

# Brexit – Deal or No Deal? – Reflections from CBS Brexit Breakfast

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The Centre for Brexit Studies 'Deal or No-Deal' Brexit Breakfast, hosted 6<sup>th</sup> September and chaired by Dr Jacob Salder, Research Fellow at Birmingham City Business School, met to consider the impacts on the West Midlands of recent Brexit events with daily curve balls being thrown up for business, institutions and citizens to contend with.

Whilst breakfast discussions were held on 6<sup>th</sup> September, by Monday 9<sup>th</sup> September (date of writing) the situation had developed with (yet another) cabinet resignation, as Amber Rudd, former Work & Pensions Secretary, dramatically downed tools over the intervening weekend.

Whilst listening to *Women's Hour* on BBC Radio 4, 9<sup>th</sup> September, one contributor coined an apt phrase stating that Brexit has '*burst through the veneer of our society*'. *The Economist* (September 7<sup>th</sup>-13<sup>th</sup>), in reviewing the *Unconservative Party's* revolution, transforming the world's oldest political party into '*radical populists*', commented on the constitutional havoc being wreaked through the longest prorogation of Parliament since 1945 and the whip being withdrawn from 21 Tory MPs — including two former Chancellors, seven former cabinet members and Churchill's grandson, Sir Nicholas Soames, — one of the '*biggest political bloodbaths in history*' as *The Telegraph* put it. John Harris in *The Guardian*, (9<sup>th</sup> September) noted, "*many Tories seem entirely relaxed about the breakup of the UK, the ultimate sacrifice in their headless pursuit of our divorce from Brussels*".

With over 3m EU citizens living in the UK and over 1m British citizens in Europe, many are still very unclear about their future status; many too have commented on the impact of extremism in '*fanning the flames of hatred*'. With hate crimes increasing by 40% over the last year and 75% of these racially motivated, there's been a distinct coarsening of dialogue – both in Parliament and in our day-to-day

discourse. Does this matter? It does if hatred is legitimised, if opinion is polarised, if moderation and compromise is marginalised.

I was struck by comments made by former fellow Trinity College Dublin law alumni, Liz O'Donnell, later a Minister involved in negotiating the Good Friday Agreement for the Irish government, in noting George Mitchell's style when kick-starting the peace dialogue in Northern Ireland. She noted how *'people's discourse was coarse and that had become normalised'* with Senator Mitchell being very good at *'forcing people out of fixed positions and into the space where you could contemplate compromise'*. It seems we might need a good dose of that.

Over three years on from the Referendum and with our former PM, Mrs May's Withdrawal agreement, rejected three times by Parliament, shortly due to reappear in its amended form following Cross-Party talks (Stephen Kinnock MP (Lab) says there are at least 'ten significant amends in it'), with EU discussions yet to progress to trade terms, and with Amber Rudd, declaring that over 90% of this government's effort had gone into no-deal planning, with just 10% on constructive dialogue aimed at getting a deal, it's hard to know how to break the stalemate.

So what did our panel make of all this at our *Brexit Breakfast: Deal or No Deal* event?

Dr Arantza Gomez, Lecturer in the School of Social Sciences at Birmingham City University, commented on the disruption repeated extensions to British membership were having on the EU through ongoing uncertainty, with a no-deal departure providing the potential for many years of future uncertainty. Whilst much had been made of the trade and economic impacts, security was also a key concern with the UK relying heavily on shared intelligence through Europol.

Earlier this year *The Times* revealed a record number of European criminals suspected of being on the run in Britain. National Crime Agency figures showed that 17,256 European arrest warrants were received last year for suspects wanted elsewhere in the EU, including 619 people wanted for murder or manslaughter, 229 suspected rapists and 265 suspected paedophiles.

Dr Gomez noted that France and the UK together had been the main countries leading on defence within the EU block. The loss of trust was a key factor for all sides to consider whilst, *'Northern Ireland and Gibraltar should never be forgotten'*. Northern Ireland was far from being stable with ongoing violence in the Province. Indeed, a man was arrested over the past weekend as an improvised explosive device had been found in Strabane, with Sinn Fein MP, Órfhlaith Begley, calling for *'an immediate end to these actions'*, with heightened risks of violence extending to mainland Britain as earlier this year five letter bombs had been sent to various UK locations – thankfully all retrieved with no damage done. However the New IRA had claimed responsibility for murders carried out in Northern Ireland – including the tragic death of journalist and former BCU student, Lyra McKee, in April this year.

