



UK: Referendum campaign starts here

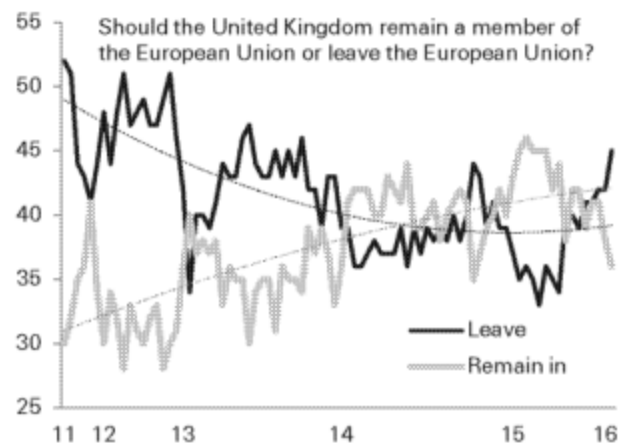
- This week's draft UK/EU agreement, if ratified at the EU Council meeting on 18/19 February, looks set to provide a blueprint for the PM to campaign vigorously for the UK to remain a member of the EU in a June referendum. A swift vote should limit the fallout from delayed investment – assuming of course a vote to remain in. We see it being a close vote, similar to that of Scottish independence in 2014, for the UK to remain a member of the EU.

A blueprint to campaign for continued EU membership

In November last year UK PM David Cameron wrote to European Council President Donald Tusk with a list of reform requests ahead of a referendum of the British public on whether the UK should remain in or leave the EU. Over the past three months negotiations in Europe have stepped up, culminating in the publication this week (Tues 2 Feb) of a draft agreement.

While the details must yet be ironed out ahead of the quarterly European Council summit on 18/19 February (when the 28 European Member State leaders decide on whether to ratify the agreement), Mr Cameron's response was sufficiently positive that he believes it is a workable agreement with which he can campaign to remain in the EU. This makes an early referendum – June 23 this year is that date that is being considered – much more likely.

Figure 1: Brexit risks have risen, according to some polls



Source: Deutsche Bank, YouGov

Figure 2: A swift vote should reduce risks to FDI



Source: Deutsche Bank, CIA

Mr Cameron had originally listed four areas in which he wanted reform in Europe: i) immigration, ii) sovereignty, iii) governance and iv) competitiveness. All of these issues were addressed in the EU's response, though in each case Mr Cameron's proposals were watered down to some extent. As such, the deal is unlikely to persuade hard-line "In" or "Out" voters to change their opinions. If marketed successfully, however, we believe they will provide an important basis for the PM to influence more of the undecided to vote to remain in the EU as opposed to leave.