

# No Deal? What are the options?

*By John Mills, Economist and Chairman of John Mills Limited (JML)*

It is clearly impossible at this stage to predict with any confidence what the outcome of the current Brexit negotiations will be. Reflecting on some of the constraints operating on both the UK and the EU27, however may be more helpful and illuminating.

While nearly everyone in both the UK and the EU would like there to be a deal maintaining mutual access, if not membership, for trade within the Single Market and perhaps “a” Customs Union, there are quite a lot of people in the UK and the EU27, who would prefer “no deal” to one shaped around the Chequers proposals. With members of the Conservative European Research Group (ERG) minded to vote against the sort of deal that the Prime Minister might recommend, Theresa May is likely to have to depend on at least some Labour support to get her proposals through Parliament.

Will this be forthcoming in sufficient volume to offset ERG opposition? It is very hard to tell, but it may not be. An important objective for the Parliamentary Labour Party is to bring down the government and to trigger a general election, even though not all Labour MPs may be happy with this approach. This may lead to heavy pressure being put on Labour MPs to vote against the PM’s deal, lessening the chances of it going through. Labour will also be mindful of a backlash from its erstwhile working-class Leave voting supporters in Wales, the Midlands and the North if it is seen to be supporting the government’s very poor deal for the country.

The timing and sequence of events is also crucial. If there is going to be a deal, this will have to be agreed and voted through by Parliament this side of Christmas 2018, to provide anything like enough time for it to be implemented by the end of March 2019. But to get there, apart from a deal on trade, Parliament will also have to agree a legally enforceable Withdrawal Agreement with – as things stand at the moment – two crucial commitments from the UK. One is to pay £39bn to secure the go-ahead for negotiating a trade deal, without any firm commitment from the EU27 as to what this might turn out to be. The other is for the UK to abide by the EU27’s interpretation of what would be acceptable to them on the Irish border issue. Leaving aside any

consideration to do with an overall trade deal, it is not at all clear that Parliament will accept these specific conditions.

Parliament is thus very likely to be faced with a highly unenviable choice: Voting through a deeply unsatisfactory deal almost certainly by a very narrow majority, or facing a “no-deal” scenario, for which the UK – and the EU27 – are patently relatively ill-prepared. What will happen then?

Again, predictions are very difficult. Good and bad outcomes lie along a spectrum, depending very much on the extent to which – when it comes to the crunch – the UK and the EU27 are prepared to co-operate with each other to avoid a cliff edge, with aircraft not flying, ports jammed with lorries and food and medicines running short. The most likely outcome may be some reasonably manageable disruption, especially initially, until matters slowly settle down, but there is a wide dispersion of outcomes either side of this scenario which might materialise.

This is why fear of the worst is likely to push both the UK and the EU27 into avoiding a confrontation, with the way to do this being some temporary agreement which maintains enough of the status quo, to give everyone time to broker longer term solutions. How long “temporary” would be would then remain to be seen. Norway voted not to join what was then the EEC in 1972, leading, via their membership of the European Economic Area (EEA), to the Norwegians still being half in and half out of the EU 46 years later.

It may, nevertheless, then be possible either to negotiate a free trade deal along the Canadian CETA lines, although there is no majority for this in the UK Parliament at the moment. It is also just possible that there could be a second referendum which would lead to the UK re-joining the EU, although this option is fraught with so many problems that it is also unlikely to get through Parliament. More likely, it seems, is that the temporary arrangements will drift towards becoming more permanent, as has happened in the Norwegian case.

Among all these uncertainties, however, one prediction can be made with some confidence. This is that it is unlikely that the UK’s relationship with the EU27 is going to reach any satisfactory conclusion in the near term. The UK will remain deeply divided, making any resolution of the

conflicting visions as to what our future relations with the EU should be as difficult to bring about in years to come as it is now. The EU as a major element of UK politics will run and run.

**Disclaimer: This blog is written in a personal capacity and does not necessarily reflect the views of the Centre for Brexit Studies or BCU.**

*John Mills is an entrepreneur, economist and commentator who has long been involved with political matters. He is Chairman of John Mills Limited (JML) which specialises in selling high volume consumer products using audio-visual methods of promoting their sale. His main interests as an economist are the relatively poor performance of western economies compared to those in the East and the UK' relationship with the EU. John was for many years a senior elected member of Camden Council and he is founder of Labour Leave.*