Laughter)

MR. WESSEL: -- I'm looking forward to the Boris Johnson/Vladimir Putin/Marine Le Pen/Donald Trump G-7 meeting.

BREXIT-2016/05/06

(Laughter)

MR. WESSEL: I'm going back to journalism to cover that one. Could we bring the mic down here? I wanted -- you missed my line earlier that you're right that Washington is 97 percent democrats. It's also true that 97 percent of the people in Washington have no clue what we're talking about here. So I didn't want you to think you were seeing a cross section of District of Columbia.

But, obviously, all three of the panelists here, if they were voting, would vote to stay. I think we deserve a chance to let you -- you deserve a chance to reflect on what they said.

SPEAKER: Thanks. I mean, I've enjoyed these panel sessions. I actually think the panel session prior to this was a very interesting and balanced theory of the facts, and the way thing is played out.

I've got one or two observations about it. If you --

MR. WESSEL: Can people hear him in the back?

AUDIENCE: No.

SPEAKER: No. All right. I'll stand up --

MR. WESSEL: Hold the mic slightly closer to you.

SPEAKER: I will. Sorry. Can you spare me seven minutes --

MR. WESSEL: No.

SPEAKER: -- to reflect.

MR. WESSEL: No.

SPEAKER: You can't.

MR. WESSEL: Try three, and I'll see how you're doing.

SPEAKER: All right. I'll do the best I can. Okay. I means, there's an awful lot of stuff being talking about. I mean, I remember a friend of mine, who is French, telling me that when Disney came to Paris one of the things he -- one of his observations was that it might not do very well mainly because people in Disney, the Americans, tend to say have a nice day, and the French tend to say, bugger off.

And I think one of the fascinating things about the comments on behalf of my French compatriot here is that actually I spent a lot of time last year visiting the embassies of all of our major

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BREXIT-2016/05/06

trading partners in the U.K. -- in the European Union, both in Brussels and the U.K. And also, all of our major trading partners outside of the European Union. And not only the ambassadors, but also the high commissioners, of course.

One of the things that struck me was that a lot of the people who are not in the European Union said to me in terms, in fact, one of them said to me in exactly these terms, we would do a trade deal with you in the blink of an eye.

Of the ones in the European Union, by contract, they were of varying views. The French ambassador was trying to persuade me that we should stay in the European Union through gritted teeth. The U.S. Embassy in London, and the U.S. ambassador in Brussels spent an hour lecturing me on why it would be in the interest of the United States of American for the U.K. to stay in the European Union. He never once said why it would be in the interest of Britain to say in the European Union. And I think we've heard that confirmed by the panel today, actually.

I mean, my reading of history, by the way, if you want a quick, (inaudible) of history, is that in 1940 it would have been economically rational for the British to make peace with Germany, and actually quite a lot of the Tory party wanted to do that. Halifax and Chamberlain certainly thought it was the best thing to do to preserve the empire, and our economic world system.

In fact, Churchill decided not to do it. One of the arguments that Churchill deployed in this argument was that once a country capitulates, it never comes back from it, and I think we're seeing that in Europe right now.

The history of the United States' relationship with the U.K. is that it was a tenets of U.S. policy from President Wilson onwards, on and off, to substitute the U.S. for the British world system. And that aptly took place in 1945, '44, the Bretton Woods Conference and afterwards.

And one of the interesting things is, of course, the U.K. paid off its debt to the United States only a few years ago, which is a great contrast to the Marshall Plan, which established the European Union quite correctly, if you hear it perspective, to prevent any further conflict between France and Germany.

So those sort of historical back (inaudible) are still playing out today. And it's very, very important, I think, for this audience to recognize that actually the U.K. has an interest of its own, and the

BREXIT-2016/05/06

U.K. is, of course, a great friend of the United States. Have been the old commonwealth countries, and will continue to do so. There's a great affection between the nations.

But to have a president of the United States come to the U.K. and lecture us in a patronizing fashion about what we should do in relation to the European Union is a very bad thing. I want to just leave you with that thought.

