

Brexit: The Timetable for the Next Two Years... and Beyond?

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"Very few conflicts in the history of the world have been satisfactorily concluded according to a published timetable, because you lose all flexibility in dealing with your opponents" William Hague

Let's be clear, Brexit is a political conflict only, but William Hague's observation about published timetables feels very applicable to the next couple of years – and quite possibly beyond. The theatre surrounding the writing and delivery of the Article 50 letter notifying the EU Council of the UK's intention to leave the European Union on 29 March, in the wider scheme of things, is a mere initial sideshow. Similarly, any emotions contained within the letter or in the days following its receipt should not be over-interpreted. The Brexit discussions are most certainly a marathon and not a sprint.

For investors, there are three key periods for Brexit related discussions. Conveniently, they fall neatly into this calendar year and the following two. Let's get the crystal ball out and describe them.

2017 – establishing the framework

Anyone who has followed the seemingly annual discussions around the restructuring of the Greek debt burden knows that the European Union loves to take everything to the wire. Before negotiation and any settlement however, comes process... and the European Union loves putting in place the correct structure before any substantive negotiations can even begin.

If the 29th March was the letter delivery date and an opportunity for the UK government to give some early views, then 29 April is the first proper opportunity for the European Council Summit to give some views back... but they probably will not, due to the proximity of the final round of the French Presidential elections.

Probably more important – before focus refocuses on that inevitable late June/early July Greek debt negotiation – will be a June summit of the UK and the rest of the continuing European Union to agree the process for negotiation: essentially when and how discussions are to be conducted.

No doubt, following William Hague's earlier observation, any discussion sequencing timetable will by the autumn have already fallen awry, potentially skewed initially by the provocative concept of the bill given to the UK for exiting...

2018 – negotiations

By the dawn of next year, concerns about the hoped-for timetable will be legion. Every day will bring new stories about what is going on in the arranged negotiations and every utterance by anyone even remotely involved will be appraised for insight.

Probably around the middle of 2018, the fear factor will be most apparent. With less than a year remaining until the end of the mooted two year discussion period, the pressure will be on all sides given the economic risks of the UK slipping towards a disruptive trade regime akin to an average World Trade Organisation member and not a previously integral European Union member. Exporters and importers on both sides of the English Channel are likely to be agitating.

The penny (or euro cent) will drop after the summer holidays that the original two year timetable is not going to be adhered to. And then the focus will move to stage three.

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HOW WILL THE UK ECONOMY FARE AFTER BREXIT?

	Better (%)	Worse (%)
July 2016	39	42
August 2016	35	47
November 2016	31	48
March 2017	29	52

Source: IHS Market Polling

2019 (and beyond) – next steps

What is your least favourite Brexit related term? Perhaps it is 'Brexit' itself. I would wager that by two years' time, it will be 'transitional arrangement' – essentially professional politician speak for a fudge agreement.

Forget wholesale ratification of new UK specific policies, and anticipate a pragmatic series of arrangements which in some cases will look rather akin to the existing European Union wide legislation. In short, anything that stops either a legislative logjam in the UK Parliament or which creates too much of an uncertainty gap.

Two years time will roll around quicker than anyone could ever believe. However it is likely to a period that correctly will be characterised as the end of the beginning of the current UK-EU relationship and not the beginning of the end. Geographic proximity, the lobbying powers of global businesses and pragmatic choices will leave Brexit in limbo by the end of the formal two year 'divorce' period with meetings, discussions and legislative fine-tuning carrying on until surprisingly deep into the 2020s.

Breaking up is never easy to do... and then there is the small challenge of how the financial markets perceive all of this. The Brexit debate will not be far from our minds up to and beyond the end of the current decade. ■

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KEY TAKEAWAYS:

- Brexit discussions are most certainly a marathon and not a sprint
- Before negotiation and any settlement however, comes process
- Concerns about the hoped-for timetable will be legion
- Look out in time for 'transitional arrangement' discussions

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