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BREXIT DELAY: SERIOUS CONCERNS AND A TAIL RISK FOR THE EU27

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We expect the EU27 to reluctantly grant the UK a further Brexit delay. The alternative, a hard Brexit with even more political chaos in a country that will remain a close neighbour, is just too bad. Most of the cautious comments by EU27 decision makers point that way. Still, deciding unanimously at the 10 April emergency summit to give the UK even more time to sort itself out will not come easy for the EU27. It raises serious concerns and a grave tail risk.

Boris at the table?

The EU can only negotiate the conditions for a further delay with the current UK government led by Prime Minister Theresa May. However, she seems unable to deliver much, having lost control of her own party and parliament. Having already promised to step down shortly, she may fall at any time. To spell out a potential EU27 nightmare: Would PM Boris honour anything May has promised? For the EU27, the not always substantiated claims Boris Johnson and other Brexiteers made in the referendum campaign and their obvious lack of understanding what the EU actually is, do not give them a reputation as reliable would-be counterparts. Of course, who will succeed May when remains unclear. But amid political chaos in the UK, the EU27 has to consider the potential implications.

Gentlemen's agreement - with whom?

As long as the UK is formally in the EU, it can shape or veto EU decisions on non-Brexit matters like any other member. As a condition for any potential delay beyond 22 May, the EU wants a promise ("gentlemen's agreement") from the UK to not meddle in EU27 affairs. But what if a future UK prime minister uses a pre-agreed long delay to block EU27 business in order to blackmail the EU27 into changing the terms agreed with May? Continental trust in the UK's political class and its arcane processes has faded somewhat in recent months. The weekend comment by arch-Brexitteer Jacob Rees-Mogg "if we are forced to remain in, we must be the most difficult member possible" can only feed such concerns.

Long or short delay?

A short delay, potentially evolving into a series of short delays, would minimize the risk that the UK could disrupt EU27 affairs. However, as long as the risk of a no-deal hard Brexit remains on the table, it would also maximize economic uncertainty. Some EU leaders such as European Council President Donald Tusk may still be holding out the hope that, during a long delay, "political developments" in the UK could result in a new vote to cancel Brexit. But with every week of UK chaos, the argument that the EU would be better off in the long run with a UK that may have decided by, say 52% to 48%, to stay is losing some of its erstwhile appeal.

European parliamentary elections

May has told the EU27 that the UK will prepare to take part in the elections on 23-26 May while trying to get her own parliament into backing a Brexit deal beforehand to avoid having to actually



hold the vote in the UK. During the election campaign in the EU27, voters would thus not know what the future parliament would look like: would it be with or without seats for the UK? Would the UK still influence key EU policy decisions? After the UK had filed for divorce, the EU changed the envisaged size and shape of its parliament. 46 of the 73 UK seats will be cut, 27 will be redistributed to 14 other EU members including France, Italy and Spain. If the UK is still in the EU on 23 May and the old rules thus still apply, these countries would send fewer representatives to parliament than they currently expect, only to find out shortly afterwards that, with the UK leaving, they should have had the extra seats.

Prolonging the political agony with nothing to show for it?

Seen from an EU27 angle, the UK has not (yet) used the extra time granted at the 21 March EU summit to make visible progress towards a plan. While all seems in flux, the destination remains unclear. None of the key players in the UK has managed or dared to rule out any particular option for good. Unless the UK parliament rallies behind an option today or tomorrow, the EU27 may ask why a new delay should finally help the UK to get its act together if the first delay has not done the trick.

Insisting on the Withdrawal Agreement

The Brexit debate concerns two separate documents, the legally binding **Withdrawal Agreement (WA)** and the **political declaration on future relations** between the UK and the EU27. Except for the extreme scenarios of a no-deal hard Brexit or no Brexit at all, the EU27 will continue to insist that the UK passes the WA. This holds for May's free trade deal as well as the two options promoted by Labour, a permanent customs union and a confirmatory referendum. Seen from the EU27 angle, agreeing on this fact of life and accepting the WA should have been easy for May and Labour leader Jeremy Corbyn. That their talks seem to have made little progress so far is not exactly encouraging for the EU27.

Outlook: Hoping for Merkel's calming influence

In the end, these concerns will probably not prevent the EU27 from once more granting the UK more time on 10 April, possibly with new strings attached and perhaps even in the form of the "flexible" delay Tusk has mentioned. In the interest of good post-Brexit political relations with the UK, German Chancellor Angela Merkel will probably be inclined to be lenient towards the UK, more so than some other equally exasperated EU leaders may be. Partly due to her legendary stamina in long-night sessions, Merkel occasionally shapes EU compromises her own way. It could be an interesting summit.



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