



TONY BLAIR
INSTITUTE
FOR GLOBAL
CHANGE

Brexit: What We Now Know

Contents

Summary	3
Costs	5
Complexity	28
Concessions and Chaos	33
Choices	37

SUMMARY

This document sets out some of the key things that have been learned since the June 2016 EU referendum. These include:

- The Office for Budget Responsibility has downgraded UK growth expectations for the next five years.¹
- The Organisation for Economic Co-operation and Development says the UK went from the top of the G7 growth league to the bottom in the year following the Brexit vote.²
- The Centre for Economic Policy Research calculates that the Brexit vote has already cost the UK economy £300 million a week.³
- Food prices are growing at their fastest rate in four years.⁴ Inflation is over 3 per cent for the first time in nearly six years.
- The Centre for Economic Performance says that the Brexit vote has cost the average household £404 a year.⁵
- The Nursing and Midwifery Council says applications from EU nurses to work in the UK have fallen by 89 per cent since the referendum.⁶
- The UK government has said it is not bound to honour the pledge to spend £350 million extra a week on the NHS made by the Vote Leave campaign.⁷
- UK Brexit Secretary David Davis said in February 2017 that “in the hospitality sector, hotels and restaurants, in the social care sector, working in agriculture, it will take time. It will be years and years before we get British citizens to do those jobs.” Industry bodies have since reported labour shortages across

1 <http://budgetresponsibility.org.uk/efo/economic-fiscal-outlook-november-2017/>, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661757/Nov2017EFOwebversion.pdf

2 <https://www.oecd.org/eco/surveys/United-Kingdom-2017-OECD-economic-survey-overview.pdf>

3 <http://voxeu.org/article/300-million-week-output-cost-brexit-vote>

4 <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation>

5 <http://cep.lse.ac.uk/BREXIT/press1.asp?index=5656>

6 <https://www.nmc.org.uk/globalassets/sitedocuments/other-publications/the-nmc-register-30-september-2017.pdf>

7 <https://www.thesun.co.uk/news/4868483/nhs-must-get-the-350m-a-week-promised-by-brexit-campaigners-says-head-of-health-service/>

those sectors of the UK economy.

- UK Prime Minister Theresa May has agreed to an EU exit bill which she admits could cost between £35 billion and £39 billion.⁸
- The UK government has set aside £3 billion over the next two years to prepare for Brexit.⁹ The National Audit Office says almost 2,500 new civil service jobs have already been created due to Brexit.¹⁰

8 <https://www.gov.uk/government/speeches/pm-commons-statement-on-european-council-18-december-2017>

9 <https://www.gov.uk/government/speeches/autumn-budget-2017-philip-hammonds-speech>

10 <https://www.nao.org.uk/wp-content/uploads/2017/12/Implementing-the-UKs-exit-from-the-European-Union-people-and-skills.pdf>

COSTS

The Office for Budget Responsibility (OBR), established by the UK government to provide independent scrutiny of the UK's public finances, says that the UK economy's ability to grow has been negatively affected since the Brexit vote.¹¹

"The renewed weakness of productivity growth over the first half of 2017 will almost certainly have been exacerbated by the Brexit Vote."¹²

The governor of the Bank of England, Mark Carney, has also stated that Brexit is already having a "noticeable impact" on the UK economy and is depressing the rate at which it can grow.¹³

UK growth expectations for the next five years are the most pessimistic in over four decades.¹⁴ Every major international and domestic economic forecaster has downgraded its projections for the UK.

UK PUBLIC FINANCES AND THE NHS

The OBR also forecasts a weaker outlook for the public finances. The independent health think tank, the Nuffield Trust, believes the cumulative economic impact of Brexit, if distributed proportionately across the public sector, could lead to a £2.4 billion reduction in annual National Health Service (NHS) spending in England by 2020–2021.¹⁵

Sir Simon Stevens, chief executive of NHS England, believes that the NHS needs an additional £4 billion in 2018 just to maintain existing levels of care.¹⁶ The government has refused to give the

¹¹ <http://budgetresponsibility.org.uk/efo/economic-fiscal-outlook-november-2017/>

¹² Ibid.

