City could still thrive after exit from EU, say economists

By Harry Wilson

BRITAIN could exit the European Union and keep its place as one of the world's leading financial services centres, according to leading City economists.

Gerard Lyons, the chief economic advisor to London Mayor Boris Johnson and the former chief economist at Standard Chartered, said the City of London's success was "not dependent" upon the UK remaining part of the EU.

Mr Lyons admitted it would be "optimal" for the country to stay within the union, but said there was no reason London would not remain one of the world's major centres of finance if the UK left the EU.

"If the British people voted to leave, I still think we could make a success of it whatever happened," he said.

His comments were supported by Jim O'Neill, the former chairman of Goldman Sachs' asset management business, who said the City should not be "constrained by dumb reform" in Europe.

"We should not be scared of it [leaving the EU] and exploring a world without it. The opportunities that are arising from the dramatically changing world are huge and I don't think quite a lot of people in our area, never mind people in Brussels, are that interested or understand it," he said.

Asked by MPs at a hearing of the Treasury Select Committee what his advice to the Government would be on the UK's relationship with the EU, he said: "Be bold, be global and don't worry so much."

Sir Nigel Wicks, chairman of the British Bankers' Association, offered more muted support for the ability of the City to prosper outside the EU and said it would be as much Europe's loss as Britain's if London lost its place as a major financial centre.

"The City is a benefit not just to the UK, but to the European Union. If the City did not exist... where else in Europe would it be? Now, I have respect for Paris, I have respect for Frankfurt, but I do not for one moment see them being able to replicate what we have in London," he said.

Sir Nigel cautioned that British bankers and politicians needed to show more "humility" if they were to persuade other EU members to support the UK's positions on financial services reform.

The Government has found itself at odds with many EU countries over issues such as bankers' bonuses, as well as the introduction of a financial transaction tax.

Mr Lyons warned that changes to European voting rules could mean the City faced an unstoppable coalition hostile to its interests and pointed out the UK was losing its ability to push policy in its own interests.

"France effectively has a veto to protect its agricultural sector, whereas we don't have anything really to protect the City and the change in voting structure, which is based, as I understand it, on population, means that we now have a minority in terms of anything to do with the financial sector. So we can be outvoted and some people fear there might be a structural bias," he said.

David Cameron, the Prime Minister, has promised a vote on EU membership should the Conservative Party win the next election, raising concerns about the possibility of the UK exiting the union.

Several foreign governments, including the US and China, have warned Britain of the consequences to investment if it leaves the EU, while many major businesses have privately made clear their fears about an exit.

However, Mr O'Neill and Mr Lyons said that in relation to the City, many of these warnings were overblown and that London enjoyed a virtually unassailable position as a top financial centre.

Mr O'Neill said London was "beautifully placed" and enjoyed the unique advantages of its "time zone, the language, and a huge and skilled pool of labour" that no rival was close to matching.