

Brexit transition deal is not a cliff-edge, it's a bridge to where we need to be

Comment



By Dr Gerard Lyons

Enough is enough. The leader is away so those in other senior roles seem to think they can play. The trouble is, new ideas on Brexit should not be floated in public in the way they currently are, as if Government policy is being made by whoever can occupy the news agenda for that day. On Thursday it was migration. On Friday it was transition

deals. The suggestions made were sensible, but that is not the point. There is a need to return to some Cabinet collective responsibility on this, the most important issue of our day: Brexit.

The outlook for any economy depends upon the interaction between the economic fundamentals, policy and confidence. Of these, confidence is the most difficult. Ahead of the unexpected election, international business confidence about the UK was clearly improving. Investment inflows into the country were high. Now, with the world economy growing solidly and world trade rising, as the International Monetary Fund

pointed out this week, there is a need to stop bickering, and to start presenting a united front on both the Brexit plans and vision. Both are key.

In that respect, I welcome the idea of a transition deal. In January I co-authored a report for Policy Exchange calling for such a transition, and in a forthcoming book argue that it is in Britain's best economic interests to leave both the single market and customs union. Central to UK plans should be a T-TAB: a Temporary Transition Agreement for Britain. It has to be temporary, or else the powerful elites who are sitting pretty will want it to be never-ending. The CBI, who talk for big firms but not

small or medium-sized ones, have already hinted at such a transition taking on a more permanent nature. Let's not forget the "Norway option" we often hear about was temporary and that was decades ago. So our transition should be fixed, and two years works well. The planning horizons for City firms, and for those in integrated supply-chains like the auto sector, cannot depend upon waiting for a deal to be agreed in the late hours, one night in Brussels.

Agreeing a deal in March 2019 but then knowing what it is and that there are two years before it is implemented helps everyone. There is alarmist talk of a cliff-edge.

It reminds me of the Y2K bug where computers were apparently going to stop at the millennium. I prefer the analogy of a bridge. With a bridge we can usually see how long it is and we know where it is taking us. Many of the "risks" being highlighted about Brexit are perceived risks, not real risks. And a two-year transition would alleviate many concerns.

Then it has to be "for Britain". It is important that in the transition we do not agree to an existing arrangement, suitable for smaller economies, but not for us, the fifth biggest economy in the world. The deal needs to be bespoke. Because we are a member of the EU we have complete regulatory

alignment with the EU now. Given that starting position it should be easy to agree a trade or other arrangement. Other countries who take years to agree trade deals start miles apart on regulations. We don't.

Yes, let's have a T-TAB transition deal. But it must be temporary, discarded once the two years are up, transitional in being a bridge, not a cliff-edge, and bespoke to Britain. And let's have clear agreed leadership on implementing Brexit.

Dr Gerard Lyons is chief economist at Netwealth Investments. His forthcoming book with Liam Halligan is Clean Brexit (Biteback).