

# The NewsLine

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## UNITED KINGDOM

### Relief after Scotland says "no"

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The Scots have voted not to separate from the rest of the United Kingdom. The result was not quite as close as expected (55.3%). The outcome is welcome from an economic and European policy perspective, as a "yes" vote in favor of independence would have signaled the start of years of complicated and agonizing negotiations on the details, with negative knock-on effects for the economy and politics (also on this side of the Channel). The result is likely to put a damper on other independence movements within the EU.

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In a closely-followed referendum held on September 18, 55.3% of voters rejected the idea of separation from the rest of the UK. Although the "yes" campaign had gained considerable ground in recent weeks, the result likely owes itself to the large number of unresolved questions (currency, sovereign debt, pension system, taxes, EU and Nato membership, national defense, splitting of oil revenue, etc.) and to the prospect of the extended devolved powers that were pledged even if Scotland opted to remain in the United Kingdom.

A "yes" vote in the independence referendum would have only been the start of a difficult and possibly long-winded process. Negotiations with London would have been necessary to flesh out the details of Scotland's departure from its more than 300 year-old union with England. Amid prolonged uncertainty, the economic effects would probably have been considerable (a weak pound, rising risk premiums, declining direct investment), with a knock-on effect on the rest of Europe as well.

The result is likely to eliminate at least one uncertainty factor that has been plaguing the markets in recent weeks. Further fragmentation of the European construct would not have been conducive to the aim of closer cohesion. The

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victory of Scotland's "Better Together" camp is also likely to take some of the wind out of the sails of other independence movements in Europe (Catalonia, Flanders, South Tyrol, Veneto). Last but not least, the fact that Scotland will remain part of the United Kingdom will bolster the pro-EU camp in a potential "in or out" referendum in 2017.

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