In terms of what was said on the actual mechanism of leaving the European Union, it is -- I just want to reemphasize the fact that it is actually in the hands of the U.K. to decide the pace at which we leave, and the extent to which we leave.

We don't have to trigger (inaudible) until we're good and ready. We can have pre-negotiations. We can have an arrangement with the EU as we decide. But if the EU don't want to play ball, we'll still have a better economy out than we will have in. And we'll also have a more democratic country.

Both of our nations share a love for democracy and liberty, and that is being stifled in the European Union. And the United States itself would never dream of sharing a sovereignty, it's democracy, and its liberty with other countries. In fact, the U.S. is rarely a signatory to international agreements at all.

So it's actually, you know, you should consider how it feels from our perspective looking at it from your eyes. Ireland was mentioned earlier on, and, of course, Ireland is going to be an interesting thing to play out. We've always had an arrangement since 1922 that Irish people can vote in the United Kingdom, and (inaudible) people, and I think it would be the desire of the leave campaign that we try and achieve that if we leave the European Union.

Free movement of people was one of the areas that I didn't manage to cover because we didn't have time on the panel. But the free movement of people in Europe has distorted the U.K. economy very considerably because there's a desire for people within the European Union to come to the U.K. because we are a successful economy by comparison with the euro zone, which is not, and it has distorted the U.K. economy because the unlimited supply of cheap labor has led to a low wage, low skill, low investment, and, therefore, low productivity economy. Exactly what we don't want. No incentive for business to invest in skills training, or productivity gains because of there is cheap labor available.

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At the same time, the policies of the U.K. government in order to actually maintain the overall gross figures of migration which are over 680,000 a year, by the way, in order to maintain that at a reasonable level have put a restriction on migration from outside the European Union. It's actually outside the European Union for where we need vital skills to make the U.K. economy productive.

So at the moment, we have the worst of all worlds. I Remember the Australian High Commissioner saying to me that we have a common head of state. We fought with you in two world wars, and yet you only granted us two-and-a-half thousand work visas late year.

And that's the sort of thing we're facing as a consequence of being a member of the European Union.

MR. WESSEL: I'll give you one more point.

MR. WESSEL: Lastly on safety and security. The U.K. is a steadfast ally of the United States of America. We will participate in NATO, and any other bilateral arrangements we feel necessary to maintain security around the world. We're one of the only two nations, only two serious military nations in Europe. We're the fifth largest economy in the world. We're a nuclear power. We have seats on the Security Council, and other international organizations.

The EU wants to take those seats away from us and actually substitute the EU for that. Is that a better position for the United States than to have a steadfast ally that is able to contribute to foreign policy and security?

MR. WESSEL: Anand. Sorry, Donald. Could you just pass the mic to the right?

MR. MENON: Thanks. Just a comment on the question partly just intended to irritate people and provoke debate.

MR. WESSEL: Oh, thank you. I was doing my best to do that, but I need to know.

MR. MENON: I might sound a bit cranky than normal. The comment is it really irritates me when Americans, even Americans as eminent as Richard Haas, talk about Europeans as if they were kids that need to be sort of chained together in the European Union because otherwise they'll fight wars.

That's just not true. I don't believe for a moment that absent the European Union we'd all go to war with each other, and there a lot of rhetoric from this side of the pond that sort of implies that

BREXIT-2016/05/06

that's not the case, and I'm not sure it's either helpful, I'm not certainly not sure it's true, so that the first thing.

The question regards this notice of uncertainty. Uncertainty is the price you pay for politics. There are many people in Europe that would prefer if you didn't have an election this year because it's going to lead to massive uncertainty. I mean, uncertainty --

MR. WESSEL: Might get some votes for that here as well.

(Laughter)

MR. MENON: Uncertainty is the price we pay. But would the panel agree that it points to the profound failure of the policies of the status quo which you're all defending so vehemently, that such a large proportion of our populations would vote for alternatives whether it be Trump, or whether it be Brexit that expert opinion considers to be eccentric?

MR. BADRE: Well, I understand you are not that neutral. But it's okay. It's okay. Again, you have the regular uncertainty of regular elections, and then you have this irregular uncertainty on these questions which are right in the middle of the refugee crisis, right in the middle of an economy which is not -- which doesn't know where to know.