¹³ <https://www.bankofengland.co.uk/-/media/boe/files/inflation-report/2017/nov.pdf#page=9>

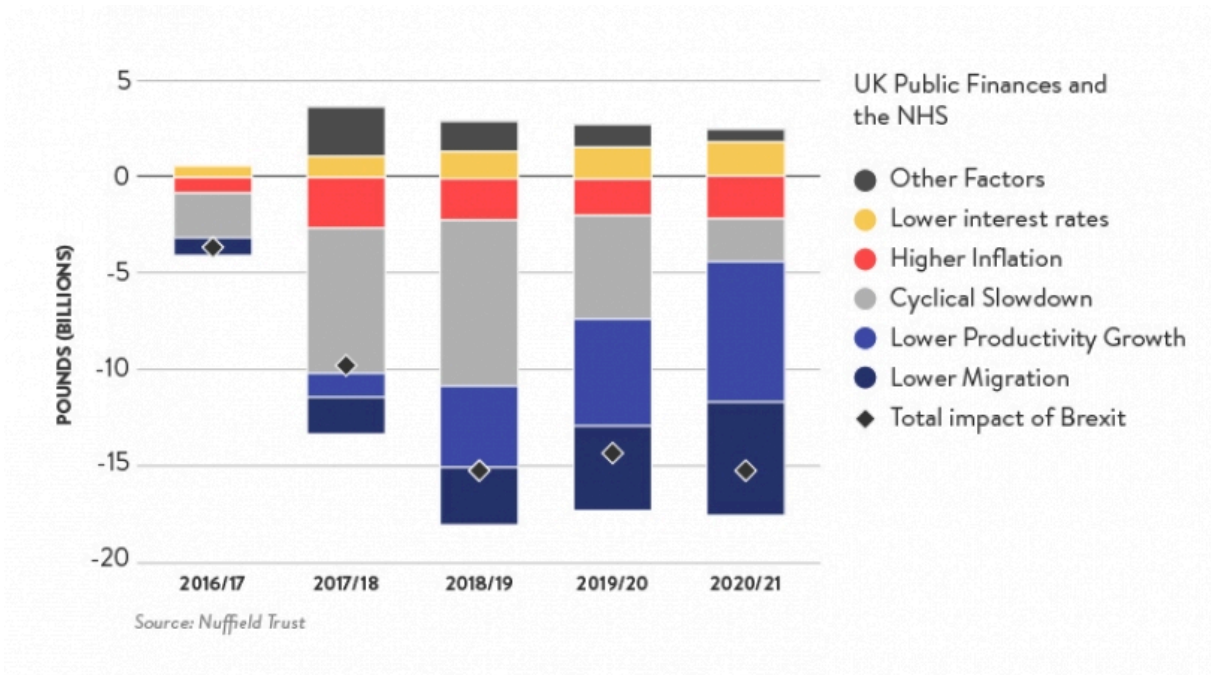
¹⁴ <http://budgetresponsibility.org.uk/efo/economic-fiscal-outlook-november-2017/>

¹⁵ https://www.nuffieldtrust.org.uk/files/2017-11/1509990492_nt-future-relationship-with-eu-after-brexit-web.pdf

¹⁶ <https://www.thetimes.co.uk/article/million-more-on-waiting-lists-unless-nhs-gets-4bn-boost-simon-stevens-warns-5kj7zv2ld>

NHS the £350 million extra a week promised during the Vote Leave campaign.

Figure 1: The Impact of Brexit on Public Finances¹⁷



THE BREXIT VOTE AND UK ECONOMIC OUTPUT

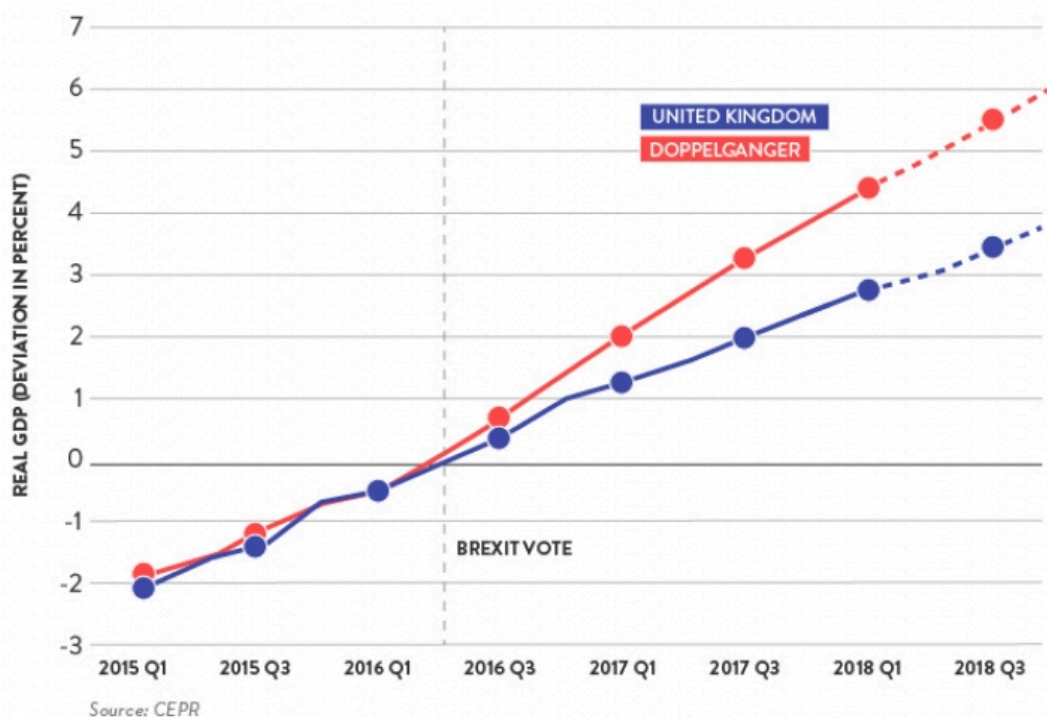
The Centre for Economic Policy Research calculates that the Brexit vote has already cost the UK economy £300 million a week. By the end of 2018, that will add up to a total of £60 billion, or almost 3 per cent of gross domestic product (GDP) in lost output.¹⁸

