

Thoughts on Brexit: the end of an era for Europe

June 23rd, 2016, marks the end of an era for Europe. Is business prepared for the possible fallout ahead?

June 16, 2016

Warning: fallout ahead

Tony Barber, Europe Editor for the Financial Times, was interviewed at the 2015 IESE Global Alumni Reunion in Munich.

I think for a long time businessmen grew accustomed to the idea that life carried on without too much disruption. These days, manifestations of disorder and outright violence and state breakdown reflect the shifting balance of global power. The potential negative impacts of Britain leaving the European Union are rather more serious than many businesspeople may have understood.

If the vote on membership in the European Union goes *against* staying in, it would have an instant effect on the public mood in Scotland. It would probably trigger a second referendum on the independence of Scotland, because Scotland wants to stay in the EU. And it would raise the chances of Scottish secession to a very high level, in my view. It would also have an instant destabilizing effect on peace settlements in Northern Ireland, and an impact on secessionist movements elsewhere around Europe. The whole thing would give a boost to populist forces, particularly those on the far right.

Overall, the destructive negative effect of Britain leaving the EU on the kind of orderly conditions that business needs to flourish would be rather serious. And this is something business needs to keep a close eye on.

Causes and effects: a continental view

Alfredo Pastor, Professor of Economics, was interviewed at IESE in Barcelona.

In my view, the determinant of this referendum is probably the refugee crisis. The British are very sensitive to the possible effects of massive migration into the UK. I think that has been the final straw.

From the economic point of view, there are going to be losses, immediate losses. What will happen 30 years from now, nobody knows. But immediately, neither one side nor the other should expect any sort of tangible benefits.

On the culture side, the British may think that they have nothing to learn from Europe — I don't know, that's for them to say. In the case of Europe, the exit of Britain would be a great loss. Britain has always been a part of Europe and their contribution to European culture, to the European way of doing things, is something that will be sorely missed.

The Brits certainly have valid reasons for wanting to leave the European Union. And what that says is that European governance and the European way of operating have to be reformed, and reformed relatively quickly.

So, the lessons that the European authorities should take from this episode of the Brexit vote, whichever way it ends up, is that many people have relatively valid complaints and they should be attended to.



<https://www.youtube.com/embed/ULciOlxYDJ8>

www.iese.edu/insight