



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

21st October 2019

Catherine McKinnell MP
Interim Chair
Treasury Select Committee
House of Commons
London
SW1A 0AA

Dear Catherine

EU EXIT ECONOMIC ANALYSIS

Thank you for your letter on Friday, as well as your predecessors' letter of 17 July, asking about the cross-Whitehall long-term economic analysis of EU exit published in November 2018, and whether we will be providing an economic impact assessment of the new Withdrawal Agreement and Political Declaration.

My starting point is that agreeing the Withdrawal Agreement is self-evidently in our economic interest. It would bring an end to the damaging uncertainty and delay of the past years, and allow businesses to get on with taking decisions, including around recruitment and investment. That is very much the message that I heard from both business leaders and my fellow finance ministers at the IMF Annual Meetings in Washington last week. All welcomed the Agreement.

Approving the Withdrawal Agreement would also allow us to get on with the process of agreeing a mutually beneficial new trading relationship with our European friends. As you note, our policy is to negotiate a comprehensive and ambitious free trade agreement (FTA) with the EU – and we have always said that our preference is to leave with a deal, rather than face the disruption that no-deal would bring in the short-term. That is the choice before us: this deal or no-deal.

It might be helpful to recall that the analysis of November 2018 was intentionally long-term in nature. It was designed to provide an understanding of how changes to our relationship with the EU might affect the UK economy, but it did not seek to predict how the UK economy will actually perform in the future, not least because the UK's exit from the EU will be just one of a number of factors impacting economic growth. Nor did the analysis make judgements about any future economic policy decisions.

Furthermore, the FTA modelled in the analysis does not correspond to the agreement we will be seeking, because it instead modelled a generic, 'average', FTA, looking at examples from around the world. The specifics of our own agreement will be the subject of the next

phase of negotiations. We will keep Parliament updated throughout those discussions and provide analysis at appropriate points.

What has already been agreed is the Withdrawal Agreement, on which the Department for Exiting the European Union will publish information in the coming days, to inform Parliamentary discussion of the Bill once it is brought before the House.

My last point is to say that trust in democracy and bringing an end to the division that has characterised this debate over the past three years, is something that cannot be measured solely through spreadsheets or impact assessments, important though they are. Respecting the referendum and closing this chapter so we can focus on delivering growth and the public services people deserve, is the right thing to do for our country.

A handwritten signature in blue ink, consisting of the letters 'S. J.' followed by a stylized flourish.

SAJID JAVID