

## **Options for deal or no deal** <sup>[1]</sup>



### **What might a 'no deal' Brexit mean?** <sup>[2]</sup>

In the graphic below we set out two types of a 'no deal' Brexit.

One is what the Chancellor Philip Hammond termed a **“bad-tempered” no deal** <sup>[3]</sup> which results from a breakdown of the negotiations. The UK would immediately become a third country in its dealings with the European Union (EU). It would move to trading with the EU on World Trade Organization (WTO) terms with no preferential tariff agreement. There would be no transitional period and potentially no other agreements with the EU on issues such as data sharing, aviation or customs co-operation.

The **likelihood of disruption** <sup>[4]</sup> to business as usual would be very high. There would probably be no Withdrawal Agreement. UK contributions to the EU budget would end and the EU27 member states would have to decide how to pursue outstanding obligations. It would be up to the UK and the EU27 member states to decide how to deal with existing residents from the other jurisdictions. Finally, it would be difficult to avoid anything other than a hard border with Northern Ireland.

### **Could a “bad-tempered” no deal be softened?** <sup>[5]</sup>

A possible alternative scenario would be what we have dubbed an amicable no deal. In this case, the EU and the UK agree that they will not be able to conclude a free trade agreement (FTA) – and move to trade on WTO terms.

But both agree to put in place the **sort of agreements** <sup>[6]</sup> the EU already has with other major trading partners to ease (but not eliminate) the newly introduced barriers to trade. There could even be agreement to a short standstill transition, along the lines **the Prime Minister set out in her Florence speech** <sup>[7]</sup>, to allow both the UK and EU to be ready for Brexit. One precondition for this would likely be the conclusion of a Withdrawal Agreement; **Michel Barnier, the EU’s Chief Negotiator for Brexit, has told MPs** <sup>[8]</sup> that without a deal on the withdrawal issues, there will be no other negotiations.

### **Are there other Brexit deal scenarios?** <sup>[9]</sup>

The Government is currently planning for a ‘standstill’ transition to begin on 29 March 2019. This would allow negotiations on the detail of the future relationship to continue, as well as allow both sides time to get ready for that future relationship. This ‘delayed deal’ would mean a smooth exit but no certainty on the long-term relationship for some time, particularly given **reports** <sup>[10]</sup> that the UK is considering a mechanism to allow extension of the transition period.

But of course, other scenarios are possible.

### **Download this graphic as a PDF** <sup>[11]</sup>

		Type of deal		
		"Bad-tempered" no deal	Amicable no deal	Withdrawal Agreement and delayed deal on future
		UK leaves EU with no FTA* and no other agreements	UK leaves EU with no trade deal, but other agreements in place	UK and EU agree that they need more time to conclude trade deal
What it means	 UK-EU trade relationship	UK and EU trade on WTO terms, which means: <ul style="list-style-type: none"> <li>• no preferential tariffs</li> <li>• goods have to meet each jurisdiction's regulatory requirements</li> <li>• each treats other as "third country for services".</li> </ul>	UK and EU trade on WTO terms, which means: <ul style="list-style-type: none"> <li>• no preferential tariffs</li> <li>• goods have to meet each jurisdiction's regulatory requirements</li> <li>• each treats other as "third country for services".</li> </ul>	UK continues to trade as if it is in the Single Market and Customs Union during the transition. UK to continue to mirror EU agricultural and fisheries policy.
	 Other economic relationships with the EU	No agreements on, for example, aviation and data sharing.	Potential for other agreements, for example on data sharing, customs co-operation and aviation.	Continue as they are currently during the transition.
	 Transition	No transition.	Possible short transition agreed to prepare for UK third country status.	Yes. UK may need to negotiate an additional implementation phase as part of a final deal.
	 UK borders	New system needs to be fully operational on day one after Brexit, with customs and regulatory checks on both sides of the border.	No immediate change. Time to prepare the border if transition agreed.	No change with respect to goods for the time being.
	 Citizens' rights	No rights agreed. UK can make unilateral offer to EU citizens living in the UK. EU member states can make offers to UK citizens resident in EU countries. Formal freedom of movement ends, but in practice little may change until a new permanent regime is put in place.	Rights may be agreed, if there is agreement on some/all of Withdrawal Agreement. Formal freedom of movement ends, but in practice little may change until a new permanent regime is put in place.	Freedom of movement continues during the transition. Citizens' rights secured in the Withdrawal Agreement.
	 Ireland	A hard border between the Republic of Ireland and Northern Ireland.	Potential for some border softening.	Border arrangements continue as now for the time being.
	 Budget contributions	Budget contributions by the UK to the EU end.	Potential contributions during transition and/or to maintain relationship with some EU regulators and programmes.	Continues as now.
	 UK trade policy	UK free to sign new trade agreements with any country or trade bloc it wishes to.	UK free to sign new trade agreements – though may have to wait until end of the transition.	UK able to negotiate, but not sign, new FTAs while continuing inside the Single Market and Customs Union.
 European Court of Justice (ECJ) jurisdiction	Jurisdiction of the ECJ ends.	Could continue temporarily depending on the terms of transition.	Continues as now during the transition.	

\* FTA - Free Trade Agreement

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[1] <https://www.instituteforgovernment.org.uk/explainers/brexit-options-deal-no-2019-scenarios>

[2] <http://twitter.com/intent/tweet?text=What%20might%20a%20'no%20deal'%20%23Brexit%20mean%3F>

[3] <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/the-work-of-the-chancellor-of-the-exchequer/oral/71161.html>

[4] <https://www.instituteforgovernment.org.uk/explainers/no-deal-brexit-preparations>

[5] <http://twitter.com/intent/tweet?text=Could%20a%20'E2%80%9Cbad-tempered'E2%80%9D%20no%20deal%20%23Brexit%20be%20softened%3F>

- [6] <https://www.instituteforgovernment.org.uk/explainers/bilateral-agreements>
- [7] <https://www.instituteforgovernment.org.uk/explainers/prime-ministers-florence-brexit-speech>
- [8] <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/exiting-the-european-union-committee/the-progress-of-the-uks-negotiations-on-eu-withdrawal/oral/88890.html>
- [9] <http://twitter.com/intent/tweet?text=Are%20there%20other%20%23Brexit%20deal%20scenarios%3F>
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