All Party Group for Social Science and Policy

Brexit: the final days
Brexit: the final days

- Welcome
- Sir Peter Bottomley MP
- Chair
- All Party Group for Social Science and Policy
Brexit: the final days

- Welcome
- Professor Paul Nightingale
- Director of Strategy and Operations
- Economic and Social Research Council
Brexit: the final days

- Professor Jonathan Portes
- Professor of Economics and Public Policy, King’s College London and Senior Fellow at UK in a Changing Europe
Brexit: economic scenarios and impacts
Jonathan Portes
King’s College London & UKandEU
March 2019

@jdportes  UKandEU.ac.uk
Chart 1: The cost of Brexit to Q3 2018

Source: CER.
Scenarios

- “Deal”: reduces uncertainty in short term but future relationship remains undefined

- “No Deal”: sharp hit to consumer and business confidence, possible (likely?) recession

- Article 50 extension: continued uncertainty

- General election and/or referendum: raises uncertainty in short run, *might* decrease it in medium term

- No realistic scenario avoids high level of political and economic uncertainty in at least short/medium term
### Table 3.2.3: Comparison of Brexit scenarios with no agreement and no implementation period with other stress episodes

<table>
<thead>
<tr>
<th>Scenario</th>
<th>GDP¹</th>
<th>Unemployment rate²</th>
<th>Inflation²</th>
<th>House prices¹</th>
<th>Commercial property prices¹</th>
<th>Bank Rate Average over years 1-3</th>
<th>Peak level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disruptive</td>
<td>-3%</td>
<td>5 ¾%</td>
<td>4 ¼%</td>
<td>-14%</td>
<td>-27%</td>
<td>1 ½%</td>
<td>1 ¾%</td>
</tr>
<tr>
<td>Disorderly</td>
<td>-8%</td>
<td>7 ½%</td>
<td>6 ½%</td>
<td>-30%</td>
<td>-48%</td>
<td>4%</td>
<td>5 ½%</td>
</tr>
<tr>
<td>Bank of England 2018 stress test</td>
<td>-4 ¾%</td>
<td>9 ½%</td>
<td>5%</td>
<td>-33%</td>
<td>-40%</td>
<td>3 ¼%</td>
<td>4%</td>
</tr>
<tr>
<td>Global financial crisis³</td>
<td>-6 ¼%</td>
<td>8%</td>
<td>4 ¾%</td>
<td>-17%</td>
<td>-42%</td>
<td>2%</td>
<td>5 ¾%</td>
</tr>
</tbody>
</table>
## Long run economic impacts

<table>
<thead>
<tr>
<th>Compared to today’s arrangements (per cent change)</th>
<th>Modelled White Paper</th>
</tr>
</thead>
<tbody>
<tr>
<td>No change to migration arrangements</td>
<td>Modelled White Paper</td>
</tr>
<tr>
<td>GDP</td>
<td>-0.6 (-1.3 to -0.1)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>-0.6 (-1.3 to -0.1)</td>
</tr>
<tr>
<td>Zero net inflows of EEA workers</td>
<td>-2.1</td>
</tr>
<tr>
<td>GDP</td>
<td>-2.5 (-3.1 to -1.9)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>-1.2 (-1.9 to -0.7)</td>
</tr>
</tbody>
</table>

### Changes from today’s arrangements

<table>
<thead>
<tr>
<th></th>
<th>Modelled no deal</th>
<th>Modelled average FTA</th>
<th>Modelled EEA-type</th>
<th>Modelled White Paper with 50 per cent NTB sensitivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>-7.7 (-9.0 to -6.3)</td>
<td>-4.9 (-6.4 to -3.4)</td>
<td>-1.4 (-2.4 to -0.9)</td>
<td>-0.6 (-1.3 to -0.1)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>-7.6 (-8.9 to -6.2)</td>
<td>-4.9 (-6.4 to -3.4)</td>
<td>-1.4 (-2.3 to -0.9)</td>
<td>-0.6 (-1.3 to -0.1)</td>
</tr>
<tr>
<td>GDP</td>
<td>-9.3 (-10.7 to -8.0)</td>
<td>-6.7 (-8.1 to -5.1)</td>
<td>N/A</td>
<td>-2.5 (-3.1 to -1.9)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>-8.1 (-9.5 to -6.8)</td>
<td>-5.4 (-6.9 to -3.9)</td>
<td>N/A</td>
<td>-1.2 (-1.9 to -0.7)</td>
</tr>
</tbody>
</table>
Some key variables/issues

