

# The Final Countdown to Brexit?

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Given the news over the last 24 hours, I could have titled this blog *Brexit – Apocalypse Now!* Depending on the perspective you take, Brexit is being blamed for being, at least in part, responsible for the resignation of the ‘Gang of Seven’ Labour MPs which, we are informed, will be followed by others in that party as well as disaffected Conservatives who believe that Theresa May keeping ‘no deal’ on the table has continued unnecessary uncertainty among business and will result in catastrophe.

Yesterday’s announcement by Honda that it will close its Swindon plant in 2022 with the loss of 3,500 jobs, not to mention others employed in the supply-chain and in ancillary functions is a serious blow to UK manufacturing. Though Honda claims that this decision is not due to Brexit and has been influenced by other factors, those arguing that no good will come from Brexit and, more especially, that a no deal will be devastating, will claim that continued uncertainty as to what is actually going to happen will result in other businesses leaving this country.

With fewer than six weeks to do until the 29<sup>th</sup> March we are entering the final stages of the Brexit process. Theresa May, following a vote in Parliament agreeing that the official mechanism for the UK to leave the EU should be occur, invoked Article 50 of the Lisbon Treaty on 29<sup>th</sup> of March 2017. This commenced the two year countdown that has only a few weeks to run. Even doing this was not without controversy as the government’s intention was that Article 50 would be triggered without consulting Parliament. Many commentators at the time pointed out that this was not a good omen as, given that withdrawal from the EU after over 40 years was not going to be straightforward or easy; despite what some in government suggested.

When Article 50 was triggered the assumption would have been that by this point in the overall timetable, negotiation of the withdrawal would be complete and agreed by Parliament. The reality is that though the UK is scheduled to leave the EU five weeks this Friday,

uncertainty as to what will actually happen abounds. The current reality is that a 'no deal' look to be ever more possible, an outcome that would be welcomed by diehard Brexiteers, especially among MPs belonging to the European Research Group led by Jacob Rees Mogg.

It becomes increasingly clear that whatever consequences might follow the 'clean break of a no deal, Eurosceptics inside of Parliament and beyond, believe this to be most effective way for the UK to leave the EU. Advocates of a no deal assert that, whatever short-term economic pain there may be, there will be a brighter, more entrepreneurial, future outside of the bureaucratic and perfidious structures and influence of the EU.

The current situation was predicted by some. Chris Morris, a BBC journalist presciently stated so in an article for its website on October 14th 2017 examining what would happen during negotiations to achieve a withdrawal arrangement with the 27 other EU countries, "A [...]worrying scenario for many business leaders, and millions of citizens who are caught up in the Brexit process, is that something could go wrong at the very last minute – perhaps a deal that has been tentatively agreed but is subsequently rejected by one side or the other. Then the UK could crash out of the EU with neither side fully prepared for the consequences. This is the 'cliff edge' that gives many people in business and politics sleepless nights – a chaotic Brexit that would benefit no one."

When Theresa May signed the letter to the European Council's president Donald Tusk just after midday on 29<sup>th</sup> March 2017 declaring the intention of the UK to invoke Article 50, it contained seven negotiating principles:

- We should engage with one another constructively and respectfully, in a spirit of sincere cooperation
- We should always put our citizens first
- We should work towards securing a comprehensive agreement
- We should work together to minimise disruption and give as much certainty as possible.
- We must pay attention to the UK's unique relationship with the Republic of Ireland and the importance of the peace process in Northern Ireland

- We should begin technical talks on detailed policy areas as soon as possible, but we should prioritise the biggest challenges
- We should continue to work together to advance and protect our shared European values

The negotiation of the withdrawal agreement that Theresa May continues to onto as being the only option was undoubtedly achieved with as much adherence to these principles as possible. However, whilst she had certain 'red lines' that she could not cross, the EU, unsurprisingly, had its own. This, as anyone who has negotiated will tell you, is normal. And as we are now only too aware, perhaps the most important red line for the EU was the only land border between the UK and the EU; between Northern Ireland and the Republic of Ireland should be agreed.