So again, the 2005 referendum done in France was not great, but it didn't really matter given the state of the economy and the mood at that time, et cetera. I think this year, you have really a particular responsibility raising that question, and certainly this year is more (inaudible) than any time in the past ten years probably.

MR. WESSEL: Okay. But I think the heart of his question is, isn't the fact that so many people are willing to vote for Brexit, for Donald Trump, for Bernie Sanders, for Marine Le Pen, for Alternative fur Deutschland, an indictment of the leadership of those countries for failing to address the real problems that globalization and technology have created for large numbers of people?

MR. BADRE: Well, I do agree.

MR. WESSEL: It's a yes or no question.

(Laughter)

MR. BADRE: Yeah, no, but I agree, it's, again, to the question of the referendum goes beyond the referendum itself.

MR. WESSEL: Exactly.

MR. BADRE: It's a way for people to express their anger the way -- the vote for Trump is a way to express anger, and I don't believe that 30 percent of the French people have become fascists because they vote for Marine Le Pen.

MR. WESSEL: Exactly.

MR. BADRE: (inaudible) expression of anger. In a few weeks, we all question which kind of feeling or mood, then you can have an explosive reaction. That's exactly where we are. I think we have not yet finished paying the price of the financial crisis.

I mean, when I explain this to my students, I compare what was being discussed in August, '08 prior to Lehman debacle. In France, it was how to finance a minimum revenue for poor people, and the question was whether we had to put 600 or 18 million euro.

And then we debate for months, and I don't feel (inaudible). Thereafter remand in two weeks we found 400 billion euro for the banks. It's over. After that I've been traveling all over France, and people say, okay, we cannot find one billion for the poorest, and we can find 400 billion for the banks. So you argue, oh, it's not the same. Its guarantees. It's finished.

And so that's exactly the point. So that's what we are paying, but I don't think the answer to that question is kind of unraveling the European constriction, which --

MR. WESSEL: No, no --

MR. BADRE: My point is how can we together make it better rather than leave and say, oh --

MR. WESSEL: I think the question wasn't is unraveling the European Union a solution to these problems. It's how did we get to this place? Did we makes a mistake in our policies that we created --

MR. BADRE: Yeah. I think we made a mistake, but couldn't avoid it, actually.

MR. WESSEL: Okay.

MR. BADRE: In the 1990s when you had this conversation about the enlargement, and the two said the U.K. was poor enlargement. They wanted to expand to the new countries because this



BREXIT-2016/05/06

would be a wider zone, more free trade, et cetera, away from the kind of German-French wave of the sixties.

So we move from 12 to 15 to 28 very fast. And the point is that you had no choice. If you say no to ex-communist country, it's not fair because these guys have suffered under Soviet Union for 40 years, and you have to work on them.

But you perfectly knew that if you embrace then, then you have an issue to kind of regulate this whole thing, and it's very complex. It's very complex. I mean, when every European (inaudible) of 28 people speaking five minutes to address every question, it's a two-hour discussion. And it's difficult, but it's worth it, I think.

MR. WESSEL: Tim, do you -- well, you heard my trying to restate Anand's question. Is there some -- did we make a mistake in not addressing the legitimate gripes of a whole bunch of people that's creating this climate?

MR. ADAMS: Well, we probably should have paid more attention to the human condition associated with globalization and technology. There's a limit to what government can do. And maybe our biggest crime was overselling our capacity in Washington, and other capitals actually saw problems (inaudible) a riskless society. We certainly have made promises on creating a welfare state we can't afford, and that will become more obvious over time.

So we made promises that we can't fulfill and I think people are suspicious of that. They're suspicious of anything big. They're suspicious of financial institutions and corporations they feel that are distant from them, and Washington feels pretty distant from (inaudible), in Kentucky.

So, yes, in some ways we failed them, but, you know, we oversold what we could do, and we over promised.

MR. WESSEL: Heidi.

MS. CREBO-REDIKER: You said simply yes or no, I think, yes. But, actually, I want to come back to some of the comments. First, we addressed the issue of the original question, which is why should we care? So we were specifically asked to give a why should the U.S. care about what's happening.

