

## UK Votes to Leave European Union

*U.S. Exporters Wary: Global Trade Implications of Britain Leaving EU Still Under Debate*

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Today is the day that many in the international community dreaded but thought would never come. After going to the polls yesterday on a referendum whether to leave the European Union, the results became known in the early hours this morning in Europe: Britons voted to leave the European Union.

Fifty-two percent of voters opted to “Brexit.”

At the political level, the vote marks an upheaval. It means that the Brussels and London will have to enter difficult and unprecedented divorce negotiations.

The UK’s decision may encourage other EU member states to reconsider their membership in the European Union. For the United States, it means working “to preserve and reanimate the special relationship” between the two countries, noted Damon Wilson, executive vice president of the Atlantic Council, a Washington-based think tank, during a U.S. presidential campaign season in which America’s role in the world is being debated.

“This is an enormous earthquake that will have many aftershocks,” Wilson added. “This is a very strong call to...turn the European Union into something that’s not synonymous with no jobs, low growth, and austerity, but rather...a driver for future prosperity and growth. For the United States, it means stepping up our efforts to keep the United Kingdom engaged in the world and working with us to ensure that the special relationship isn’t just a fond memory of the past.”

In anticipation of vote, the value of the British pound spiked and the U.S. stock market was up 200 points, indicating that investors anticipated a “remain” vote and that they preferred that outcome. The uncertainty that comes with the “leave” vote is never viewed as positive in capital investment.

In the immediate aftermath of the vote, the British pound crashed, sinking to 30-year lows.

### **Impact on U.S. Exporters**

U.S. trade representative Michael Froman seemed to echo Wall Street’s apprehension. In a Reuters interview, Froman stated “I think it’s absolutely clear that Britain has a greater voice at

the trade table being part of the EU, being part of a larger economic entity. We're not particularly in the market for free trade agreements with individual countries. We're building platforms ... that other countries can join over time."

Froman's position reflects that of President Obama, who asserted during a speech in London that the U.S. would not start talking trade with Britain separately if they chose to leave the EU.

Proponents of Brexit believe such restrictions will not last long. "The United States would presumably, very shortly, after Brexit, conclude a free trade agreement with Great Britain and will continue to have ordinary relations with the European Union as before," said Marian L. Tupy, a senior policy analyst at the Cato Institute.

Republican presidential candidate Donald Trump expressed doubt as to whether Brexit would have any measurable impact on trade between the United States and Britain.

In an ITV interview with Piers Morgan, Trump said he had "no preference" on the pending vote, but admitted, "I think if I were from Britain, I would probably not want it."

However, he also reassured importers and exporters that in a Trump administration, a Britain outside the EU would not go "to the back of the queue."

Democratic presidential nominee Hillary Clinton has urged the UK to remain within the EU.

### **End of the EU?**

Much of the speculation surrounding Britain's EU departure is focused not on what happens next in the UK, but what happens to a weakened European Union. While trade with Britain accounts for just three percent of the U.S. total exchange of goods internationally, U.S. trade with the EU accounts for nearly 20 percent of all imports and exports.

If Brexit sets a precedent, a potential EU collapse will have profound ramifications on global economies and global trade markets. That means uncertain times for U.S. exporters.

"It is worrisome," Joshua Feinman, chief economist and managing director of Deutsche Asset Management in the Americas told the *Los Angeles Times*. "You don't know what the fallout will be."