

# 16101 Brexit would damage EU members too, leading economist warns

Jill Treanor Monday 15 February 2016 The Guardian

The UK's exit from the European Union could leave weak member countries exposed to a rise in migrants and reduce the influence of the remaining 27 states on the global stage, according to a leading economist. Jennifer McKeown, senior European economist at Capital Economics, said: "The EU is in a precarious state already, with GDP in most countries still below its 2008 level, refugee inflows adding to pressure on resources and policymakers struggling to respond.

"The loss of an important member would damage confidence within the region and reduce the EU's influence in global negotiations, giving it less scope to negotiate in favour of its economies. What's more, Brexit would confirm that the union is not irrevocable and, if the country did well, others might be tempted to follow. So it would deal a damaging blow to sentiment within the region and perceptions from outside and may even present an existential threat," she said.

Much of the focus on the UK's referendum concerns the implications for the UK economy. However, McKeown said there could be significant damage to the economies that stayed in the EU. "We have argued that both the potential costs and benefits to the UK of leaving the EU would be small over the medium term. But this is not a zero-sum game and while we doubt that Brexit would have any significant benefits for the rest of the EU, the damage to those economies could be significant," she said.

There were some positives: the financial sector might benefit from some subsidiaries being established in EU countries. HSBC has said it could move 1,000 jobs to Paris from London in the event of a Brexit.

Among the negatives McKeown lists are the impact on immigration. The UK, she said, receives the second largest number of migrants – Germany receives the most. "If it left, it would probably limit immigration, particularly from emerging Europe, implying bigger flows into other rich EU countries. This might boost activity in those economies. But, as the UK would be likely to cherry pick the immigrants that it accepts, those that moved to other EU countries could be less productive," she said.

"And immigration could be a problem for eurozone economies where unemployment is high and wage pressures are weak."

McKeown said there could also be negative implications for the EU budget because the UK is the second largest contributor after Germany, and also for foreign direct investment.

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