Philip Bennion MEP (Lib Dem) noted growing concerns amongst the Baltic states frightened by Brexit and Britain leaving EU. *"They don't think Putin will march in, but has a habit of opportunism. Estonians and Latvians are worried that when Britain draws back with Hard Brexit where UK French cooperation is more difficult, then Putin may drive the tanks into Baltic states and EU won't have the capacity to respond."*

Mr Bennion observed that despite the Bill passing through Parliament to prevent a no-deal Brexit, the Prime Minister could fail to meet the conditions imposed by the EU Council required to grant any extension to 31 October. He might also pre-empt conditions for a constructive dismissal. Even though Foreign Secretary, Dominic Raab, and Chancellor, Sajid Javid, have both said that Prime Minister Johnson would obey the law, (9<sup>th</sup> September), Mr Johnson himself was still insisting that the *'UK must leave the EU by 31<sup>st</sup> October otherwise we will lose trust in our democratic institutions.'*

It was widely understood that French President Macron had reluctantly granted a short extension last time round. Mr Bennion had, over recent months, been in dialogue with MEPs from En Marche seeking to turn them around. Renew Europe had 108 MEPs of which the French accounted for 21 and the UK 17, representing the two largest delegations within this group. However, on 9<sup>th</sup> September, En Marche MEP, Bruno Bonnell, claimed on World At One, Radio 4, that

France would not accept another short extension but would be open to the idea of a longer delay of up to two years in duration.

Speaking at the Deal or No-Deal Brexit event, 6<sup>th</sup> September, Philip Bennion stated,

*“It’s clear the French just want the situation resolved. Nathalie Loiseau – formerly in Sarkozy’s party – now Macron’s trusted leader in the EU Parliament, has called for the UK to be given an extension to stay in the EU. Bernard Guetta MEP of En Marche and La Monde journalist, has gone so far as to suggest that Britain should stay in the EU and lead it with the French. I’m also working to Stop Brexit with other UK parties as Scots Nats, Greens and Labour where a competitive approach has fizzled out. The possibility of a no-deal Brexit is receding, but it’s still possible as they could repeal the law to prevent this.”*

The impact of three years of uncertainty had been devastating for business with the economy sinking into negative growth, manufacturing slowing, investment and the pound falling whilst inflation was predicted to increase.

Henrietta Brealey, Director of Policy & Strategic Relationships, Greater Birmingham Chambers of Commerce, expressed some concern that the extension was only to 31<sup>st</sup> January, with the fear that we could be in exactly the same position in a few months’ time. Ahead of the March 2019 deadline businesses had been stockpiling, but this had not happened this time as they were not sure if we were really going to exit or not following the March experience.

The key findings from their *West Midlands Business Brexit Health Check* sampling 350 firms responding between 28<sup>th</sup> May-31<sup>st</sup> August, indicated :

- Brexit “preparedness” varied significantly by organisation size: micro businesses were the least likely to report having undertaken proactive steps to prepare for Brexit and large organisations the most.
- Over a quarter of micro firms and over half of small firms in the sample purchased goods from the EU, with almost a quarter of micro firms and almost a third of small firms selling goods or

services to one or more of the 50 nations that the EU had trade agreements with.

- All firms were most commonly exposed to Brexit-related change through their people (pension arrangements, professional qualifications, business trips and EU nationals in their workforce) and trading relationships (buying from or selling goods to other parts of the EU).
- The manufacturing sector had done far more to prepare than in the services sector. 30% of businesses had taken concrete actions investing in training and undertaking a review.