Figure 2: The Brexit Cost So Far¹⁹

¹⁷ <https://www.nuffieldtrust.org.uk/research/getting-a-brex-it-deal-that-works-for-the-nhs#the-bigger-picture>

¹⁸ <http://voxeu.org/article/300-million-week-output-cost-brex-it-vote>

¹⁹ <http://voxeu.org/article/300-million-week-output-cost-brex-it-vote>



THE GLOBAL ECONOMIC CONTEXT

The UK went from the top of the G7 growth league to the bottom in the year following the Brexit vote. The Organisation for Economic Co-operation and Development (OECD) says Brexit's economic impact on the UK has "cut growth to the lowest annualised rate in the G7 in the first half of 2017".²⁰

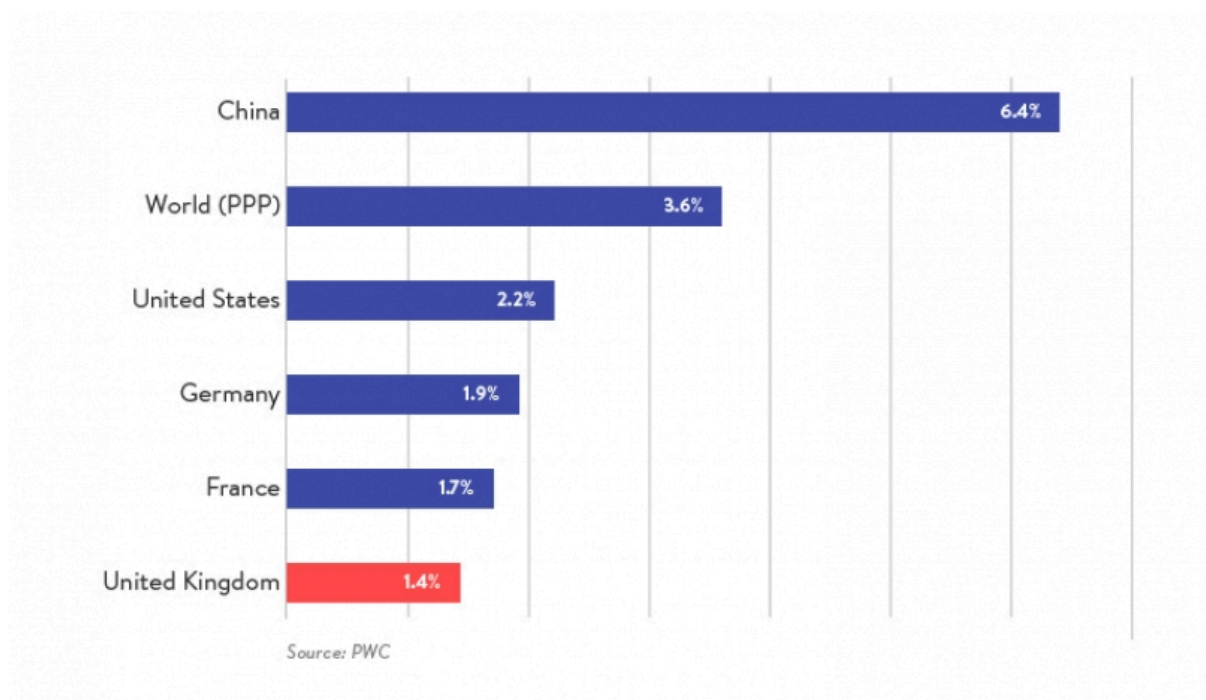
The OECD now predicts global growth of 3.7 per cent in 2018. The professional-services group PwC also forecasts the global economy will grow at its fastest rate for seven years in 2018, but that Britain will lag behind.²¹

Figure 3: PwC 2018 GDP Global Growth Forecast (percentage change year on year)²²

²⁰ <https://www.oecd.org/eco/surveys/United-Kingdom-2017-OECD-economic-survey-overview.pdf>

²¹ <https://www.pwc.co.uk/services/economics-policy/insights/uk-economic-outlook.html>

