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Brexit and Its Aftermath

What Now for Britain and EU?

By Aédán Mordecai

Synopsis

Britain voted to end its long-standing membership with the EU and in doing so started a possibly long period of economic insecurity with global repercussions. Borne from the disillusionment of the working classes, many wonder what will be next for the UK and the EU.

Commentary

FOLLOWING THE 23 June 2016 ‘Brexit’ referendum, we have a clear picture of a divided United Kingdom: London and Scotland unequivocally voted to remain, however the white working class in England made the difference and swung the vote, allowing “Leave” to edge “Remain” in the end. This means the UK will begin the process of leaving the European Union. The country now enters a period of uncertainty, which could take years.

The lead up to referendum day contained the predictable toing and froing from both sides. The Remain campaign opted for the doomsday warnings (coined ‘Project Fear’ by the Leave campaign), focusing on the economic repercussions of leaving the largest trade bloc in the world. The Leave campaign went for vague rhetoric of how Britain would be in greater control of its destiny and released from the shackles of the cumbersome EU without ever truly outlining a concrete alternative.

The National Debate

In the background of the debate was the usual political posturing as ‘Leave star player’ and former Mayor of London Boris Johnson made his play to become prime

minister, hoping a strong Leave campaign would dislodge the incumbent PM. Upon realising that they could actually lose the referendum, David Cameron and George Osborne attempted to woo the electorate with their best impressions of men who genuinely care about the well-being of the average British family, which received a predictably bemused reaction from those on both sides of the debate.

The Prime Minister must now be regretting including the in/out referendum in his earlier election manifesto pledges to win over the far-right votes. Not taking lessons from the close call in the Scottish referendum, he gambled with the future of the country and lost, announcing he will step down.

The public in the meantime were bombarded with polls and predictions of varying degrees of reliability. In a final attempt to highlight the economic dangers of Brexit, three top institutions – the National Institute of Economic and Social Research, Institute for Fiscal Studies and Centre for Economic Performance – released a joint statement on 21 June warning: “A vote to leave the EU would almost certainly make us financially worse off compared with staying in the EU, quite possibly by a substantial amount.” It seems that the majority of the British public chose to ignore the almost unanimous expert advice, with the belief that the UK can go it alone successfully, in a vote that truly went against the establishment.

Why Did So Many British Want to Leave?

There were two main drivers to the argument for leaving the EU: immigration and sovereignty. Immigration was the key issue for most who voted to leave. Being part of the EU was seen as stifling the nation’s control over its borders, with foreigners seemingly unwelcome in many parts of the country.

The almost clichéd caricature of a foreigner, usually of Eastern European descent coming to the UK to steal jobs and claim benefits, is still a strong image for many British despite its paradoxical nature. This image continues despite the overwhelming evidence that European migration into the UK has been positive in many respects, making it difficult to not conclude that the push for ‘independence’ comes partly from xenophobia.

The second and arguably more credible argument is the issue of sovereignty. The EU is seen by some as an undemocratic institution that does not effectively represent the views of the UK public. With the UK being only one of the 28 members of the union, it does not have complete control of what is decided by the EU. However, the UK backs the majority of European initiatives and overall it is extremely hard to argue that the EU has worked against the UK.

Fundamentally, however, the vote stemmed from the disillusionment of the English white working class outside of London. With stagnant wages, lack of economic opportunities, and rising inequality compared with the South East of the country, the EU bore the brunt of their frustration in the vote. The Leave campaign, led by a group of millionaires, successfully persuaded the common man that leaving the EU would benefit them, despite critics arguing that the working class will be hardest hit by the decision.

What Next for Britain?

Initial turmoil is to be expected. The markets and investors did not want to leave and are already pulling out as much liquid capital as they can to safe havens such as gold, as well as the yen and the dollar. As expected, the pound has plummeted to a 31-year low (and will continue to drop in the near future), the FTSE 100, the UK's main stock exchange index, opened eight percent down. Politically, the future of the Conservative party is uncertain, with Boris Johnson touted as the next leader and even an early general election rumoured.

After Cameron steps down, the next prime minister is expected to invoke Article 50 of the treaty on the European Union, which will notify the EU of the UK's intention to quit the Union. The process will take two years as the EU and the UK negotiate a withdrawal agreement. The negotiations will include a replacement of all the current European agreements between the two parties. The UK would certainly want to renegotiate a trade deal with the bloc, but under what conditions?

The EU would be loath to offer favourable terms, so as not to encourage more countries to seek to leave. The EU will not allow the UK to be part of the European Economic Area (EEA) without accepting the free movement of labour with the EU. With the Leave campaign promising to get both a positive trade deal and curtailing immigration, it seems something has to give.

In the longer term there will be pressure on the UK as a union itself. With Scotland so strongly coming out in favour of Remain; there have been new calls for a referendum on its independence. The Irish Republican party Sinn Féin has already stated that after Northern Ireland voted to remain, they will also look at their options at possibly uniting with the Republic of Ireland.

There is also the question of the generational divide as young people overwhelmingly were pro-EU. After already coming of age in an era of stagnant wages and a tight economy, there is now a risk of a lost generation if the quest for independence backfires. While the apocalyptic scenarios are unlikely, sustained muddling mediocrity would not be surprising.

Future of EU

The EU is undoubtedly facing arguably the toughest period in its history as an institution. With the economy stuttering led by Greece's woes, and the refugee crisis highlighting the divides that exist within the European public, it seems that the Union has more fires to put out than it can handle. Britain leaving is a major blow, not least because of the domino effect it could have started.

The worst fears are that the nationalist groups throughout Europe are poised to demand referendums of their own, with Grexit, Swexit, Nexit and everything in between already being touted by the media as possible outcomes. Brexit could either be the straw that breaks the camel's back for the EU - or it could lead to a period of greater unity as its most troublesome member departs.

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