

“Independence Day”: A Seismic Shift in British and European Politics

The Political Consequences

Britain has voted by a decisive margin to leave the European Union. The final numbers have just been confirmed with a result of 51.9% to 48.1%.

This is a seismic moment in British politics and for the British economy. UKIP leader Nigel Farage has hailed today as “independence day” and the pound has fallen to its lowest level against the dollar since 1985.

So what is likely to happen next?

Reassurance

David Cameron will make a statement at 8.15am to appeal for calm and reassure the markets. The stock market and the pound have already plummeted and look set to fall further today. Meetings will be hastily arranged within the Bank of England and the Treasury to trigger stability contingency plans.

Leadership challenge

Despite the publication of a letter from 84 pro-Brexit Conservative MPs last night calling for the Prime Minister to remain in position, many prominent figures in the Leave campaign did not sign the letter and the pressure on the Prime Minister to announce his resignation is likely to be considerable. He has effectively become a lame duck Prime Minister overnight.

He is likely to make his intentions clear in the near future as the Conservatives seek to make an orderly transition, particularly in the context of the short-term shock which the British economy is likely to see.

Boris Johnson is the lead contender given his popular support among the Eurosceptic Conservative Party membership and in the wider country. Michael Gove, Liam Fox, Chris Grayling and other prominent Brexiteers are also well placed to see rapid promotions. George Osborne, who has fared badly during the campaign, and who is so closely associated with the Prime Minister is highly likely to leave the Treasury and his role as Chancellor.

The process for a leadership election

The process for a leadership challenge within the Conservative Party is for Conservative MPs to nominate themselves for the leadership. The Parliamentary Party will hold rounds of votes to whittle the contenders down, probably to two. The wider Party membership will then hold a vote between the final two candidates.

The new Prime Minister will may seek a fresh mandate as Leader, by holding a General Election.

Deferred reshuffle

As the Prime Minister is likely to step down in the near future, we are unlikely to see him undertake a reshuffle, leaving this instead for his successor. Maintaining the current Cabinet in the short-term, will also add to the impression of stability which the Government will be seeking to create in these uncertain times.

Legislation and key decisions on hold

The likely political turmoil which will fall out of today's vote will mean that the many legislative and political policy decisions will continue to be on hold. Seriously weakened, the Government will find it challenging to progress with key decisions on issues such as Trident or airport expansion until a new Conservative leader is in place. Even then, dealing with the divisions created by the Referendum will be challenging for the new leader. The bitter battle that has taken place between the two sides, with two-thirds of MPs supporting Remain, will mean the new leader has a challenge ahead to secure support for policy delivery. The negotiations for leaving the EU are also likely to dominate the legislative agenda.

Withdrawal from the EU

Attention will also need to turn to the process of withdrawing from the EU. The civil service will need to focus on the mechanics of withdrawal and at the same time recast much of its work towards securing trade deals for the UK in a post-EU world. This could see trade and the EU negotiation dominating the agenda of Government for many years to come.

The mechanics for a withdrawal from the EU will follow Article 50 of the Treaty on the European Union. It is up to the Prime Minister as to when he activates this process and there will be pressure on him not to do so immediately. The Government will enter negotiations with the European Union, who will operate under guidelines from the European Council, which is comprised of the Heads of Government of Member States.

Once invoked, Article 50 specifies a two-year exit period. Any extension to this two-year period must be agreed by the European Council unanimously. Although there is currently some discussion as to when the UK government would trigger Article 50, the UK would be unlikely to initiate this immediately; rather, lay foundations of an agreement in principle during Cameron's remaining time in office, and enter negotiations in the Autumn with a clear idea of what is feasible. Liam Fox is reported to have said that the UK would look to leave "around the end of 2019".

The faith in which the EU would negotiate is unknown. Remain had argued that the EU will exact 'revenge' during negotiations, in order to make an example of the UK, thus preventing domino referenda in countries like Spain and Greece, and to demonstrate

that States must contribute to the EU in order to reap its benefits. The French Government has already indicated that this will be the case. The lack of precedent, however, makes predictions difficult. The idea of the EU establishing some kind of 'associate membership' of the EU with access to trade but without free movement of people is also being mooted.

Implications for the rest of the EU

There are likely to be significant ramifications for the rest of Europe. In the Netherlands, Geert Wilders has promised to table a motion in the Dutch Parliament after the UK leave vote for a Dutch Referendum in the near future, and we could well see a domino effect as others seek to also secure their departure from the EU. EU leaders will be convening immediate emergency talks today and will issue messages of reassurance. This will also have implications for the upcoming General Elections in Spain this weekend and France and Germany next year.

Scotland

The votes suggest that unlike England and Wales, Scotland has voted strongly in favour of remaining in the EU. Pressure is likely to grow rapidly in Scotland towards a second independence referendum to enable them to remain as a country within the EU. Expect to see Nicola Sturgeon hitting the airways today and this weekend.

Northern Ireland

There are also questions being raised this morning about Northern Ireland's place in the UK with Sinn Fein pushing for a vote on Irish reunification. Many constitutional issues will need to be addressed in the coming days. There are likely to be strong divisions emerging on this between the Unionists and Nationalists in the coming days.

Labour

Despite the Labour party still being subdued and very much in shock from the tragic death of Jo Cox last week, many are deeply upset by the result. There are already strong recriminations of Jeremy Corbyn for his weak support of Remain and we can expect pressure for a leadership challenge in the Labour Party to grow in the coming weeks. Any leadership contender would need to consider the strong support for Leaving the EU reflected in Labour's North East heartlands. Rumours are already emerging of a leadership challenge taking place within the month.

Neverendum?

Both sides campaigned on the premise that the result, whichever way it goes, will be final. While the result is decisive, the nature of the campaign and lessons from the Scottish Referendum suggests that pro-Remain supporters will continue to voice their concerns in the coming weeks. Managing the tensions between both sides, not just in Parliament but around the country will be an immediate and ongoing challenge.

Conclusion

The implications of yesterday's vote are deep and wide-ranging with many questions to be answered. This is a huge constitutional change for the UK which has been part of the EU trading block for 43 years. One thing is for certain, the consequences will impact on our political landscape for years to come.

We will be keeping you updated throughout the day and you can stay up to date with our insight at [Interelinsight.com](https://www.interelinsight.com) and follow [@interelUK](https://twitter.com/interelUK) for live updates as they happen.