²² Sourced from Appendix A in <https://www.pwc.co.uk/economic-services/ukeyo/ukeyo-nov17-full-report.pdf>



LIVING STANDARDS

Inflation has picked up sharply since the Brexit vote. It is over 3 per cent for the first time in nearly six years.²³ The result has been a renewed fall in real wages. The Centre for Economic Performance says the impact it has had is close on to a week's wages for the average worker.²⁴

Consumer spending has seen its weakest annual growth since 2012. UK households have now been net borrowers for four successive quarters for the first time since records began in 1987. UK households are saving less than at any time for almost 20 years, in an effort to sustain their spending.²⁵

The Resolution Foundation warns that Britain is on course for the longest period of falling living standards since records began back in the 1950s.²⁶

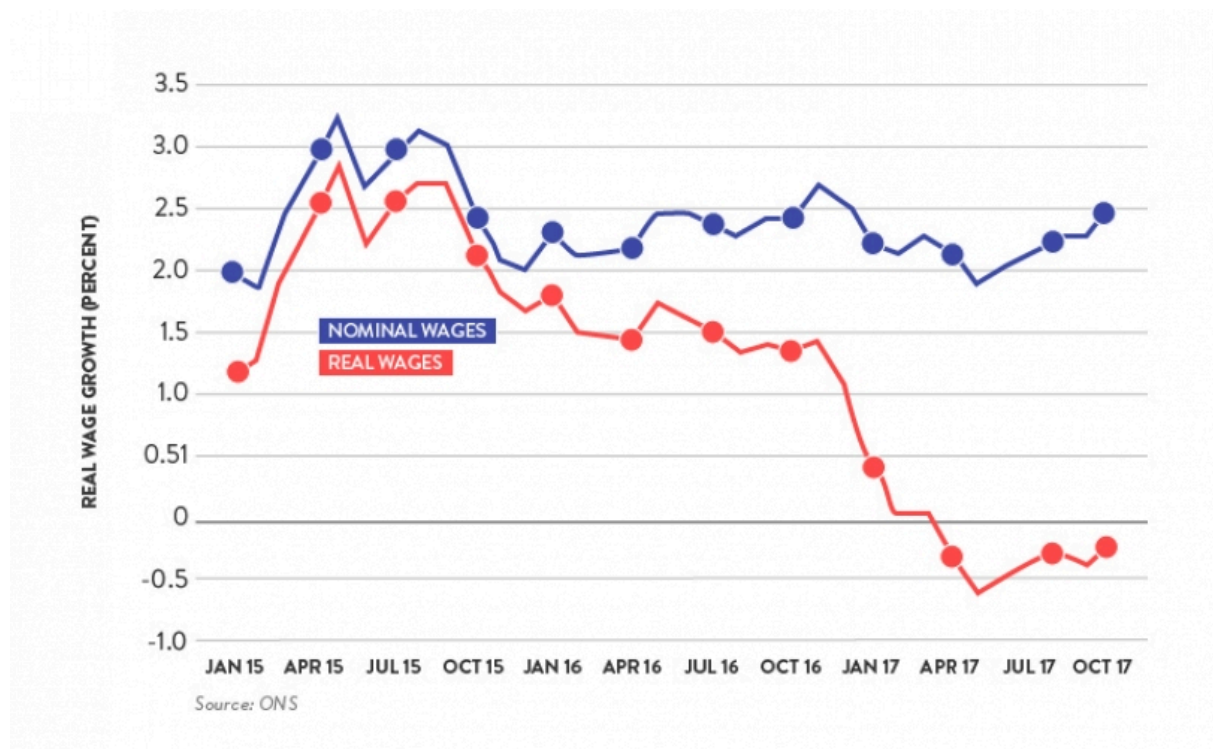
Figure 4: UK Nominal and Real Wage Growth, 2015–2017²⁷

23 <https://backup.ons.gov.uk/wp-content/uploads/sites/3/2017/12/UK-quarterly-sector-accounts-July-to-September-2017.pdf>

24 <http://cep.lse.ac.uk/BREXIT/press1.asp?index=5656>

25 <http://cep.lse.ac.uk/BREXIT/press1.asp?index=5656>

26 <http://www.resolutionfoundation.org/app/uploads/2017/11/Budget-response.pdf>



The Centre for Economic Performance says that the Brexit vote has cost the average household £404 a year.²⁸

Food prices are growing at their fastest rate in four years. Here are the latest percentage changes for some basic foodstuffs recorded by the Office for National Statistics (ONS) in the 12 months to November 2017:

- Butter is up 22.5 per cent.
- Sugar is up 13.9 per cent.
- Pasta is up 11.5 per cent.
- Coffee is up 10.5 per cent.
- The price of fish has risen 8.5 per cent.²⁹

As well as food prices, sterling's devaluation has had an impact on other essentials such as clothing, footwear and transport. The

