



The UK on the Verge of Triggering Article 50 – The Consequences

This is the fourth article by Centre for Factories of the Future (C4FF) reporting on Brexit. The first article was published on 1 April was about the facts obtained by research and was revised in the second article published in May 2016. The revised article was of significance as it predicted, using C4FF's powerful neural network forecaster that the UK by a narrow majority will vote to stay in the EU. A copy of the article can be viewed at http://www.marifuture.org/Publications/Articles/Brexit_Report_II.pdf. Using the same forecaster on 6th June 2016, C4FF predicted that the UK voters will vote by a narrow majority, this time, to leave the EU with some 52% wishing to do so and 48% wishing to remain. This third article can be found in http://www.marifuture.org/Publications/Articles/Brexit_Report_III.pdf.

It has to be noted that It will take some months after triggering Article 50 until the people of the UK will learn of their 'new relationship' with the EU and experience any consequences for voting Brexit. However those with savings or those importing goods to the UK are already aware that they have lost or are about to lose some 10% of their saving or buying power. It is equally important to note that C4FF figures confirm the findings of several surveys of SMEs where some 75% of these companies wished to remain within the EU. SMEs form over 90% of all enterprises in the UK. These companies are the future of the UK. The key question is will the UK departure viz., triggering the Article 50, lead to uncertainties in the world (and the UK) economies, will this departure lead to other EU member countries deciding to leave the EU too, and what would be the impact of such scenarios on the world (and UK) economies.

C4FF is of the view that Brexit will have a severe impact on the UK economy in the medium to long term which could be negative or positive but it is more likely to be negative as the UK, as a smaller entity, will have to deal with Asian and Western giants such as China and the USA on its own. Also if current turmoil in EU countries continues, which seems likely, it is more than likely that the EU will put the interests of its own member states first, when dealing with the UK. No international trade deals takes years to negotiate and Britain has been able to rely on EU negotiators for four decades, we now have to rebuild our own negotiating capabilities and capacity and there is no guarantee that we will have enough 'new' trade deals in place to buffer against the shock of finally exiting the EU when Article 50 runs its course.

Furthermore, there is no guarantee that the UK will be more secure from security and terrorist threats as a result of Brexit as most of the threats to the UK have been home grown and/or based on grievances from wars in the Middle East. An independent UK may not have the resources to carry out the large scale community based integration and education projects that need to be instigated in order bring our diverse communities together and turn back the tide against the recent rise of hate crimes on UK streets. There is also the potential impact on our intelligence sharing and police cooperation agreements. Although controversial arrangements such as the European Arrest Warrant and international police and intelligence cooperation (Interpol) play a vital role in keeping our streets safe against all types of crime and terrorism and such cooperation needs to be safeguarded and continued even after the Brexit vote.

The EU has benefitted the day-to-day lives of many in the UK in ways many people are not aware of; it is through the EU that workers' rights, such as limiting the number of hours employees can be expected to work per week, is protected. It is through the EU that we have access to EU wide free travel and health

care. It is through EU regulation that flight fares have been reduced by 40% in recent years, and that when travelling in the EU, calls, texts and data bills are capped. By voting for Brexit this means that all these consumer and employee protections will be transferred into UK law and the review process begins therefore allowing any future UK Government the option to repeal these protections and impact our daily lives in significant ways.

Furthermore, it is now more apparent that the UK currently does not have the resources to monitor, let alone control, its own borders; and its borders are protected by a cascade of controls from Turkey to France which will no longer exist; already statements have been made by French politicians about relaxing their border controls at Calais which are the UK's last line of defence against illegal immigration from the EU by land. With the UK Border Force being reorganised every couple of years, and with no systems to effectively monitor who comes and exits the UK on visas, the ability of the UK to effectively reduce immigration as promised by the Brexit campaign must be in serious doubt, particularly as immigration looks set to only increase due to the worsening situation in the Middle East.

On a more quantitative analysis it is worth noting that the EU has over 500 million customers and is the world single largest free trade zone. Currently the UK has unhindered access to this market and can initiate changes, particularly since the UK is one of the largest EU member countries and hence has a larger representation at the EU's main agencies. In the last year alone there has been a steady but significant inflow of investment into the UK from the free trade market place worth some 200 million EUR per day; this is hugely significant and should not be underestimated in the amount of jobs and economic growth this investment supports across the UK. Additionally what is often not taken into consideration is that some 45% of all UK exports are destined for the EU. This will be an abrupt shock to the UK economic system when the investment and exports are affected, or even stopped altogether, when the UK finally exits the EU, and contingency plans need to be put into place now so that the economy can cope when the time comes.

There is also the fact that the 'democratic deficit' will not be fixed by the UK leaving the EU. It was a major argument that the UK needed to 'take back control' from unelected EU officials. However, while the European Commission is appointed (the EU's executive branch like all world governments is appointed not elected), the people appointing the commissioners are the various EU governments - who are themselves elected. Additionally all legislation is reviewed through the EU parliament where each MEP is directly elected by their constituents, as such the argument of unelected EU bureaucrats being in charge of the UK should be discarded as untrue. Furthermore, the idea of the UK being governed by a majority in Parliament they didn't vote for (either UK Parliament or EU Parliament) is not a new one, for example the conservatives current have a majority of only a handful of MP's with most of the country voting for other parties. Therefore, the idea that leaving the EU will fix any 'democratic deficit' is not true and this is an issue that will continue in the UK post Brexit with no known solution.

However, now that the UK has voted Brexit the key question we have to ask ourselves is; were the UK voters aware of the unintended consequences?

Due to recent political developments it is more likely than not that there will be a UK General Election in the near future, and that this may happen before the Article 50 button is pressed. The outcome of any General Election, currently forecast to be in favour of the Conservatives, together with the economic

situation after the election, will determine if the UK's decision to leave the EU will become a permanent reality and what model of Brexit will be chosen (so called Hard or Soft Brexit models, or even a new referendum). If the situation in the UK has deteriorated before or soon after the decision to trigger Article 50 is taken, and the 'new deal' taking shape as a result of the re-negotiations with the EU seem to be detrimental to the UK's well being, there is a chance that the UK may choose a Brexit deal that allows us to remain in the EU in all but in name!

The above summary article was produced by the Chairman of the C4FF, Professor Dr Reza Ziarati.