

Brexit – no clarity any time soon

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For almost three years businesses have been crying out for certainty.

The government has blithely told them to prepare for all Brexit options. Larger businesses have been able to make preparations, spending billions with consultants and in stockpiling. For small businesses coping with the day-to-day matters, it is just not possible. Whilst devolved economies have made funding available to support their SMEs, firms in England have enjoyed no such support.

As former CBI President Paul Drechsler said way back in March 2017:

“...in reality many firms can't prepare because the cost of change is simply too high to even consider it”

The malaise has infected the wider economy with the NHS seeing a flight of EU doctors and nurses, with Brexit uncertainty said by Resolution Foundation to be costing each household £1500 and growth slower by 2%. According to the Bank of England the economic output lost since the referendum is worth about £800 million (\$1 billion) per week, or £4.7 million (\$6 million) per hour.

Instead of reaching out following the election when it was clear the government had only the merest majority, they embraced their hard right wing, pro-Brexit ERG and the DUP, aiming to push through a Partisan Brexit agenda.

The government claimed that to be true to the plebiscite ‘red lines’ had to be drawn. This meant not participating in the Single Market, the Customs Union and ceasing freedom of movement. However, they did not clarify the position for either EU nationals in the UK or for British nationals in Europe. Liam Fox repeatedly claimed that rolling over EU trade deals – around 40 in total — would be a matter of ‘seconds work’. Three years later he has rolled over just £16bn out of £117bn

trade deals, with business expressing ‘fury’ at the UK failure to roll over EU trade deals.

Whilst businesses large and small continued to plead for clarity the Government’s Brexit deal had been voted down three times by the House of Commons, with the PM’s own hardliners being the hardest to bring into line. A confirmatory public ballot (People’s Vote), had twice topped a poll of MPs as the best outcome of this Brexit mess, and whilst our MPs had secured a longer extension to the Article 50 process right through to Oct 31st, for business this simply pushed the cliff edge further away again.

The quest for certainty remained as elusive as ever for our local businesses. Lobbying organisations called it a “point of national crisis”, with the head of the CBI urging politicians to “act in the national interest, rather than in their “narrow party interest” to “find a compromise”. Adam Marshall, Director General, British Chambers of Commerce, (BCC), put it rather more bluntly on Radio 4 Today programme, stating that whilst the Conservatives used to be known as the ‘Party of Business’, they were no longer. Speaking in March to the BCC’s Annual Conference of *‘those in Westminster’* he said: “*We are angry. We are frustrated. You have let British business down.*”

In July last year, Grant Thornton’s International Business Report of 12 July 2018, highlighted that almost a quarter of firms had carried out no planning for Brexit with 42% believing that a plan was unnecessary. Practice Leader at Grant Thornton Birmingham, David Hillan, reflected the mindset of many businesses at the time as, ‘moving forward with their growth plans and adopting a “we’ll deal with it when it happens” approach’.

However, ‘ducking and keeping their heads down’ had now given way to levels of frustration amongst business, not seen since the 1970s as they faced huge uncertainty. With just days to go before the March 29 deadline and the possibility of crashing out with No Deal, a new deadline of April 12th had been agreed giving the Prime Minister time to get her deal through Parliament by 22nd May ahead of European Elections on 23rd May.

If this did not happen a further new deadline of October 31st would be applied – which whilst avoiding the uncertainty of a No Deal (up to

that point) was playing havoc with automotive manufacturers who had brought forward summer closures to cope with Brexit uncertainty on the basis of the original March 29th deadline.

Hillan explained the picture for one business he'd been advising with an overseas HQ, manufacturing technology equipment abroad, bringing this into the UK for further processing ahead of exporting the equipment for onward global sales. Their owner had wanted to close the UK operation following the Referendum, as he did not know what FTAs (Free Trade Agreements) might be in place post Brexit. After some lengthy discussions David had managed to persuade the owner to keep his UK operations open. However, concerns remained with the US in particular holding the view that Brexit was about the UK 'severing' its relationship with Europe, with all the implications this would have in terms of future investment.

The impact on UK exports was already evident with the UK trade deficit mushrooming to £146.4bn over the past 12 months, up from £138bn during 2018 and up from £118bn in 2012. As research highlighted by David Smith in the Sunday Times April 14th 2019 was indicating, trade based uncertainty had resulted in more than 5,300 firms which had intended to start exporting to the EU deciding against it, and a further 5,400 businesses halting sales into the EU.

Business organisations remained up in arms using language rarely uttered before to government – not in private and certainly not in public. Whilst the financial crash was, in their view, a global event beyond the control of MPs in parliament, this was not. This crisis was of our government's own making and the government needed to sort it out to ensure we did not slip into a serious recession brought on by continuing uncertainty and through the inability of our businesses and residents alike to plan for the future.