27 <http://cep.lse.ac.uk/pubs/download/brexit11.pdf> and <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/averageweeklyearningsearn01>

28 <http://cep.lse.ac.uk/BREXIT/press1.asp?index=5656>

29 <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation>

latest ONS figures show transport costs rose by 4.5 per cent, while the costs of clothing and footwear are up by 3 per cent.³⁰

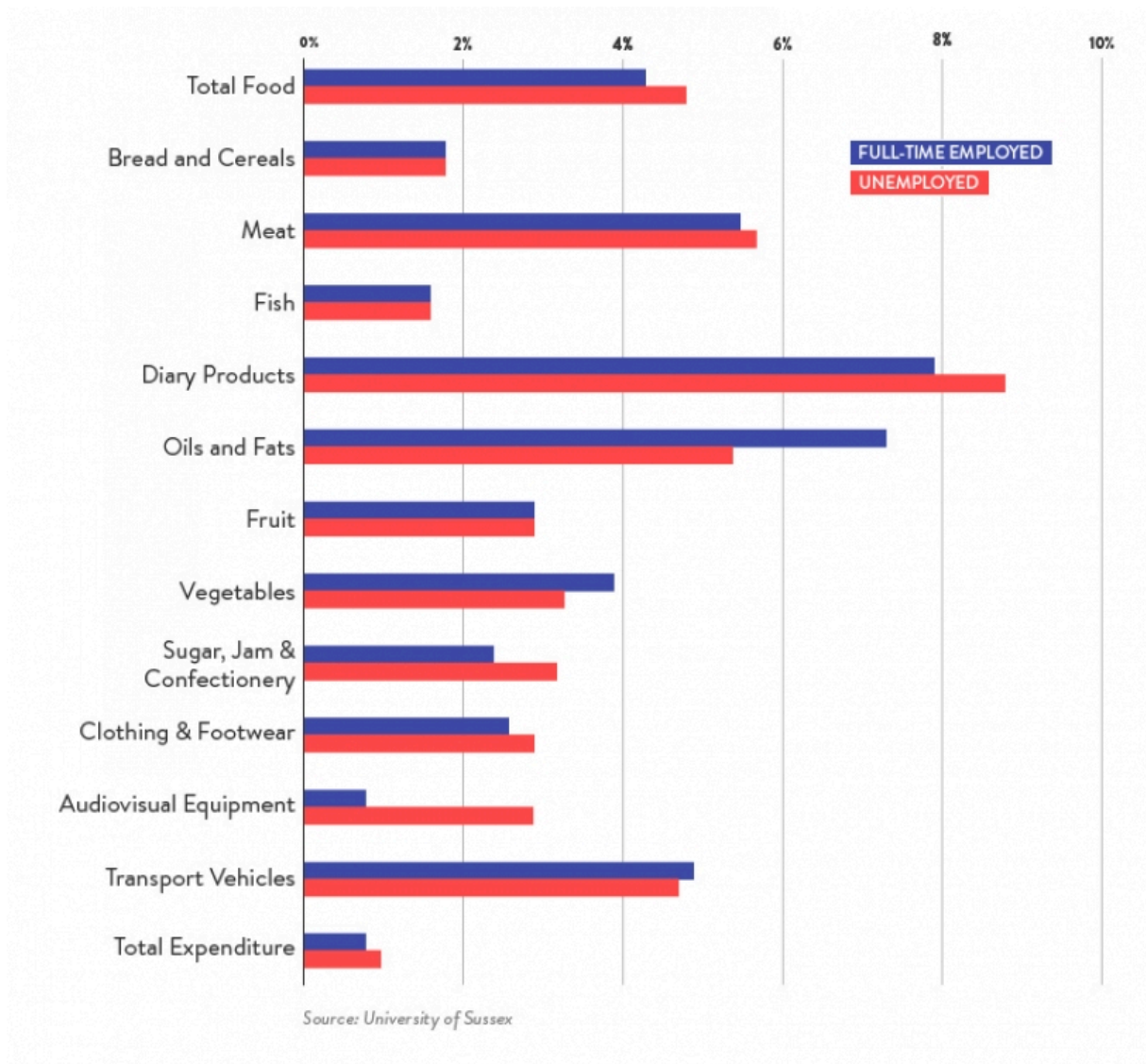
The National Institute of Economic and Social Research says UK households could face increases of up to £930 in their annual shopping bills if the UK does not reach a trade deal with the EU. Unemployed households, those with children, and pensioners would suffer disproportionately as a result.³¹