Anyone knowing the history of Ireland, especially in the last half century, will attest that any change impacting on the operation of the border between Northern Ireland and the Republic would be contentious and require deft and sensitive treatment. The lack of a visible border, with attendant security checks, was a pivotal part of the Belfast Agreement of 1997 agreed between the governments of the UK, the Republic of Ireland and, with the exception of the Democratic Unionist Party (DUP) on which Theresa May relies for support after her disastrous decision to call a general election in 2017, the major political parties in Northern Ireland. Hence the emergence of a word that is now part and parcel of the Brexit process; 'Backstop'

The backstop is, effectively, an insurance policy to ensure that whatever else is agreed in the withdrawal agreement to leave the EU, there is a 'safety' element included to ensure a 'hard border' between Northern Ireland and the Republic does not occur. The backstop would be used if no solution is reached before the end of the transition period that will run until the end of 2020 if, as scheduled, the UK leave the EU on 29<sup>th</sup> March 2019. If the backstop mechanism is used, to avoid a border and customs checks, Northern Ireland would continue to be aligned to some rules of the EU single market.

Given the DUP's position on being part of the United Kingdom, any possibility of using a 'backstop' was always going to be, to say the least, problematic. That the ERG and others, significantly Boris Johnson who hopes to succeed Theresa May as leader of the

Conservatives and Prime Minister, have offered fulsome support meant that Parliament agreeing Theresa May's withdrawal agreement was effectively the deadest of ducks!

Labour, in an attempt to appease traditional supporters who voted to leave the EU, largely in poorer constituencies, as well those who voted that they wished to remain, equivocated and did not offer support for May's deal. Many Labour supporters, such as the seven MPs who resigned, have become increasingly frustrated at the leadership's unwillingness to oppose Brexit.

As each day passes in what feels like prolonged stasis, the 'cliff edge' Morris referred to becomes distinctly possible. Though debate on what will happen on 30<sup>th</sup> March if no deal occurs, one of the least contested aspects is trade of goods and the potential that this would have on jobs, overseas investment and ability to import and export. If no deal is indeed the outcome, the immediate effect is that World Trade Organisation (WTO) rules apply. As a result of being subject to WTO rules, tariffs would be imposed on goods that the UK sends to the EU, and on goods the EU sends to the UK.

In the case of the automotive industry, major manufacturers have warned that cars being subjected to a tariff of 10% would be a cost that, in an ultra-competitive sector, would cause them to re-evaluate whether they should continue to be based in the UK. This consideration is influencing industries that, prior to the referendum vote to leave the EU, would not have been a worry. HMRC estimate that about some 130,000 businesses export to the EU and, following Brexit, would need to deal with customs for the first time since 1973.

Given the interdependence of border communities in Northern Ireland and the Republic working in agriculture, the fact that WTO tariffs can range between 20-40% for such goods, means that there are serious concerns as to the impact on this sector of no deal. Many believe that many jobs currently available may be lost; many of which were created in the climate of openness and cooperation made possible following the peace agreement of 1997.

When Eurosceptics argue that some pain is required to ensure a break from the EU do they really think that creating unemployment and consequential misery is a price worth paying? As Dutch Prime

Minister told Spanish newspaper *El Pais* last week, the UK is a “diminished” country following its decision to leave the EU and faces “insurmountable” problems because of Brexit. As he also contends, the UK is in danger of “become an economy of intermediate size in a place in the Atlantic Ocean.”

There is no reason why this should be the case. Writing in *The Guardian* on Monday, columnist Matthew d’Ancona stated, as we get ever closer to the cliff edge, there is still a chance to reconsider the wisdom of the referendum decision; “There is no direction to history, no implacable force of providence driving us towards an act of irrevocable, collective self-harm.” Many would heartily agree.