

Brexit - No Deal?

I wrote about Brexit only once before, immediately after the vote in June 2016. I hoped at that time that the vote could be reversed but could not see the mechanism as to how that possibility could arrive. Now it is possible to see a mechanism through the growing voices for a second vote, but less the wisdom of repeating a vote as, even if some polls show people changing their minds, it is not clear that a decisive result would be the outcome. A decisive result would be necessary to send a strong enough message and heal some of the wounds which have been opened. Another close result would leave everyone with a sense of frustration and an even more divided society. Further, the outcome is by no means sure; if voters fell for the lies told by the Brexiteers last time, why should they be immune a second time?

Leadership should have come from the government with clear explanations and advice on the various issues and possible outcomes. But the performance of this UK government has been inept. The result is a conspiracy of silence where no one will, or is capable to, explain the implications without project fear being invoked. Not one minister seems to have taken the trouble to really understand how the EU works. The strategy has been to insist that the EU changes its rules despite that the UK will leave! There seems to be no idea how an agreement should be successfully negotiated and no concept of what is or is not acceptable to the EU. It seems to be the classical image of the Brits that if Johnny Foreigner does not understand then shout louder.

I blog here about some personal views and I do this as a pre-cursor to looking at the possible implications for the EO services sector. So, bear with me today and I'll write again shortly on my view of Brexit for the industry.

Despite my own personal view that the UK should remain a firm and long-time partner and member of the EU, in the current situation, for me, the solution to all the issues is quite evident; UK should apply to join EFTA and hence remain a part of the EEA. At a stroke this would solve the problems of the border in Ireland, the supply-chain management issues for manufacturers especially for cars and aircraft as well as the import/export of food and livestock. It does not solve the issue of aircraft landing rights nor airport accreditation, but these should be possible through a side deal (although not exactly easy since both European Aviation Safety Agency and the European Common Airspace Area have very specific rules regarding membership). Unfortunately, Theresa May in her wisdom ruled this out as a red-line last January from which all the potential for chaos stems.

The EEA/EFTA option would preserve the UK participation to the single market whilst cutting links with the EU in Brussels. At a stroke it would suppress something like 80% of the laws stemming from the EU. However, its detractors consider that it has 2 drawbacks; it would not be possible to limit immigration since the EEA preserve the 4 pillars, and that since the rules for the EEA are set by the EU, it would mean the UK becoming a rule-taker. These are both anathema to the hard-core Brexiteers who wish to "take back control".

However, neither assertion is really true and a more detailed analysis shows that this option meets most of the demands of the hard-wired Brexiteers as well as being mostly acceptable to those like myself who voted to remain. Happy to discuss this another time if anyone is interested! I consider that this solution is the only way to unite the British people.

But the current situation looks dire. The government has got itself into an impasse and seems to have no solution on how to extract itself. Two years have been wasted trying to paper over the cracks in the Conservative party. People talk about falling back on WTO rules in the event of a no-deal. Without going into detail, this is nonsense; a simple example, WTO has no influence over aviation which is managed by ICAO.

WTO rules mean that behaviour to one trading partner without any trade agreement, must be no more advantageous as to any other. This means that if the UK simply said we accept all imports from the EU even with no deal, it has to offer the same rules to the US, to China and every other country in the world! It will not happen. WTO has a provision to suppress its rules in emergency situations. Lawyers are arguing whether a no-deal would count as such. Even assuming it does, it could only be applied to food and medicine so all other goods could not be moved though the UK ports without risking international legal action. Not the best action when the country is setting itself up to be a new, preferred, trading partner! And of course completely disruptive to industry with its integrated supply-chains.

Further, for food and especially for livestock, Border Inspection Posts inspect the goods being imported. There is no BIP at Dover and many other major ports and where a BIP does exist, its capacity is very limited. A transition is essential to ensure free flow of goods. In the early days of a no-deal Brexit, new systems will need to be put in place. The only solution will be to limit the transfer of non-essential items meaning that trade will almost stop and certainly there will be very limited capacity for exports, as all effort will be dedicated to doing what is possible to maintain imported essentials.

No deal means that there is no agreement on the withdrawal agreement and hence no transition period when these issues would normally be solved. Like most, I do expect a solution to be found. Side-deals will be struck – on favourable terms to the EU of course, but the government performance up to now has been catastrophic and we should not be complacent as almost anything can still happen.

From a personal point of view, I do not expect to be too much affected. The most critical for me will be to preserve my own ease of movement around Europe. This should be satisfied by the agreement already reached between London and Brussels but could be disrupted if there really is NO deal. My fall-back is to apply for a Belgian passport for which I can qualify. The second area is the continued payment of my pension from the UK. UK law guarantees this, but I may face some difficulties with banking rights. The third area will be the future exchange rate since my pension is paid in pounds. Here a no-deal Brexit will quickly cause a sharp depreciation in the pound. However, I would expect that to be corrected within a reasonable period as the situation stabilises and moreover, the Euro is also likely to face its own pressures.

How will a no-deal or even a deal affect the EO services industry? I'll come to this in the next few days.