*Figure 5: Brexit Spending Increases (percentage change)*³²

30 <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/november2017>

31 <https://www.niesr.ac.uk/publications/will-brexite-raise-cost-living>

32 University of Sussex: <http://blogs.sussex.ac.uk/uktpo/files/2017/11/Will-Brexit-Raise-the-Cost-of-Living.pdf>



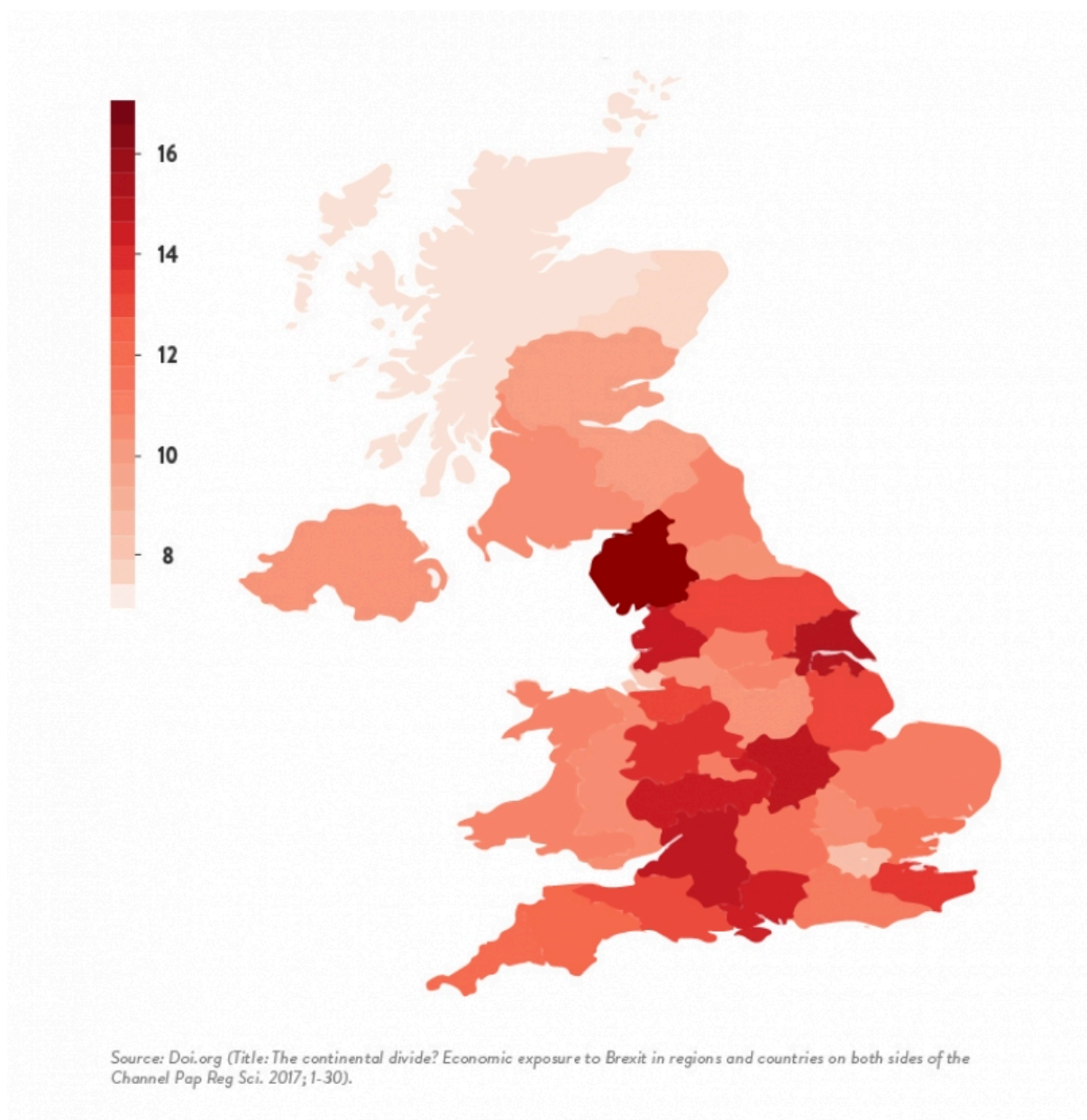
THE REGIONAL ECONOMIC IMPACT

Research from the University of Birmingham has identified parts of the Midlands and the North of England as the UK regions most vulnerable to the economic impact of Brexit. Areas dependent on manufacturing and agriculture are more reliant on EU markets. London sells less of its exports to the EU.³³

Figure 6: Economic Exposure to Brexit Across UK Nations and Regions in Terms of Share of Local Labour Income³⁴

³³ <https://www.birmingham.ac.uk/schools/business/research/research-projects/economic-impacts-of-brex-it-on-the-uk.aspx>

³⁴ Chen W, Los B, McCann P, Ortega-Argilés R, Thissen M, van Oort F. The continental divide? Economic exposure to Brexit in regions and countries on

