

Center for Strategic and International Studies

CSIS Press Conference Call: Brexit

Speaker:

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Moderator:

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OPERATOR: Ladies and gentlemen, thank you for standing by. Welcome to the CSIS press conference call on Brexit. At this time, all participants are in a listen-only mode. Later we will connect to question and answer session. Instructions will be given at that time. If you should require assistance during the call, please press star then zero. As a reminder, this call is being recorded. I would now like to turn our conference over to our host. Ms. Heather Conley, please go ahead.

HEATHER CONLEY: Well, good morning, everyone. Thank you so much. We thought it might be helpful if 24 hours before the vote begins that we have an opportunity to share some perspectives, some reflections on tomorrow's referendum and its aftermath. We will have a commentary piece coming out momentarily, which we will send to you as well. So what I thought I'd do is just share some observations and then turn it over to you for any questions. And I'd also welcome your reflections as you're watching this referendum unfold.

So, I mean, the good news is that in 48 hours we are going to the answer to the question of whether the U.K. will remain or leave the EU. The bad news is, no one knows, in fact, how this – what decision will be reached. Quite frankly, as I look at this from a European and a transatlantic perspective, this is probably going to go down as one of the greatest political gambles of our generation. But it certainly will be a democratic renewal of the U.K.'s membership in the European Union if, in fact, a decisive vote to remain is what comes to pass.

The reason that no one knows this, for several reasons. The United Kingdom does not have a historic reference for holding referendums. Having one every 41 years is just insufficient for us to understand how this works. And as we've seen, there have been extraordinary challenges to even polling what this will be. Quite frankly, polls to me are a data point, but not going to be informative of how this decision is reached.

We've had differences of views whether you are telephoned for your opinion or whether you are reached online. Even the bookmakers, while there is a very strong preference in the bookmakers for a remain decision by the money – the amount of money that has been put on the bets, the number of bets demonstrate more for leave. So even the bookmakers send us a – potentially a conflicting message.

So because we have no real sense of confidence and polling, we can only look at turnout. And turnout is and will be the key to this outcome. And this may all come down to the weather forecast. And tomorrow's weather is not very good. So they're calling for thunderstorms, heavy rains in some areas. So we will see if the weather is going to be an important factor in turnout. So the question, and every one of us that are trying to figure out what tomorrow and how late we're going to stay up to watch this, when will we know?

Well, there are no exit polls for this referendum. Some hedge funds have said that they are going to do some private exit polls. I don't know how and if some of that data will be taken or will influence this. The polls close at 21:00 GMT. So my sense is, for both the sort of Eastern Daylight Time, we may have some results trickle in the late evening here in Washington time, particularly for very small constituencies and polling centers that can release those figures early.

And what we don't – I don't have a sense of is how high the usage of absentee ballots has been. So this could also slowdown voting, if there's a high percentage of, you know, hand-counted absentee ballots.

So what I'm watching for tomorrow is I'm looking out – if turnout is high in the key remain areas, which, of course, is London and Scotland. I'm actually watching Scotland quite closely, and how that turnout works. So the experience with the Scottish referendum of two years ago, we saw extremely high turnout. It's unclear to me whether there will be a motivation within Scotland to turn out for this.

Mixed views on that. So I'm going to watch how busy polling centers are in Scotland. If this is a close outcome, I think it's going to be a very long night. And we may not know until Friday morning. And markets will open. And, of course, we'll sort of watch how Asian and European markets handle the news.

So what happens when a decision is reached? And I'd look at this in two ways: Will it be a very close decision, or will it be a decisive choice? My fear is that if it is a close decision one way or the other to remain or to leave, that the sense and the desire to re-litigate that outcome will be very high.

And I think this actually has the most – it will be quite uncertain, even though the decision would be reached, because if there's a very close decision to remain I think you will see where the leave camp, particularly within the Conservative Party, are going to try to overturn the decision. They will say that, you know, the ballots were inappropriately sent to voters that should not have voted, the pamphlet that the government released was against it.

You're going to see where there are going to be attempts to re-litigate it. If it's a close decision to leave, and the market turmoil that ensues, it may make people pause to say, well, this referendum was advisory. It is not politically binding. We have to take some other steps. So it's just, I think, adds that uncertainty that is unclear.

So we hope for a decisive outcome. Clearly if there is a decisive outcome to remain, that will be an enormous relief to David Cameron, who has staked certainly his political future on this decision. But it may actually raise questions of what in the world was this all about. This is a cost to the British economy economically, just even holding the referendum. While, as I mentioned earlier, it does democratically renew the U.K.'s membership in the EU.