It's obviously up to the U.K., to individual voters there to decide their future, and make those decisions based on, hopefully, more facts than fiction. Hopefully, solid judgments, and not just pure emotion to the extent that that's possible in this political environment.

But I was very pleased and proud that President Obama went over, and I did think he deftly addressed and tried very hard not to be patronizing in any way shape or form, and address very much as a friend would talk to a friend because our two countries have been friends for a very long time, and we do assume that that's going to continue into the future whatever happens to the U.K.

But it was a responsible response to actually state that there is concern of one of the greatest friends the U.K. has ever had about the future after June 23rd.

SPEAKER: I just want to follow (inaudible). I think there is a danger of overstating certain causalities here that are think little bit more complex.

And I'll chose one issue which has (inaudible) in the name of balance. The issue of EU-8 migration. Migration on citizens from Central East Europe.

Now it's simply not the case to argue this in some way has fostered -- there's been a major contribution to the alienation of one of the (inaudible) party's (inaudible). First of all, some of the most far right parties are in those states. Secondly, if one looks at the timing, certainly in Western Europe, many of these people, the great surge was in 2005-2006. The great rise in populism was after the Great Recession in 2009-2010.

Equally turning it around in relation to Charles point, the U.K. industry suffered from low productivity, these issues of falling wages way before EU-8 migration became a significant issue. And EU-8 migration occurred in industries that aren't particularly export oriented, like notably agriculture, but hotel, and the like.

So it might happen (inaudible) exacerbates things, but there is a danger of overstating these things I think.

And following on that, I do think the effect of the U.K., the European Project, and the world economy, my own personal view is, in fact, it has been once again overstated by the (inaudible).

BREXIT-2016/05/06

Of course, it may be the hare that causes the whole, the butterfly effect. But my own concerns if I was a EU policymaker would be, hey, the refugee crisis, or the fact that European banks are uncapitalized, and there no intention to capitalize them by anyone.

But it's just not the case that if the U.K. leaves -- and it's highly unlikely the EU project will fall apart by the way, or will integrate.

Of the three main pillars, the U.K. only participates in one of them, the single market. It does not participate in the euro on the Shane arrangement.

In terms of the single market, they're moving away from EU legislation where the U.K. participates, 12 percent of interest, to standardization, private industry, and euro regulatory agencies.

So this idea that it's going to have some kind of ripple effect on the way people are staying here I think is -- I think it's been a little bit overstated.

MR. WESSEL: Okay. Peter Doyle.

MR. DOYLE: Just a couple of quick points. You posed a question, David, in terms --

MR. WESSEL: Could you hold the mic? Sorry.

MR. DOYLE: Sorry. You posed the question in terms of is U.S. interest reflected in the low share of U.S. exports to the U.K. in particular. And I think it's a nice sharp way of doing it. A commentary on that. There's another completely different way of transmitting the shock transmitting back to the U.S.

As is indicated, if there's Brexit, it's a shock, the first effect of that would be a rise in the dollar. A rise in the dollar hurts you as exports and import competing industries, both of which are playing in a narrative here in the politics, particularly with regard to Trump. It plays in a second way which is you have the major foreign policy failure for the United States. Europe is up in flames in some sense or other. Another direct effect in the narrative politically here.

Point number two is that in terms of the -- is the risk being overstated in general, I think if you look at the debate in the United Kingdom, particularly on the economics, it's entirely dominated by debates of long-term applied trade theory. What is the effect on GDP in 20 years? Is it plus 10 as some economists say, or minus 5 or 6 as some others do? It is completely ignoring the question of the immediate shock. It took an intervention by the Bank of England governor to say, hold on. There might

BREXIT-2016/05/06

be a shock. Why is that shock not being in the British debate? Because it's a shock self-generated. The economic debate has been led by the Treasury. The Treasury can't say there's a risk of a shock because it's now criticizing it's boss for running the risk in the first place for holding the -- so in terms of it being underplayed, it's being underplayed in the U.K. debate, which is a concern for the outcome.

