

There is no insurance policy against Brexit doing us damage

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The City on Brexit

IT'S a cliché already – but like many clichés it contains a great deal of truth: on June 23 the people of the UK will make their biggest political decision for a generation. EU: in or out?

On balance, I'm in. I don't think it is my place to tell people how to vote. And I come from New Zealand – so I've got no axe to grind.

But as chief executive of Aviva, which manages about £350 billion of assets globally and has 33 million customers, with 16 million in the UK, I think it is my responsibility to state some of the risks to consider.

Aviva's business is built on managing risk. That is what we do. We take everyday risks and pool them together so people, businesses and economies can function. We assess risks – and whether they are worth taking. So what would be the economic impact of Britain leaving?

For me, this issue boils down to four main economic risks:

■ The impact of uncertainty on sentiment: namely business, consumer and market sentiment. In the face of uncertainty, markets become volatile. They demand a price for this extra risk. What's the inevitable result? A fall in confidence, a fall in equities and a fall in sterling. The question is: by how much and for how long?

■ Trade. I'm in favour of free trade. Putting up barriers to trade is usually a backwards step. It's not only tariffs and quotas, it's the non-tariff barriers from leaving a single market that will slow trade and hurt UK exports.

■ Lower growth. The net effect would be the real risk of prolonged lower growth. That's the short-term shock of exit: PwC's independent report last week found this could have an impact of up to £100 billion in the short term. But after that shock subsides, they forecast that the lower level of GDP is locked in for the longer term – with PwC predicting 1.2% to 3.5% lower GDP in 2030. Doesn't sound much? It could be £25 billion to £65 billion permanently wiped off the economy. That's more than the UK's entire defence budget.

■ The impact of all this uncertainty on the City of London. The City is the gateway to the EU and the envy of other financial centres. Do we really want to close that gate?

And we'd have to negotiate new trade agreements – with no guarantees. How long would that take? Seven years? That would be typical. A decade? Do we really want a decade of uncertainty? Because uncertainty is kryptonite to business.

Most importantly, what would Brexit mean for people like my customers? If economic growth slows people will be poorer and there will be fewer jobs. If the stock market falls, their pensions will be smaller.

Of course there is another side to the debate. There are many things about the way the EU works I would want to change.

Would I like to see it become less bureaucratic? Of course I would. More competitive? Absolutely. More

externally focused and pragmatic? Indeed I would.

Some people will rightly ask: is the EU even capable of change? I'm cautiously optimistic.

I see some positive signs. Not just the Prime Minister's reforms – which puts competitiveness higher on the agenda – but in the work already being done by Britain's EU Commissioner, Lord Hill, from within the organisation.

In the past year, we've not only seen a slowdown in the flow of regulation, but he is now consulting on which regulations are too burdensome or are causing unintended consequences.

We are starting to see a different tone from Europe – and one I encourage.

As a businessman, my main focus is on looking at the EU through an economic lens. But let's not forget the political risks. The European Community was born of a shared desire to stop conflict and wars between member states and it has been spectacularly successful in doing so. And the past 70 years have been the most peaceful period in the entire, turbulent history of the nations of the EU.

That must be at the forefront of our minds – particularly in today's fractious geopolitical world.

So where does it leave us? At the end of the day, this is a question for the people of the UK to decide.

But I will say this: do we think leaving the EU is worth it? On balance, I think not.

Because there is no insurance policy against Brexit.

■ *Mark Wilson is chief executive of Aviva*