

# Brexit – A Case of ‘Hotel California’ or Loiseau’s Cat?

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It is folklore in the EU that even if negotiations have been going on for years and there’s only 24 hours are left before the deadline, the view will be that there’s still plenty of time to achieve a conclusion. So, with over a month to go before the end of ‘transition’ part of Brexit, this comparatively represents an eternity in achieving resolution to the Trade Negotiations.

Nonetheless, it’s surprising more attention has not been addressed to quite how devastating a ‘no-deal’ outcome will be to the lives of all UK citizens. As [The Guardian](#) reports, a confidential Cabinet Office briefing it has seen suggests that leaving the EU during a pandemic creates the risk of “systemic economic crisis”.

Leaving the EU with no arrangements to replace regulatory conditions that exist between all EU members ensuring free movement of goods and people, an outcome that would create economic chaos, referred to by many as called ‘crashing out’, is still a distinct possibility. If it happens, the UK relationship with other EU countries would, at 11.00pm on 31<sup>st</sup> December (12.00am Central European Time), immediately be in accordance with WTO (World Trade Organisation) rules.

Diehard Brexiters have always claimed this is the only departure that allows the UK to leave the EU ‘cleanly’. Many others are less optimistic and disagree with Brexiters’ argument that the UK will benefit from being outside the ‘club’ that is the EU.

Detractors of ‘no-deal’ believe it will induce economic chaos undermining the UK for years to come. Contrary to the view espoused that ‘freedom’ from strictures binding members or, as the UK might be with even a ‘skinny’ deal, associate status, to the single market and customs union so fundamental to the raison d’être of the EU, leaving with ‘no-deal’ will be economically calamitous.

Collectively we become poorer, not richer.

Membership of the EEC was achieved on the logic that being part of an emerging trade bloc would be hugely beneficial. Data demonstrates the underlying wisdom of the UK's entry to the EEC in January 1973.

In the decades following 1945, the UK experienced lower rates of economic growth than Germany, France and Italy, founder members of what was to become the EEC. Between 1958 and 1973 productivity, measured by gross domestic product per person, in these three countries had risen by 95% increasing the collective wealth of citizens. The comparable figure for the UK was 50%. As [\*The Financial Times\*](#), in 'What has the EU done for the UK?' explains, the fortunes of the UK increased during its period of membership of the EEC/EU.

Significantly in terms of what happens next, this article includes reference to a study by Professor Nauro Campos of Brunel University who, using New Zealand and Argentina, believed to be good comparators, examined what would have happened to the UK's economy had it not joined the 'common market'. The UK's economy outperformed New Zealand and Argentina by 23%.

The wisdom of leaving a trading bloc with a combined population of over 500 million and accounting for almost a quarter of global trade was at the heart of debate preceding the referendum in 2016. Unfortunately, cartesian logic and pure economics assumed much less prominence than would have been ideal.

Instead, as had been the case since the UK joined the EEC, those who did not share the belief in a Europe united by a commitment to trade, have tended to be driven by nationalist fervour and their passion that free to 'do its own thing', the UK will flourish. Evidence to support this view is notable by its absence.

Leaving the EU was a decision based on faith in what might be, not what is.

Jingoism based on sentiment beats rational data!

Which brings us to the here and now.

Cynics believe that the impact of Covid, destructive as it may be, offers a cover for Brexiters to achieve their cherished goal. “Sure it’s going to be bad in the short-term,” they might contend, “but in the long-term things will get much better when all of the UK is able to avail of trade deals with the countries outside of the EU.”

What’s notable is that, as Theresa May discovered, the possibility ‘no-deal’ causes intense consternation among those with vested interests but no direct influence in the outcome of the free trade negotiations. Similar to his predecessor Mark Carney, current governor of the [Bank of England Andrew Bailey’s](#) warning that the economic long-term impact of a ‘no-deal’ is likely to be worse than that caused by Covid will, it should be assumed, cause alarm within government.

There is increasing concern that the all-important [City of London](#) may experience a loss of trade as a direct consequence of the continued uncertainty concerning trading arrangements from next year. Allied to concerns expressed by trade bodies as to the devastation that will be experienced should [supply-chains be interrupted by ‘no-deal’](#), including the car industry which suggests a £55 billion hit is entirely possible, and Irish Road Haulage Association’s warning of “mayhem” the government will be well aware of the need to successfully conclude the [free trade negotiations](#) with a deal.

Whatever ministers say in public about being willing to contemplate ‘no-deal’, the reality will the perception of actively adding to [economic woes already being experienced](#) will create political consequences from those whose livelihoods are negatively affected. Though many will live in constituencies that swung to the Conservatives in last December’s general election, their continued support will not be assumed, especially if people’s jobs disappear because of ‘no-deal’ and collective prosperity declines.

We’ve reached the stage where, any deal, no matter how poor is preferable to the prospect of walking away.

Nevertheless, with just over a month to go, significant areas of difference still exist on three issues; access to fishing by EU vessels in British territorial waters, the ‘level playing field’ on subsidies and

adherence to governance rules concerning, *inter alia*, workers' rights and the environment.

There is talk of negotiations continuing right up to Christmas and, as the [Financial Times](#) reported on Monday, what would represent a 'fudge'. As the article makes clear, "According to people familiar with the negotiations," there is a desire by the UK to be able to review any trade agreed after four years, which might cynically be pointed out would be after the next general elections, to enable the re-establishment of tariffs under WTO rules should it no longer wish to abide by the terms of the "level playing field in areas such as state aid."

Many leavers suggested that we'd still remain part of the single market. To Theresa May's credit, and despite having once stated that "no deal was better than a bad deal", she recognised this not to be the case. The withdrawal agreement she negotiated with the EU, not terribly different to the one Boris Johnson was flaunting this time last year as his solution, regardless of the opprobrium it attracted – mainly from 'hard' Brexiters including members of the European Research Group (ERG) – was a valiant attempt to square the circle of leaving the EU with as little impact on business as possible.

Those who supported leave were entirely happy to argue that it would not dramatically alter the relationships that existed between the EU and this country. A case of having your cake and eating it!

Any deal, regardless of how 'skinny' and with whatever benefits it brings either short or long-term, is a commitment. [The Telegraph's](#) story concerning negotiations on rules concerned with food safety between Ireland and Britain is, it's believed "a sign talks are close to reaching a deal".

However, until the deal is concluded, all things are possible.

Allowing reviews would normally be assumed to be something the EU would want to agree; Brexit has created a level of distraction and disturbance it surely can't be blamed for not in wanting to repeat in another four or five years. Nonetheless, as [The Telegraph](#) reports, it may want even longer- term reviews of the deal than was suggested in the FT.

Many, particularly Brexiters, have always asserted that walking away from the EU without obligation is the only way to be completely free. They've expressed their view that negotiations with the EU were always intended to create a 'Hotel California' situation by which though the UK can check out, it can never leave.

Amusingly, as reported in March last year, when Theresa May was still PM, France's Europe minister, [Nathalie Loiseau](#), had named her cat 'Brexit' because when she was opened the door to allow it out, it was indecisive about whether it really wanted to leave the house.

This neatly summarises Brexit.

Brexit has, for the last four years, been something of a rollercoaster.

Those who think relationships with the EU in the future will be more placid may discover quite the contrary.

Continued uncertainty and turbulence may become normality.

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