



EconoMag
Brexit: What's Next?
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Brexit came as a surprise for the press, the polling institutes and the financial markets. They had all anticipated a narrow *Remain* victory. Even *Leave* campaigners started the night by acknowledging their defeat. There were no accurate exit polls and results arrived slowly during the night. Many banks had some of their staff working throughout the night, so that they could adapt as quickly as possible to any outcome. The pound started to appreciate on Thursday evening as *Remain* was thought to prevail. Only to fall dramatically during the night to its lowest in 30 years, as *Leave* gained firmer ground.

Scotland, Northern Ireland and London voted strongly in favour of *Remain*, but this was not enough to offset the votes of the rest of the country. Apart from city centres, most of England voted *Leave*. Wales was thought to be a *Remain* stronghold because it receives a lot of subsidies from the EU, nevertheless it voted *Leave*. Even though most of the Labour party was for *Remain*, a sizable proportion of their voters went for *Leave*, especially in the North of England. Since the EU was enlarged to include Eastern Europe, there has been a strong influx of immigrants, and this is disturbing for many in the old industrial North of England. In addition to the geographic divide, there was also an educational divide. People with university degrees strongly voted *in*, school dropouts were in favour of leaving the EU. Lastly, there was also a powerful age divide: the older generation favoured *Leave*. Young Brits, who voted overwhelmingly to *stay*, feel that the older generation have stolen their future.

It is rather depressing to see how this election was fought. The *Leave* campaign made wild claims about immigration and the NHS. They claimed that remaining in the EU would bring millions of refugees, and that Turkish membership in the EU would put the frontier of Europe at Syria and Iraq, despite the very implausible Turkish accession. Nigel Farage's UKIP had an infamous poster of thousands of refugees. *Leave* also promised that the money saved on the UK's contribution to the EU budget would be put entirely into the NHS, the National Health Service. On Friday morning, to journalists' astonishment, Nigel Farage reneged on this promise, claiming it was a mistake. The campaign strongly divided the nation, and this culminated in the assassination of Jo Cox,

a Labour Member of Parliament, who was shot as she campaigned for Britain to remain in the EU.

There were many lies on the *Leave* side, but the *Remain* side never managed to put a positive case for the EU. Since British newspapers and politicians have used the EU as a scapegoat for decades, they could only warn about the consequences of leaving it. The Treasury, the IMF, the OECD, different think tanks all produced studies on the catastrophic impact of a Brexit. Foreign politicians and heads of state, including Barack Obama all warned against a Brexit. But there wasn't much praise of the EU. This was dubbed "Project Fear" by their *Leave* opponents, and they criticized this foreign interference. Claiming that an unhappy marriage is less risky than a divorce isn't particularly exciting.

It is fair to say that this will be a big leap into the unknown. David Cameron has already resigned. Boris Johnson is in a good position to replace him, but it is far from certain and it is unclear whether or not there will be a snap election to replace the Parliament. Negotiating the divorce from the EU will take at least two years, and it will be horribly complicated. But it will be even more difficult for British lawmakers who will have to make decisions about each and every European regulation or law, whether they want to keep it or abolish it. Finally this referendum could bring the end of the UK. Scotland delivered a strong *Remain* vote, and is already asking for a second referendum on Scottish independence. Brexit will make life harder in Northern Ireland if they have to close the border with Ireland, and it will endanger the peace process with the Catholic nationalists, 20 years after the Good Friday agreements that brought an end to this civil war. Also, Spain is again pressing its claim to Gibraltar, asking for joint sovereignty.

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