

# Kreab Special Report

## EU Referendum – The Results

### Headline messages:

- UK votes to leave the EU
- Close results (less than 55%) makes the UK a weakened force in the EU
- Internal divisions in both Conservative Party and Labour Party will mean EU related issues remain politically difficult



### Results:



### Key takeaways:

- 52% of voters chose to leave the European Union
- 72% turnout, 'a triumph for the democratic process'
- London and Scotland overwhelmingly voted for Remain, with majority for Remain in Northern Ireland
- Majority of Councils in England, (other than London) and Wales voted to Leave
- Process to start exit negotiations will need to be decided and outlined. Pound falls to a 31 year low

**Key highlights:**

- **Seismic economic shock-waves already felt:** The British people's historic decision has already sent economic shockwaves across the globe. In Asian trading (markets already open) The pound has suffered its biggest one day loss in history, with terms such as "freefall" readily being used. Economically, politicians, central banks and regulators will seek to allay fears and calm jittery markets ahead of European markets opening. However, expectations are for a 6% or more fall in the FTSE. The FT has more on how global markets are reacting [here](#).
- **Seismic political shock-waves expected:** Personnel changes are likely in the UK and there will be a lot of head-scratching at crisis meetings in London and Brussels. Some Tory influencers are suggesting Cameron should stay on to help stabilise the situation and work with a negotiating team (lead by Brexit leaders) to negotiate the divorce settlement with EU partners.
- **What next for Cameron?:** The defeat essentially condemns the Prime Minister's EU gamble and the Remain camp's support for EU membership. Chances of an imminent change of PM/leader (voluntary or forced) have hugely increased with this result. Many believe this could happen as early as today with some Cameron offering a statement of resignation.
- **Swing/undecided/no show voters made the difference:** While opinion polling was consistently tight in the build-up to the vote itself, it appears the large number of undecided voters (approximately 10% of the electorate) ultimately enabled the leave side to carry the day.
- **Divided UK: significantly different outcomes between countries/regions:** Overall England voted to leave in the EU by a clear margin, in contrast to Wales, Scotland, and Northern Ireland who voted to remain. Consequently, the UK now appears clearly disjointed in its perception of the EU, given the stark differences in opinion between different parts of the UK. This may well serve as a political boost to the independence campaigns, specifically in Scotland, and may lead to further referenda and ultimately a breakup of the United Kingdom.
- **EU stunned and scared as a precedent is set – who will be next?:** Broad reaction in the EU has been one of shock (see below for further detail) with the majority of EU leaders having hoped for a remain victory. Expect sombre declarations from EU leaders and institutions regretting but respecting the outcome and reminding the UK that out means out. There will be offers of a commitment to work with the UK to set about UK/EU relations on a new path but in parallel, there will be crisis meetings to avert further fragmentation and reassert authority.
- **Divided Tory party: What's Cameron's next move? Is it still in his hands to decide? Who will emerge from the ashes to take control?:** From an internal conservative party perspective, the issue of solidarity/loyalty will be a key troubling issue for the Prime Minister in the coming hours/days. More than half his party is openly eurosceptic and his gamble has not paid off. Will he resign? Or will he try and stay on in a caretaker capacity in order not to further exacerbate uncertainties? Will the party allow him the luxury to decide his own fate after the outcome and such a bitter and divisive campaign?

**Assessment and next steps:**

After a passionate but bitter campaign, this vote has dealt a devastating blow to the UK, the EU, and the Prime Minister whose gamble has demonstrably failed to pay off. What was arguably originally intended as a pre-2015 general election move to re-unite his party and win back voters thought tempted by UKIP has politically spectacularly back-fired.

**The implications of Brexit are far reaching**, and EU leaders will now look to reassure their own electorates and mitigate any contagion risk – be it political, economic or financial stability related. The ball is for the time being in the UK's court. Whilst EU leaders will afford the UK a grace period to sort out the domestic political fallout, they will quickly expect the outline of a plan as to how the UK intends to leave, turning to the complicated and likely lengthy process of a negotiated divorce settlement. EU policy issues which had been put on hold for the duration of the campaign, such as CMU, TTIP, migration, and the EU budget, will have to vie for EU leaders' attention. Many leaders will want to send a strong message that a Brexit can be managed and does not bring the EU to its knees but it's clear that the uncertainty regarding the future relationship will hang heavy in the immediate short term.

**The upcoming Council Summit (28-29 June) will likely be brought forward to this weekend** as leaders try to digest the result and decide how to proceed. We expect emergency Commission college meetings over the weekend too and no doubt there will now be added interest in statements emanating from the EU's 4 Presidents (Junker Commission, Tusk, European Council, Schulz, EP and Rutte Council) meeting this morning.

**Given we are in uncharted territory, it is unclear exactly what happens next.** The next steps depend fully on the choices made by the UK and Prime Minister Cameron. Under the formal conditions set out in Article 50 of the Lisbon Treaty, it is up to the UK to notify the EU when it wants to begin the exit process. While EU leaders will likely push for this to happen as soon as possible, there may well be a delay from the UK side to allow reflection and consultations on next steps.

The UK's response to the EU will also depend on clarity on the domestic political front - having campaigned for the UK to remain a member, and having lost both the electorate and a large majority of his own party in the process, **David Cameron's position looks highly precarious.** EU leaders will have to be patient as they wait to find out just who they will be dealing with when it comes to the divorce settlement. Even if Cameron were to survive the immediate aftermath, there's a sense that triggering article 50 will be done by the next PM, assuming Cameron's days are numbered.

**The direct and immediate implications of a potential Cameron resignation remain unclear at this stage.** Given the divergent views in different parts of the UK – particularly Scotland and northern Ireland vs. England and Wales) it would seem the very foundation of the United Kingdom has been shaken by this result. While some see Boris Johnson as a natural contender to replace him, it is not certain he has enough support from Tory MPs to win. Consequently, there will be much short term uncertainty in the UK and the EU as to what today's historic outcome means. What's clear is that neither the UK nor the EU will be the same again, with both risks and opportunities for all those engaged and active in Europe.

**Key reactions so far:**

- **Giesla Stuart, Labour MP and Chair of the Leave campaign:** "What I have just said [in German] is to make clear to all our colleagues in Europe, that Britain is an open society, it is a welcoming society and we will be continuing to be cooperating with European countries on an international level".
- **Nigel Farage, UKIP leader:** "This will be a victory for real people, a victory for ordinary people, a victory for decent people. Let's June the 23rd go down in our history as our independence day".
- **Manfred Weber, leader of the largest group in the European Parliament, the EPP:** "Exit negotiations should be concluded within 2 years at max. There cannot be any special treatment. Leave means leave."
- **Angus Robertson, SNP's Westminster leader:** "the scenario whereby Scotland votes to remain but the rest of UK opts for Brexit will trigger a constitutional crisis"
- **Geert Wilders, MEP and Dutch Freedom party leader:** "Hurrah for the British! Now it is our turn. Time for a Dutch referendum!"
- **Sigmar Gabriel, German Vice-Chancellor:** "Damn! A bad day for Europe."

Kreab will watch the situation as it evolves, reporting our views and analysis on the implications for companies with a stake in the UK and EU. Should you require any further information, please contact Mark Foster in Brussels [mark.foster@kreab.com](mailto:mark.foster@kreab.com) 003227376927 and Chris Pond in London [cpond@kreab.com](mailto:cpond@kreab.com) 0044 7585302784