- Employment/wages
- Immigration: impact on demand and (via) workforce supply
- Business confidence/bank lending/spreads
- Regional impacts
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- Professor Catherine Barnard
- Professor of European Union Law
- Trinity College Cambridge
Brexit the final days

Catherine Barnard
Trinity College Cambridge
Senior fellow UK in a Changing Europe
Options

1. No deal Brexit – 29 Mar 2019
   - No deal
   - ‘WTO terms’; national legislation required – 600 SIs
   - Extension of Art. 50?

2. TM’s ‘deal’
   - More concessions from the EU?
   - Backstop issue
   - Transition
   - Extension of Art. 50 to get the WAB through

3. People’s Vote
   - 22 weeks; question?; franchise
   - Extension of Art. 50 to July 2019?
   - If remain vote – revocation of Art. 50 – Wightman decision

4. General election
   - Extension of Art. 50
EU Council Decision, 21 Mar 2019

Meaningful vote

- yes
  - Delay to 22 May 2019
    - WAB
    - No deal (but no parl maj)

- no
  - 12 April to tell the EU
    - GE
    - 2nd ref
    - Amendments to PD
      - Longer extension – EP elections?
      - Longer extension – EP elections?
If WA goes through

- WAB
- Up to three years of transition
- Time to negotiate future deal

If WA does not go through

- 29/3 or 12/4
  - Legal significance
- 12/4 hard Brexit, default position unless alternatives agreed
- Alternatives eg re CU/Norway+ etc will depend on WA
- Revocation of Art. 50 – Wightman -
Wightman

Notice of revocation

- unequivocal and unconditional (para 74),
- ‘in accordance with the constitutional requirements of the Member State’,
- following a ‘democratic process’ (para 66).
- take place before the end of the Article 50 negotiation period, or any agreed extension, and before a Withdrawal Agreement between the exiting state and the EU had been ‘concluded’ – i.e. entered into force (para 73).
- AG: any revocation would have to be in ‘good faith’ and in line with the requirement of ‘sincere cooperation’ between the Member State and the EU
Concerns about the WA

Backstop

• keep the UK aligned to the Customs Union; NI in CU and SM for goods
• UK services industries trading on WTO terms
• new regulatory boundaries hamper goods trade across the Irish Sea and English Channel;
• UK effectively unable to sign new trade deals
• ‘ugly suboptimal deal’ (O’Donnell)
• So powerful incentive for the UK to agree a future deal otherwise stuck in ‘sin bin’

But what new deal does the UK want?

• Stopping free movement has driven all discussion on the future
• What does the UK actually want; 3 trading blocks
The swimming pool

GB: - CU

NI: CU and SM for goods
Timeline

29 March 2019
- UK leaves EU
- Enters transition

31 December 2022
- End of extended transition

1 Jan 2023
- Enter backstop

1 Jan 2025
- Future trade deal enters into force

Pressure to negotiate trade deal; UK in weak position
Negotiating new deal

**goods**

- Start negs largely from where we are
- EU has trade surplus in goods
- Inevitable regulatory alignment but no say

**services**

- Start negs on highly disadvantageous WTO terms; hurt services industry a lot
- UK has trade surplus
- EU runs clock down; UK rival not member of the club
- UK needs the deal; EU uses this as leverage;
- UK makes concessions not just on services but on fisheries, Gibraltar, even free movement of persons

-> Deep political instability

- UK politics – toxic
And don’t forget the process

**Art. 50: divorce**
- Super qmv
- EP’s agreement basically sorted
- UK can go to the wire

**Art. 207 or 217 (+ Art. 218 TFEU): future deal**
- May require unanimity
- If mixed agreement
  - 34 national and regional parliaments have to agree
  - Time consuming
- UK can’t go to the wire
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