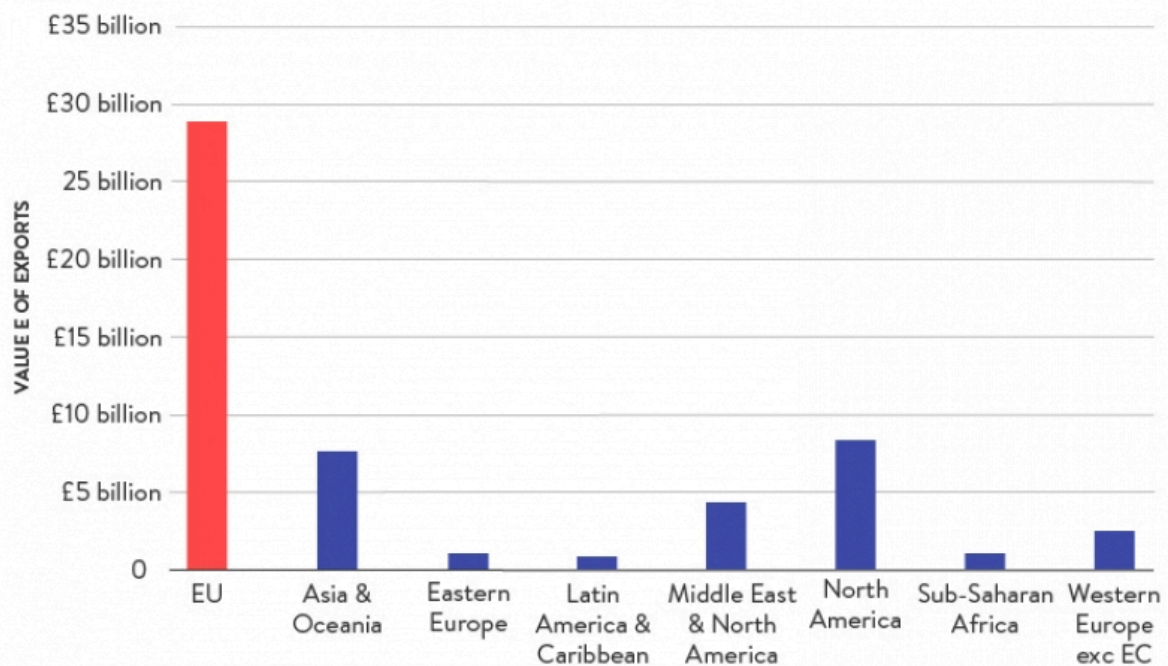


The Institute for Public Policy Research North calculates that Brexit is set to have nearly twice the impact on the North of England than on London. More than 10 per cent of the region's economy is dependent on trade with the EU.³⁵

Figure 7: Value of Exports of Goods From the North of England, 2016³⁶

both sides of The Channel. Pap Reg Sci. 2017;1-30. <https://doi.org/10.1111/pirs.12334>

³⁵ https://www.ippr.org/files/2017-11/1510159471_state-of-the-north-2017-november-2017.pdf



The Resolution Foundation says that the impact of Brexit on households in Northern Ireland will be a third greater than on households in London.³⁷

Northern Ireland, Scotland and Wales are already paying the heaviest economic price for Brexit in terms of higher inflation costs, according to the Centre for Economic Performance at the London School of Economics.³⁸

