

Brexit: The Countdown Has Begun

The United Kingdom is due to leave the European Union on March 29, 2019, but because of the necessary ratification procedures of an agreed upon deal, it was envisaged to reach an agreement by mid-October. Although this deadline has been extended to mid-November 2018, there are still key issues to consider and agree on.

No Deal will have serious economic consequences; it would impact different sectors of the economy. It is difficult to predict the extent of uncertainties businesses would have to face, but the picture is rather pessimistic. This level of unpredictability makes No Deal a less favourable scenario than a Hard Brexit. It also makes a last-minute deal as well as parliamentary ratification much more likely than previously anticipated.

Yet, a **Hard Brexit** with UK leaving the Single Market, will also likely result in lower GDP over the next at least 3 years. There will also be inevitable challenges for companies, but those are dependent on the deal, with the nature of the challenges being typically sector-specific. Small and medium-sized companies are especially at risk – their level of preparedness for Brexit at this stage is still questionable. Nevertheless, though trade barriers will inevitably create challenges for companies, new opportunities might emerge as well. Thus, while Brexit will create some losers, it could create winners as well – the cities and countries which UK businesses will move to will likely benefit for example.

The focus so far has been centred on whether there will be a deal or not, and, if so, what **kind of deal** it would be. However, as the deadline approaches, even if there is a deal, the importance of **parliamentary ratification** should not be understated. Taking into consideration the latest Labour Party conference and the divisions within the Conservative Party, the deal may not be ratified. The divisions in the House of Commons are primarily created by a potential backstop agreement in Northern Ireland, a so called “Norway model” and a “Canada model”. Therefore, it will be a battle to get the deal through the House, whatever its nature.

There are in fact two major deals to be made. One in question is the exit deal due in November, but the final deal is to be made after the transition period is over. **It is possible to reach a deal by the end of the transition period**, but the negotiations will have to be paced accordingly.

Key recommendations

- It is important to keep good relations between the EU and the UK even after Brexit, but it should not be forgotten that once the UK leaves the block, it will become a third country to the EU.
- The time limit on the deal should be taken seriously.
- The political battle in the House of Commons should not be underestimated.
- The transition period needs to end with a conclusive deal.

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