What will happen in the next several days is the EU has been holding back on so many decisions because they did not want to in any way affect or disturb this referendum. You're going to see a whole lot of Europe roll out in the next several weeks. And that may exacerbate those Euro-skeptic forces even more. So this will be, I think, very much watching how David Cameron manages a decisive vote to remain, how the Tory Party can come together. The Prime Minister offered that he's going to focus on reuniting the party, getting on with the business of his government and his agenda. I think we'll have to watch how those political forces are able to look forward.

But again, I'm wondering, even if there's a decisive vote to remain, whether the fight will continue. David Cameron mentioned in an impromptu press conference that he is going to fight for reform of the freedom of movement in Europe, and of course, he has already been clearly told that the freedom of movement is non-negotiable. So does this, in fact – does the U.K.-EU ongoing bureaucratic struggle, in many ways, does this continue even if there is a strong decision to remain?

Of course, if there is a decisive vote to leave, we are in a completely new ballgame. I think it is unclear how long the prime minister is able to politically survive. What the leadership challenge would look like, who would lead, then, a leave negotiation with the EU, clearly the market reaction will be, I think, quite visceral.

And what we really, truly don't know is how the divorce proceedings will look like. This has never occurred. A member of the European Union has never made a voluntary choice to leave. The EU has only enlarged. We don't know how this works and its impact not only on the U.K. economy, but other European countries. Spain has an election on Sunday, a re-election because they could not form a government. This has important implications, if there's a leave decision, for the French presidential elections next year and for Euroskeptic parties across Europe, which will feel very emboldened by this step. So we are going to be watching history unfold if that were to occur.

So, with that, looking forward to your questions and comments that you may have.

OPERATOR: Thank you.

(Gives queuing instructions.)

We do have a question from the line of Zaid Benjamin with Radio Sawa. Please go ahead.

Q: Yes, thank you very much for holding this conference call. My question: How do you see the U.S. reaction to the referendum? What's at stake on the U.S.-U.K. relations?

MS. CONLEY: Thank you so much. Well, I think it's been very unfortunate the U.S., quite frankly, hasn't been focusing on this referendum at all – with the exception, obviously, when the president traveled to London and was very focused on the referendum, and encouraging a strong U.K. and a strong EU in unity. Quite frankly, other than, you know, financial markets interested and watching this, there has been very little recognition and reaction. We've been very consumed by the U.S. presidential race. So I don't think we've even begun to assess what this – what this would mean should there be a decision to leave.

I would assume that there has been a lot of coordination between the Treasury Department, the Federal Reserve, the Bank of England, as well as the European Central Bank because, first and foremost, there does have to be some contingency in the markets to ensure that there is sufficient liquidity. Just, again, market reaction could be incredibly volatile on a Friday in summer, where trading is low. So this could really be quite, quite significant.

But I don't believe, politically, there has been any preparation for what this means for the U.S. Again, a lot of this will depend on how the U.K. government is going to address a leave decision; how Europe is going to respond to it, whether there will be pragmatism or punishment – and there is a desire for both, to be honest with you. And really what the U.S. role will be – will the U.S. serve as a – as a broker, in some ways, to help the U.K. and the EU come through this if there is a leave decision?

But even if there is a remain decision, quite frankly, I hope – this is not the way we want to go about this, but this should be a wake-up call that the U.S. still has a vital role to play in Europe. We've left that role somewhat, and we may have to revisit it. And a leave decision, tragically, might be what requires a more strong, engaged U.S. presence in Europe. But unfortunately, this is not – the timing of this referendum is not hitting us in a particularly opportune moment, in the waning days of an administration in the middle of a very – a very challenging political domestic environment for the presidential election. So I think that, to me, is also a(n) open question, of how much the U.S. is going to engage in this process should there be a leave decision.

OPERATOR: (Gives queuing instructions.)

There is no one in queue right at this time.

COLM F. QUINN: OK, folks, thank you, again, very much for joining this call. We will be sending a transcript of remarks shortly after. As Heather mentioned just before, we will have a full commentary from Heather that will be – should be winding its way to your inboxes any second here. We'll, of course, be available, whatever the result, tomorrow and in the coming days to discuss. So please don't hesitate to contact myself, Colm Quinn, or our media office. Thank you very much.

(END)