

# ECO FLASH

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## The UK: heading for the door

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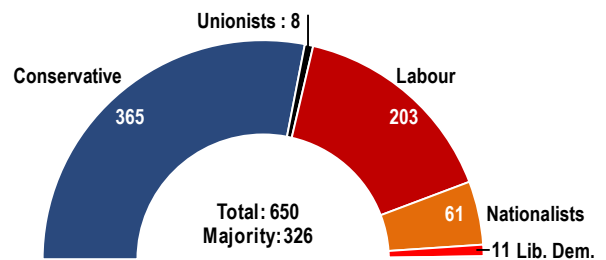
- The UK's general election on 12 December gave Prime Minister Boris Johnson's Conservative Party a substantial majority in the House of Commons.
- The way is now clear for ratification of the Withdrawal Agreement (Brexit) by the UK and the European Union, and this will come into force after the 31 January 2020 at the latest.
- There will then follow a transitional period, during which the UK and EU will have to determine the framework of their future relationship.
- However, at just eleven months long, this period threatens to be too short to implement the clean break sought by Mr Johnson.
- Unless it is to fall back on WTO rules, the UK will only be able to disentangle its links with the EU through a long and delicate process. In effect, Brexit is only at the beginning.

Rather than marking the end of the Brexit story, the 12 December general election merely represented a step in a very long process. For the first time, there is now a clear majority in the UK Parliament in favour of British withdrawal from the European Union, which will happen after 31 January 2020 at the latest. There will then follow an eleven-month transitional period, during which the UK and EU will have to determine the framework of their future relationship.

### Towards ratification of the Withdrawal Agreement

Winning 43.6% of the vote and 365 of the 650 seats in the House of Commons, the Conservative Party led by Prime Minister Boris Johnson was the big winner in the 12 December general election. Its majority (80 more seats than

- **The Conservative Party takes hold of Parliament**  
House of Commons after the 12 December general election



*Notes: Unionists: Democratic Union Party (DUP, Northern Ireland); Nationalists: Scottish National Party (SNP) 48 MPs; Sinn Fein (Northern Ireland) 7 MPs; Social Democratic & Labour Party (Northern Ireland) 2 MPs; Plaid Cymru (Wales) 4 MPs; Lib. Dem: Liberal Democrats*

Figure 1

Source: Press

the other parties combined) is the biggest since that won by Margaret Thatcher for her third term in 1987. Such a majority will allow the party to honour the promise it made to electors during the election campaign to 'get Brexit done'.

The Withdrawal Agreement (WA) between the UK and the twenty-seven other members of the EU (the 27) will be subject to a vote in the Commons on the day after the Queen opens the Parliamentary session, that is to say on 20 December. This could allow ratification before Christmas, in line with Mr Johnson's wishes.

There will then follow votes in the European Parliament (by simple majority) and then the Council of Europe (by qualified majority), with legal withdrawal to take place no later than after 31 January 2020. The United Kingdom will then leave all of the EU's institutions (Parliament, Court of Justice, Commission and so on) but not the single market, the rules of

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which it will continue to follow throughout a transitional period, that would normally be achieved on 31 December 2020. During that time, the UK and EU will have to define their future relation, that is to say rewrite thousands of pages of legal text and review EUR4,600 billion in annual trade (twice the entire GDP of France).<sup>1</sup> In areas such as security, agriculture, fishing, energy, transport and data sharing, the links to be unmade and remade go far beyond simple free-trade agreements; they incorporate a vast corpus of legal rules (covering intellectual property, rules of geographical origin, and on and on) as well as sanitary, technical and social rules.

### The risk of “no deal” has not disappeared

The most difficult part of the whole process - defining Brexit in concrete terms - is, therefore, still to come, to the extent that the relief that may come from ratification of the WA could be short-lived. The UK's First-Past-The-Post electoral system, coupled with divisions and differences between the parties opposing a ‘hard line’ Brexit, means that the latter won the day if not the majority of votes. Alongside the Conservative victory in the House of commons, the other standout feature of the 12 December election was the surge in support for nationalist parties in Northern Ireland, Wales and Scotland (see Figure 1); these parties are generally opposed to Brexit and in favour of their countries remaining in the EU. The option of full withdrawal (from the EU's single market and customs union) adopted by Mr Johnson could thus still meet strong political resistance.

It will also lead to tense discussions with the 27, whose Chief Negotiator, Michel Barnier, has repeatedly said he won't make any deal that would open the door to social, fiscal or environmental dumping. Dealing a secure and comprehensive agreement would take time, while the transition period is less than a year. Accordingly, many observers on the EU side believe that there is a considerable risk that the time available to achieve the future relation will come too short. An extension of the transition period to 31 December 2022 is possible on paper, but this option has been formally rejected by Boris Johnson<sup>2</sup>.

The withdrawal agreement does not guarantee a trade deal, and the risk remains that, for lack of ambition or time, the UK and the EU will go their separate ways without agreement. In such an eventuality, World Trade Organisation rules would apply, to the benefit of no one at all.

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### ■ The main provisions of the Withdrawal Agreement

*On 17 October 2019, the UK Prime Minister, Boris Johnson, and the 27 EU Heads of State or Heads of Government, agreed a Withdrawal Agreement. This incorporated the bulk of the previous version agreed by Theresa May in November 2018 (but never ratified), with the major differences relating to Northern Ireland, where the previous text was heavily revised. In summary, under the WA:*

*1/ A transition period will run from the date of withdrawal until 31 December 2020, to allow the UK and EU to negotiate their future relationship. During the transition period, the UK will no longer be a member of EU institutions but will have continued access to the single market; it will follow the rules of the market (which, most notably, means that it will be unable to conclude trade agreements with third countries) and will remain subject to rulings from the European Court of Justice.*

*2/ The status of foreign residents is secured. The 4 million EU citizens resident in the UK, and the 1 million UK citizens resident in the EU on the withdrawal date, will be free to remain and continue their activities, and will have their rights guaranteed (in terms of access to healthcare, education, employment, receipt of pension benefits, family reunification and so forth).*

*3/ The UK undertakes to settle its financial liabilities to the EU, under multi-year commitments made (the 2014-2020 budget, for European projects, etc.). Although the WA does not specify an amount (the final amount will depend on the terms of the agreement on the future relationship), UK sources estimate the financial settlement at around EUR40 billion.*

*4/ Northern Ireland will have special status, in order to satisfy the requirements of the 1998 Good Friday Agreement and avoid the reintroduction of a hard border with the Irish Republic. In contrast to the provisions of the original WA, Northern Ireland will be able to form its own customs union with the rest of the UK after the transition period (that is to say it will apply UK tariffs). The ‘backstop’ that would have kept the EU and the UK in a single customs territory on a temporary basis has thus been removed, but not without significant concessions and restrictions. Northern Ireland will therefore continue to apply European customs rules for those products coming into its territory that could then be exported to the single market. With an open border between the North and the Republic, this will inevitably result in the introduction of controls on imports from Great Britain or third countries. Northern Ireland will also continue to follow EU rules in a number of areas such as agriculture, energy (it will remain in the single market for electricity), state aid and the application of VAT. This protocol will apply for renewable 4-year periods. It will be subject to the control of a joint UK and EU commission, with the Northern Irish Assembly having a say on renewal.*

Box 1

Source: European Commission

<sup>1</sup>Average trade in goods and services in 2018, source: ONS.

<sup>2</sup>At time of writing, UK MP's were considering a bill preventing the transition period from any extension beyond 31 Dec. 2020.



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