



'No deal' – are the people right? *Article*

Richard Barfield
2 April 2019

'No deal' – are the people right?

Richard Barfield

The Commons vote on 29 March that rejected the Withdrawal Agreement increased the likelihood of the UK leaving the European Union on 12 April with 'no deal'. Cabinet ministers have described the consequences of 'no deal' as catastrophic. However, in six polls since 1 February 2019, an average of 43% of voters have said that the UK should, if the Commons cannot agree a deal, leave the EU with 'no deal'. On 27 March, 160 MPs, 25% of MPs, voted in support of 'no deal'.

So, who is right? Let's fast forward and imagine that an April 'no deal' arrives with some of the impacts predicted by the government and reliable commentators¹.

The impacts of 'no deal' affect the economy and trade but the impacts are much wider. It means no agreed relationships with the EU in important policy areas such as defence, security, science, environment and education.

Economy

Respected economists predict that 'no deal' would cause a UK crash worse than the global financial crisis of 2007/8. For reference, this led to a recession and over ten years of austerity.

In April, UK international trade is hit by new trade barriers and uncertainty, particularly legal uncertainty, saps confidence. Sterling falls (by over 20%), benefitting some exporters but, as the UK is a net importer, inflation rises sharply. Financial markets lose confidence in British institutions and the UK's credit rating is downgraded. Investors demand higher returns to match the new risks or move their funds to safer locations. Interest rates rise quickly. The cost of servicing the UK's £2 trillion of national debt rises. Mortgage rates go up and house prices fall.

Trade

UK free trade with the EU ends. New trade barriers include EU tariffs on UK exports. Farmers face tariffs of around 45% on lamb and 70% on beef. After slaughtering unsaleable livestock, many go out of business. Car manufacturers face tariffs of 10% on cars and lose

¹1. [National Centre for Social Research, If the Commons cannot agree on a deal do you think we should leave with 'no deal' or delay Article 50 and hold a public vote on what to do next? March 2019](#)

2. [Bank of England, EU withdrawal scenarios and monetary and financial stability, A response to the House of Commons Treasury Committee, November 2018](#)

3. [HMG, UK government's preparations for a 'no deal' scenario, December 2018](#)

4. [HMG, Implications for Business and Trade of a No Deal Exit on 29 March 2019, 26 February 2019](#)

5. [Lancet, How will Brexit affect health services in the UK? An updated evaluation, March 2019](#)

6. [Richard Barfield, 'No deal' and WTO rules, February 2019](#)

7. [National Farmers Union, No deal and WTO, September 2018](#)

their hard-won competitive edge. Services trade suffers due to loss of regulatory permissions, new administrative costs, interrupted data flows and the weak economy. Lay-offs and redundancies are widespread.

With no agreed border procedures or regulatory certification processes for imported goods, there are queues and confusion at borders. There are food shortages, panic buying and social unrest.

Longer-term, from a weak negotiating position, the UK looks forward to years in the futile pursuit of trade agreements with other countries. Incidentally, trade experts and the government agree that WTO rules do not allow the UK's existing trade relations with the EU to continue as is under 'no deal'. Michel Barnier has emphasised that the first item on the agenda when no-deal UK inevitably seeks a free trade agreement with the EU will be the Withdrawal Agreement – citizens' rights, Ireland and settlement of UK financial obligations.

Health, science and education

In response to a collapsing economy, immigration slows to a trickle and EU citizens leave in droves. The NHS and social care face severe staff shortages. Hospitals close wards and extend waiting times. As the supply of perishable medical isotopes from the EU is disrupted, diagnostic MRI scans are cancelled or delayed. Treatments are delayed or extended. Despite best efforts from the NHS and EU suppliers, death rates rise.

UK science and research capabilities are permanently damaged through reduced funding, limited mobility and fewer opportunities to participate in international science programmes. University students suffer as UK participation in the Erasmus programme ceases.

Security

'No deal' delivers a body blow to the UK's counter-terrorism and crime operations which depend on networks of intelligence and data sharing with the EU27. Suddenly, the life for global criminals and fraudsters becomes easier as, by the effect of EU law, our police, border force and security services lose access to EU-wide systems such as:

- Europol, the EU's law enforcement agency, employing over 900 people – an invaluable tool both for intelligence sharing and at the operational level;
- Passenger Name Records – EU rules oblige airlines to hand over passenger records to the UK to prevent terrorism and serious crime, including trafficking in drugs, people or weapons;
- European Arrest Warrant – making extradition of criminal suspects (averaging 10,000 a year across the EU) from the EU27 more difficult;
- Schengen Information System (SIS) – weakening checks on the security risk of arrivals into the country through, for example, DNA and fingerprint records. UK police accessed this system in 2017 over 500 million times.

Conclusion

It seems clear that an enemy of the UK would regard the wide-ranging damage from 'no deal' as a major victory. It also appears that many people, including some MPs, are uninformed or misinformed about the consequences of 'no deal'.

The government reported on 26 February that neither it, businesses nor individuals would be ready for 'no deal' by 29 March (and presumably by 12 April). Preparations such as storing medicines in fridges, stockpiling food or creating lorry parks in Kent may help in part. However, the scale and breadth of the damage from 'no deal' to the welfare and security of UK citizens would be severe and long-lasting.

If the impacts are felt, voters would no doubt react by punishing severely any political party that allowed 'no deal' to happen.

Contact details

Author

Richard Barfield FCA
Adviser and consultant.
Author of [Brexit FactBase](#)

richard.barfield@rbas.co.uk



Disclaimer

This publication has been prepared for general guidance on matters of interest only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication. To the extent permitted by law we do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

©2019 Richard Barfield Advisory Services Limited All rights reserved. (V1.0 2 April 2019)