

# Minor relaxations of immigration policy will not make up for the economic impacts of a Brexit in the UK or India

 [blogs.lse.ac.uk/southasia/2016/06/21/minor-relaxations-of-immigration-policy-will-not-make-up-for-the-economic-impacts-of-a-brex-it-in-the-uk-or-india/](https://blogs.lse.ac.uk/southasia/2016/06/21/minor-relaxations-of-immigration-policy-will-not-make-up-for-the-economic-impacts-of-a-brex-it-in-the-uk-or-india/)

2016-6-21

*As the EU referendum approaches, Swati Dhingra considers how a Brexit is likely to affect British Asians and India's economy. She writes that although Leave promises of eased immigration restrictions on Indians might appear attractive, they cannot make up for the severe economic consequences on the British, EU and global economies that a vote to leave would entail.*



This week, Britain faces a choice. Remain part of the European Union and recommit to the European integration project, or leave and seek a new role in the global economy. This choice will have far reaching consequences not only for how Britain is governed, but also for Britain's economy and the well-being of British citizens.

The vote has potentially significant implications for the India-UK and India-EU relationships, as well as for the large Indian diaspora living in the UK (virtually all of whom are eligible to vote either as UK or Commonwealth Citizens). Key questions around the economic consequences of a Brexit are therefore of interest to Indians in both countries: Who will be Britain's trade partners in the twenty-first century? Where will British firms do business? Who will be able to come and work or invest in Britain? Would leaving the EU make the world economy better off or worse off?

The EU is Britain's largest trading partner, and the economic consequences of leaving the EU or re-negotiating Britain-EU policies will have wide and complex effects on the British economy. Trade, foreign direct investment, migration and economic regulations would all be affected if Britain exits the EU. Trade costs between Britain and the EU [would rise](#) because of tariffs and non-tariff barriers like divergence in regulations and missing out on future steps towards integration. Britain can try to strike a deal like Norway to reduce these trade costs and access the Single Market, but would need to accept over 75% of EU regulations without having any say in their policymaking. Britain could try to do a Switzerland type deal with the EU, but services trade will suffer because the Swiss option does not fully cover services trade.

Just from reduced trade, Brexit would reduce British income by 1.3% and 2.6%, depending on whether the post-Brexit world looks like a Norway type deal or the default of World Trade Organization membership. And once the long-run effects of Brexit on productivity are included, the decline in income increases to over 5% according to [all credible estimates](#). The EU is Britain's biggest trade and investment partner, so any sovereignty gained by leaving the EU would come at a hefty economic price for Britain.

Where might India fit in all this? One might think that Britain could make up for this reduced trade and investment from the EU by trading more with faster growing economies like China or India, making a Brexit potentially more attractive to these countries. That is true, Britain can trade more with countries outside the EU after Brexit, but nothing stops it from doing that now. What might be gained by leaving the EU is that new trade deals are struck with non-EU countries. Is that likely? Today tariffs are already quite low and trade agreements are much more about harmonising policies, such as food safety regulations, so that businesses can easily trade across borders. It's unlikely that Britain would harmonise its regulations with that of China or India so it is questionable as to whether any new deals would have significant benefits.

Understandably, Britons have concerns about immigration from within and outside the EU. Being part of the EU, Britain has to accept free movement of EU citizens. In 2015, EU net immigration to Britain was 170,000 compared to 200,000 for non-EU immigrants. British people are concerned that immigration has put pressure on public services, wages, jobs, housing, and so forth. The Vote Leave campaign has sought to convince British Asians by suggesting

that fewer EU immigrants would make it [easier for Commonwealth citizens](#) to come and live and work in the UK. However, in the event of a Brexit it is unlikely that Britain would immediately open its borders to allow Indian immigrants to provide services in Britain as this has been a [divisive issue within the ruling party](#).

What is more, the reality is there is no evidence that EU immigration has harmed British workers overall or less skilled British workers in particular. This was true even during the recent financial crisis when demand was low and the supply of EU immigrants had increased from the enlargement of the EU. There isn't even any evidence that immigration has increased waiting times for national health services or harmed schooling outcomes in communities that have a large share of immigrants. Overall, just like population growth, [immigration has had a beneficial effect](#) on the British economy, which all citizens including British Asians have enjoyed.

The loss in British income from a Brexit is expected to be almost [as big as the loss from the recent financial crisis](#), and the fallout of this downturn would be felt in the EU economically and politically. Does this matter to India? A few rich quarters in India who make London their summer home would rejoice at the thought of a potential drop in the pound. But for the majority of Indians in India, this is yet another piece of bad news from the global economy. The EU is India's biggest trade and investment partner, and any business person knows that the best customers and suppliers are the ones who are economically stable. A crisis in Europe hurts us all, and the possibility of minor relaxations of Britain's immigration policy towards Indian workers after Brexit is not going to make up for the loss in economic activity for India.

Cover image: Composite of India flag (credit: [Ramesh NG CC BY-SA 2.0](#)), UK flag (credit: [Rob Howard CC BY-NC-ND 2.0](#)), EU flag (credit: [Yanni Koutsomitis CC BY 2.0](#))

*This article gives the views of the author, and not the position of the South Asia @ LSE blog, nor of the London School of Economics.*

## About the Author

[Swati Dhingra](#) is Assistant Professor in Economics at the Department of Economics and Centre for Economic Performance, London School of Economics and Political Science.



- Copyright © 2016 London School of Economics