And the last point about defining underplayed, I think what do you mean by that? My concern would be that it's not -- it's unlikely to be a layman's event, something that immediately causes a great shock. It's more likely to be analogous to the default by Paribas in 2007. When it happened, everyone said what's that? The world carried on for another year and a half with people saying something saying that the securitization started slowing down, but employment kept going, and (inaudible) kept rising, but there was a change in the world. What's the change in the world? It's the basic threat to the European project, which arises notwithstanding the fact that the U.K. is outside of the euro, and only a member of the European Union.

So I think on top of everything else, you have to be very careful when you ask the question, is it being overstated. What do you mean? Is it Paribas, or is it Lehman. And Paribas was very, very dangerous although at the time almost unnoticed event.

MR. WESSEL: Question here? Down in the front? Oh, thanks. Why don't we -- we'll take this question, and then if there's another one two, we'll them, and then --

SPEAKER: I'm very interested in the talk about the history, and the negative impact that Brexit could have on European integration.

Probably the most important thing I read and studied it like I did in graduate school was Tony Judt's about the history, post-war history of Europe. And I think my question's really for Bertrand more than anything, because that book tells about how important France was in bringing the countries of Europe together in the Union.

And I hope France will play a good role in preventing the disintegration of the European Union if there's a yes vote on Brexit. And my question really is what can the rest of Europe do to try to get a no vote on Brexit? I know that it's difficult. Obama did it a little bit recently to interfere in internal politics of a country, U.K.

Is there anything that you can think of, or others could think of about how France and other countries could help get a no vote on the --

MR. WESSEL: Okay. Let's take Philippe, and then there's a woman on the aisle here.

SPEAKER: Yeah. On this one, I heard it's the French to get involved --

MR. WESSEL: Yeah, we're going to take three questions --

SPEAKER: -- as least as possible, but I'll look forward to hearing Bertrand on this, and others. For Heidi, a question on FDI, and also getting back to Mr. Longworth's point that we needed, that the U.K. needed help from outside of the EU. I'm wondering if Chinese investors, in particular, would be keen to keep coming to London or to the rest of the U.K., including Northern England, the famous northern powerhouse, if the U.K. was out of the EU? And I really have strong doubts about it having heard Mr. Wong Jeng, who is the head of (Chinese), one of the biggest investors in Europe, actually, at the moment, and also having President Xi Jinping, who recommended that the U.K. stay in the EU.

MR. WESSEL: Okay. Thank you. And please tell us who you are. I've been remiss in that. Asking people to do that.

MS. REILLY: Thank you. I'm Hillary Reilly from the Embassy of Ireland, and if I could just make a quick comment, if I may, as Ireland has been mentioned. It is a key issue of strategic interest for us as a major partner and close friend, and the only EU country with a land border with Britain. At the same time we recognize it is the matter for the British people, and it's their choice.

But just on to pick up on one point on the border, if there is an (inaudible) and the border's destiny on the island would not be determined just by the Irish and British governments. The outcome would probably be a result of a wider negotiation of the EU, and, therefore, I suppose nobody could say with any certainty that nothing would change or, you know, would be in sort of uncharged territory, and we would have to see but it is.

And on the economic side as well, we have 1.2 billion worth of trade every week in goods and services between Ireland and Britain, so that is huge for us in terms of any impact. But as we say, it is a matter for the people.

MR. WESSEL: So two questions I think. Bertrand, what can Europe and France do most constructively if it thinks a no vote is in the interest of the world?

BREXIT-2016/05/06

MR. BADRE: I'm not sure we can do much, and I'm not sure it would be constructive whatever we do because, again, it would be (inaudible) it's difficult. It's all the more difficult as every European country has its own internal domestic political agenda.

And the situation in France is really hypersensitive on all these issues, so it's, I think it's very difficult. So we had some (inaudible) from a soft economy to go to the U.K. and say, well, if you (inaudible) we would lay out the red carpet for the city to come to France. I'm not sure it's helpful. It's nice. It was a kind of return of the red carpet after a 75 percent marginal tax rate proposed by Allende --

(Laughter)

MR. BADRE: It's very constructive. So not much that can be done --

MR. WESSEL: Any of you have a view on how the Chinese would look at investing in the U.K. if it chose to leave?