Ms Brealey said: *“Most businesses say ‘how can we take people off day-to-day business when we have so much else going on?’ Our last Quarterly Business Report showed business investment intentions falling into negative territory and to lowest levels since Q2 2009. Cashflow is increasingly an issue with payment terms elongating as they are made later.”*

She continued: *“Business is not very warm and fuzzy to government because the West Midlands is one of the worst affected regions through a no-deal Brexit and they have cast HS2 into doubt. There are huge concerns over the numbers of people required to administer the paperwork for a no-deal Brexit. We anticipate an increase in completion of Customs Declarations Forms (CDF) from 50m per annum to 250m. Each one takes around half to one hour to complete with this having huge administrative impacts on our economy.*

*“One small transport company with 300 consignments to the Republic of Ireland monthly will need another 10 people to complete the Customs forms in the event of a no-deal Brexit. 60% of our imports to the West Midlands come from the EU. Lots of companies are using ‘ex-works’ terms in contracts which means ‘over to you’ in everything. Those companies don’t have to export when working with companies outside the UK as their customers take on all aspects of customs issues.”*

KPMG in its latest quarterly economic report, released 9<sup>th</sup> September, predicted the economy would grow by 1.5% in 2020 in the event of a deal and the pound could rise by as much as 15%. However the economy could contract by 1.5% in the event of a no-deal Brexit. Resolution Foundation warned that Britain was ‘poorly

equipped' to deal with a slowdown with any impending downturn likely to be more painful given the central bank's lack of room for manoeuvre in using monetary policy to stimulate the economy, with the BDO Services Optimism Index falling by 3.89 points in August to its lowest level since 2013.

Farming, as a business sector having voted 50/50 to leave the EU, 'even though they know it's not good for their business', observed Philip Bennion, would face a triple whammy. Firstly, the draft Agriculture Bill worked up by Michael Gove looked to phase out agricultural support payments by 2027. Support payments were paid by all other developed countries, including by the US and Japanese, everywhere except New Zealand, with the Canadians providing free transport too. These payments accounted for 60% of farm revenue. Secondly with regard to our export markets, UK farmers were the sheep producers of the EU producing far more than any other EU country. 96% of our sheep meat exports go to the EU.

Tariffs, if imposed, would account for between 40-50% of costs and would make our farmers uncompetitive. Thirdly, after 31<sup>st</sup> October in the event of a no-deal Brexit any government would be on the spot in terms of getting food prices down. The unilateral zero tariffs proposed by the Tory government would make the UK very uncompetitive vis-à-vis overseas producers. He added: *"The Malaysians have offered Britain a trade deal on the basis we accept their uncertified Palm oil which the EU won't take. It's the same for the Brazilians regarding their beef where rain forest fires are clearly an issue. We'd be looking at unsustainable low cost products driving our farmers out of business."*

*"Dr Sean Rickard, former Chief Economist of the National Farmers' Union (NFU), has produced a report detailing the devastating impact a disastrous No Deal would have on UK farmers and the agricultural sector, warning that No Deal could put over half of UK farms out of business."*

Steve McCabe MP (Lab) concluded: *"There is a General Election coming, no question of this, the only question is when. I worked with Boris Johnson when he was MP for Henley. He's a narcissist and utterly obsessed with himself. If Churchill was the right man in charge"*

*at the right time then Johnson is exactly the wrong man to be in charge today.*

*“There is a ruthless machine using taxpayer money that may create illusion that it will deliver a majority. If that does happen our economy will rapidly descend into recession. £13.8bn (from the Spending Review) is fantasy money. A clear pre-election fantasy based on headroom that will disappear if the economy plunges into recession. The best ambition Boris Johnson has is a low wage, free trade network.*

*“However, the minute we opt for a WTO rules Brexit we won’t be able to adopt different rules with anyone else because it will break the WTO terms. Ironically, the first casualty of this prorogation of Parliament, the longest in 300 years, is the Agriculture Bill.”*

Mr McCabe felt that something along the lines of a Norway ++ Deal was the only feasible option. Whilst he was not in favour of Norway ++ it offered, unlike the Withdrawal Bill, some clarity on a future trade deal.

A People’s Vote, he concluded, was perhaps the only way of working through the stalemate in Parliament and across the country at large.

[Watch the full panel discussion on the Centre for Brexit Studies YouTube channel here now.](#)