

# Fake Brexit or No Brexit

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LONDON – Since last year’s Brexit referendum, the United Kingdom has been likened to a suicide who jumps off a 100-storey building and, as he falls past the 50th floor, shouts “so far, so good.” This comparison is unfair to suicides. The real economic and political message today is “so far, so bad.”

The “deal” to begin negotiations for a post-Brexit relationship, announced at the EU summit on December 15, followed Prime Minister Theresa May’s capitulation on all of the demands made by European leaders: €50 billion (\$59 billion) of budget contributions, European court jurisdiction over the rights of EU citizens in Britain, and a permanently open border with Ireland.

The last concession was a game changer. The open border in Ireland has forced May to abandon her promise to “take back control” from the EU and its regulatory framework, as confirmed in the summit communiqué: “In the absence of agreed solutions, the United Kingdom will maintain full alignment with those rules of the Internal Market and the Customs Union which, now or in the future, support North-South cooperation.”

The result of this crucial concession on Ireland is that both scenarios usually proposed for Britain’s relationship with the EU can now be dismissed. With no parliamentary majority to revoke the agreement, a “hard Brexit,” in which Britain breaks free of EU regulations and trades simply on the basis of World Trade Organization rules, is no longer possible. And a “soft Brexit,” which attempts to preserve the commercial benefits of EU membership without the political obligations, is equally impossible, because European leaders reject any such “cherry-picking” – and now have the whip hand over Britain.

If hard and soft Brexit are both excluded, what other options are there? The obvious one, apparent after May’s failed election gamble, is some form of associate EU membership, similar to Norway. Britain would retain many of its current commercial privileges, in exchange for complying with EU rules and regulations, including free movement of labor, contributing to the EU budget, and accepting the jurisdiction of EU law. While May foolishly rejected all three of these conditions early this year, the likely result of the

Brexit negotiations will be to blur all her “red lines” out of existence.

While businesses, investors, and economists would welcome such a Norwegian-style “fake Brexit,” it would carry a huge political cost. Britain would have to adhere to EU laws, regulations, and legal judgments in which it would no longer have any say. Instead of a rule-maker, the United Kingdom would become a “rule-taker” – or, in the emotive language adopted recently by Brexit hardliners, Britain would be reduced from an imperial power to a “vassal state” or a “colony” of the EU.

This “rule-taker” status is what the UK has already requested for a two-year “transition period,” beginning in April 2019. May claims that this will be a “strictly time-limited” arrangement, while she negotiates a free-trade agreement with the EU. But the EU has repeatedly made clear that two years is too short a period to negotiate even a simple FTA, never mind the “imaginative, bespoke” deal that May is seeking.

In truth, there is almost no chance of Britain ever negotiating the “deep and special partnership” May has promised. It is simply inconceivable that European leaders would offer Britain’s service industries access to the EU single market without imposing the legal and budgetary conditions accepted by Norway and Switzerland.

What, then, will happen at the end of the transition period in April 2021? The only plausible answer is a further transition, if only to avoid an economically devastating rupture in trade regulations just before the UK general election due in 2022. And, assuming the transition is extended from 2021 to, say, 2023, aren’t further extensions likely, probably evolving into a quasi-permanent arrangement? Norway’s EU relationship via the European Economic Area, also designed as a brief transition, has now lasted 24 years.

This “Hotel California” scenario, in which “you can check out any time you like, but you can never leave,” would ultimately enrage both Brexiteers and Remainers. So what are the other options?

If a hard Brexit is economically unacceptable to British business and Parliament, a soft Brexit is politically unacceptable to EU leaders, and a fake Brexit is unacceptable to almost everyone, that leaves just one alternative: no Brexit.

It is still entirely possible to abandon Brexit by revoking Britain’s withdrawal notice under Article 50 of the Treaty on European Union. This decision would have to be made by Parliament before the treaty deadline of March 29, 2019, and it would probably have to be ratified by another referendum.

A necessary condition for this sequence of events would be the collapse of May’s government, perhaps caused by a Brexiteer revolt against the “vassal state” conditions imposed by the EU during the transition period. Under these circumstances, a general election would almost certainly produce a Labour-led coalition based on a promise to “think again” about Brexit. This was exactly the scenario suggested last month by one of May’s few remaining loyalists, Health Secretary Jeremy Hunt, who became the first

senior Tory to admit publicly that Brexit might never happen if zealous Euroskeptics ever rebelled against May.

For the time being, the threat of a Labour government has been sufficient to intimidate Brexit hardliners. But the forced quiescence of the Euroskeptics makes it more certain that May will negotiate a “vassal state” transition that evolves into the Euroskeptics’ nightmare of an inescapable “Hotel California,” based on the Norway model.

As the Brexit hardliners grasp this logical conundrum, they could well decide to bring down May and risk a general election rather than collaborate in Britain’s demotion to “vassal statehood.” The suicide jumper is still falling, and, until he passes the first-floor window, we will not know whether he is attached to a bungee cord.



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