SPEAKER: I think a larger question of FDI is an important one. And I know Prime Minister Abe was just there saying that Japanese companies are going to have to come to grips with exiting and new investment. One of the key selling points is an entryway to the European single market.

So to the extent -- and I think there was a survey that Ernst & Young did of all its clients to see when they invested in the U.K., what were the drivers and 70-plus percent said as a gateway to the single market.

So I think that's something that needs to be considered just both in terms of the existing companies that have found a wonderful home in the U.K. It's a great place to live. It's a fabulous place. But if you are making a commercial decision to invest, and part of that decision is based on an entryway to a market that won't be there anymore, I think that's significant.

MR. WESSEL: Yes. But could you wait for a mic so people could hear you?

SPEAKER: EY published a report every year for nearly a decade now on the reasons why people invest in the United Kingdom. The European Union hasn't appeared in the top ten in several years at all, and when it has appeared, it's usually been ninth or tenth on the list.

There are all sorts of reasons why people invest in the United Kingdom, but it's not the European Union. It's because of time zone. It's because of the capital markets. It's because of language. It's because it's a liberal economy, et cetera, et cetera.

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BREXIT-2016/05/06

Those are the things that are listed in the EY report, not the European Union. I find it quite remarkable that countries around the world that are much smaller than we are have been able to form trade deals with China, which Europe has, EU has failed to do. So I'm quite confident that we can actually have a good trading relationship with China. You may nod your head, but I'll tell you, there are lots of countries around the world that are smaller than we are that have trade deals with China.

And the fact of the matter is that when we have our independence day, our independence day on the 24th of June, we'll be able to start to have those negotiations with countries around the world, and trade will actually increase.

VETERAN: Tim, you want --

MR. ADAMS: I think you should look at the quality of those trade deals. They're not all the same. There's huge differences, and they don't have the leverage of getting good deals.

That's one good thing about U.S. free trade deals. They tend to be the gold standards. So I wouldn't hang your hat, and I wouldn't want to replicate what those countries --

SPEAKER: (Off mic.)

MR. ADAMS: I would rather have a good trade deal than one that puts you at a disadvantage. I wouldn't get my knees and beg the Chinese to give you special status, and if that's what you want that's your decision.

SPEAKER: Off mic.)

MR. ADAMS: You know, I was just sitting in London ten days ago in a law firm that does M&A activity. No activity. The pipeline is absolutely empty. No one wants to do any deals, especially from outside the country, until there's some sense of certainty with what's going to transpire.

So I'm just telling you what I saw and heard from one of the biggest M&A legal firms in London, and I think without that certainty of what London is going to look like. If you think that U.S. and foreign investment bank institutions that use London as a passport into Europe and going to stay, I think you've lost your mind. I think they're going to migrate.

SPEAKER: (Off mic.)

MR. ADAMS: If they had lost their capacity to passport into Europe, why would they be -- all the euro clearing is leaving. I don't -- I think it's to Paris or Frankfurt. London, the city, will be a very

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different place five years from now than it is today. I can assure you that. And that's a cross you'll have to bear. Maybe that's a deal you're willing to make.

MR. WESSEL: Okay. All right. I think -- the good thing -- sometimes you worry about these things being boring --

(Laughter)

MR. WESSEL: -- and having furious agreement by people saying it would be better if we all loved our mothers, and we're nicer to our kids.

I want to thank Fiona and the Center on Europe and the United States for including me in this because I think it really does show what we're good at here. Bringing people together who have different points of view, but can conduct themselves in a civil manner to disagree in hopes of enlightening us.

MR. BADRE: That's what Europe is about.

(Laughter)

MR. WESSEL: Okay. Fair enough. Please thank everybody --

(Applause)

MR. WESSEL: My colleagues here at Brookings would appreciate it if there are cups or papers that at your feet if you'd pick them up and put them in the recycling.

And again, thank you all for coming. And thanks particularly to the panelists, especially those that came from abroad.

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