

NO DEAL BREXIT: ISSUES, IMPACTS, IMPLICATIONS

Executive summary

No deal issues:

- **No deal will mean a prolonged period of uncertainty.** Not only do we not know with any certainty when and how no deal impacts will reveal themselves, but the longer-term UK-EU relationship will still need to be negotiated and agreed.
- **Half of UK goods exports will face disruption.** The share of the UK's goods exports that go to the EU would face border checks where none currently exist, with new tariffs applying to a substantial proportion, especially agricultural exports and cars. Advance planning, and reductions in trade volumes, may reduce immediate disruption at key ports, but some disruption to trade is inevitable. Some preferential trading arrangements with a number of countries, including Canada, Turkey and Japan, would also no longer apply.
- **Northern Ireland would be particularly badly hit.** The speedy reintroduction of border controls for goods moving to Ireland would mean a decrease in exports, the curtailment of supply chains in key industries, and an increase in black market activity. Unemployment would rise. There would be a very real possibility of a return to direct rule from London, undermining the Good Friday Agreement.
- **No deal would likely reduce the safety of UK citizens.** In a world where data is key to solving crime, there will be a significant impact on policing and security. The UK will lose access to EU databases and other forms of co-operation including the European Arrest Warrant, the Schengen Information System and Europol. No deal would lead to the immediate suspension of EU assistance to operations, including ongoing operations.
- **The UK's international reputation may suffer.** The UK may not be legally liable to pay the remainder of the £39 billion Brexit bill (although this is contested). But should it fail to do so the EU may withdraw some of the unilateral mitigations that it has put in place, let alone negotiate a new trade deal.
- **Any deal with the EU after no deal would be much more difficult.** Striking a deal outside the Article 50 framework would be far harder, take far longer and might lead the EU to ask for more concessions as national parliaments in member states get involved.

Impacts on 1 November:

- **The impact on trade would be immediate.** New regulatory and customs arrangements would apply immediately. While borders will remain open for travellers and tourists, there may be extra checks and resulting delays. However, some of the immediate impact of no deal would be minimised by stockpiling, business anticipation and a public holiday in the EU27, including in France.
- **Sterling would almost certainly fall further.** However, by 1 November the impact of no deal may already have been 'priced in' to the value of the pound. The financial system overall will remain stable.
- **Traders from Northern Ireland crossing the Irish border would face an increased burden.** They would have to make customs declarations, pay tariffs, ensure proper certification for goods, make sure notification is given in a timely way and be registered as economic operators.
- **There would be some disruption to supply chains.** This would have knock-on effects on production in sectors such as the car industry and others that are dependent on just-in-time production processes.

NO DEAL BREXIT: ISSUES, IMPACTS, IMPLICATIONS

- **Residency rights will mostly remain unchanged.** EU citizens currently resident in the UK, and UK citizens resident in the EU, will not lose residence rights and will mostly see no immediate changes.
- **However, the position of new arrivals would be much less clear.** There would likely be a sharp drop in migration flows. The UK would face significant administrative complications in distinguishing between EU citizens who arrived before and after Brexit. Recent government statements have been confusing and potentially damaging.
- **If disruption were prolonged, it is likely there would be shortages of some foods within a fortnight.** November and December is the worst time of year for storage in the food and drink industry.
- **Given current trends, the UK economy could fall into recession, although its depth and severity would be uncertain.** The overall economic impact in the short to medium term would depend on a number of factors: the extent of the direct disruption to trade, the impact on consumer and business confidence, and the effectiveness of any government and Bank of England policy response.

Long term implications:

- **No deal would not bring the Brexit process to an end.** It is highly unlikely that debate would cease or that it would mark an end state for the UK's relationship with the EU.
- **The longer-term impacts would depend on the terms of the future relationship.** These will depend on how quickly and on what terms both sides return to the negotiating table. It is likely that future negotiations would be acrimonious and that the UK's negotiating position could be significantly weaker.
- **'WTO terms' would mean the UK economy growing more slowly.** If the future relationship with the EU was on WTO terms, the UK economy would continue to grow but at a significantly slower pace than if the UK had remained in the EU. Per capita income could be 4% to 9% lower in ten years than it would otherwise have been.
- **It would take years to resolve long-term arrangements for key economic rights of UK citizens abroad.** This applies for issues such as healthcare and social security requirements.
- **A bespoke future security arrangement would take a substantial amount of time to negotiate.** The Europol-Norway agreement took seven years to negotiate.