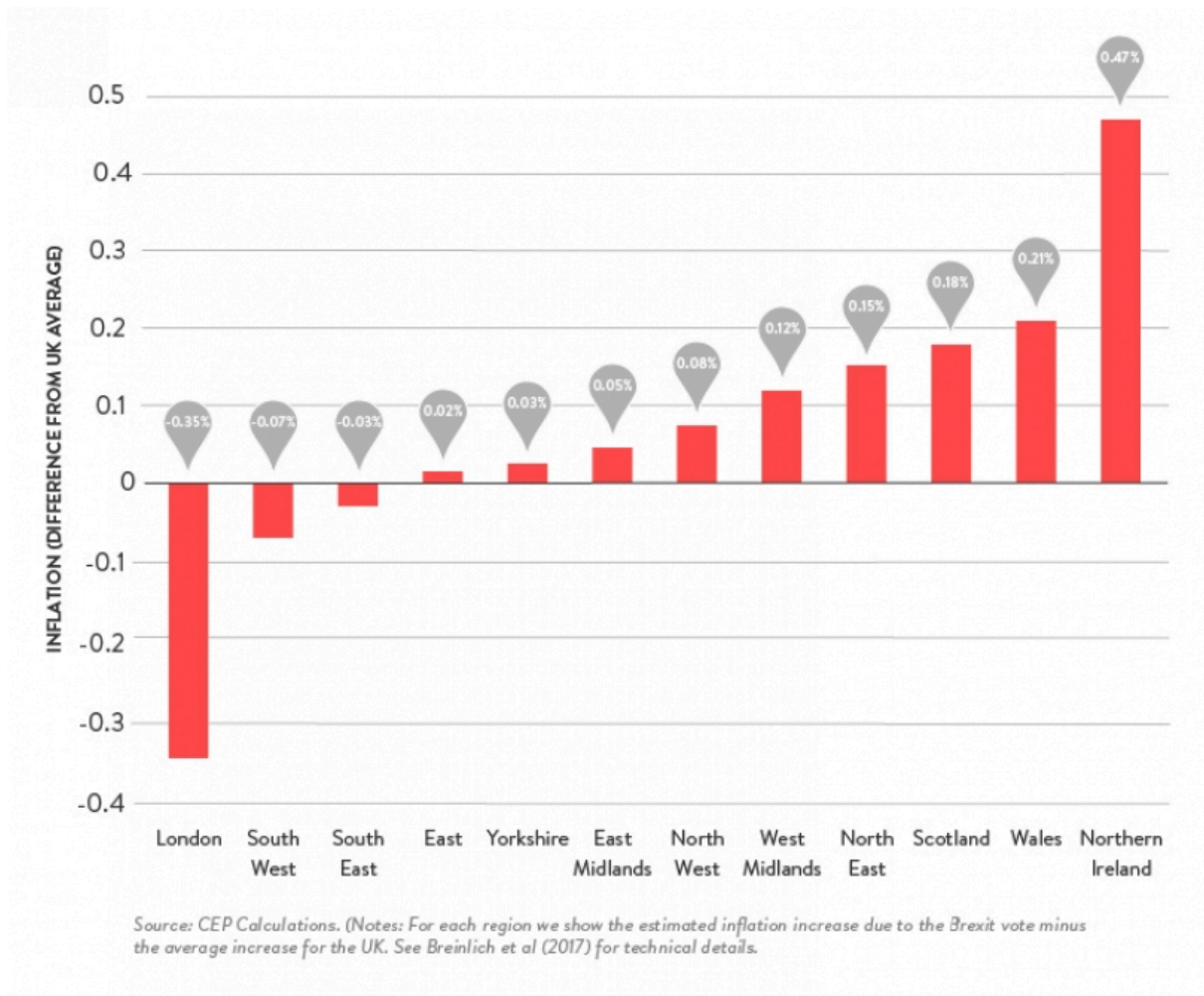
*Figure 8: UK Regional Impact of Inflation Due to the Brexit Vote*³⁹

36 <https://www.uktradeinfo.com/Statistics/BuildYourOwnTables/Pages/Table.aspx>

37 <http://www.resolutionfoundation.org/app/uploads/2017/10/Changing-Lanes.pdf>

38 <http://cep.lse.ac.uk/BREXIT/press1.asp?index=5656>

39 Figure 7 from <http://cep.lse.ac.uk/pubs/download/brexit11.pdf>



THE COST OF THE BREXIT DIVORCE BILL

In December 2017, the UK agreed to pay a divorce bill of £39 billion as part of its withdrawal from the EU.⁴⁰

- The UK has agreed to pay its share of EU spending for 2019–2020 but will have no control over what commitments are agreed or how the money is spent.⁴¹
- The overall cost of Brexit will rise if billions in loans to the EU are not repaid on time and in full.
- The provisional agreement includes billions of euros to pay for the pensions of civil servants in Brussels, which may well continue until the 2050s.

⁴⁰ <https://www.gov.uk/government/speeches/pm-commons-statement-on-european-council-18-december-2017>

⁴¹ https://ec.europa.eu/commission/sites/beta-political/files/joint_report.pdf

- The UK is expected to contribute to the cost of relocating two EU agencies based in London. Moving the European Medicines Agency and its 890 staff to Amsterdam is set to cost €585 million. €347 million is to be spent on a 25-year rental lease on office space in Canary Wharf.

BREXIT PREPARATIONS

UK Chancellor Philip Hammond announced in his November 2017 budget the government's intention to spend £3 billion over the next two years preparing for Brexit outcomes.⁴²

More than £660 million has been spent already.⁴³ In the next financial year the government has confirmed it will be spending £942,000 a day on Brexit planning.⁴⁴

The UK wants to remain part of several EU science and education research programmes. The government has yet to agree the payments it would have to make after 2020 to participate in such projects as the Erasmus student-exchange programme and the EU's collaborative research programme for cutting-edge science, Horizon 2020. Since 2014 that scheme alone has contributed a total of £420 million to funding British health research.

EU regional development funds have been of critical importance to the economic regeneration of large parts of the UK for decades, providing support for local business as well as building new roads and bridges.

The nations and regions of the UK are due to receive in excess of €10 billion from the EU between 2014 and 2020. Wales gets an annual sum of £370 million from EU structural funds. West Wales and the Valleys will benefit from close to £1.9 billion in financial support from the EU from 2014 to 2020.⁴⁵

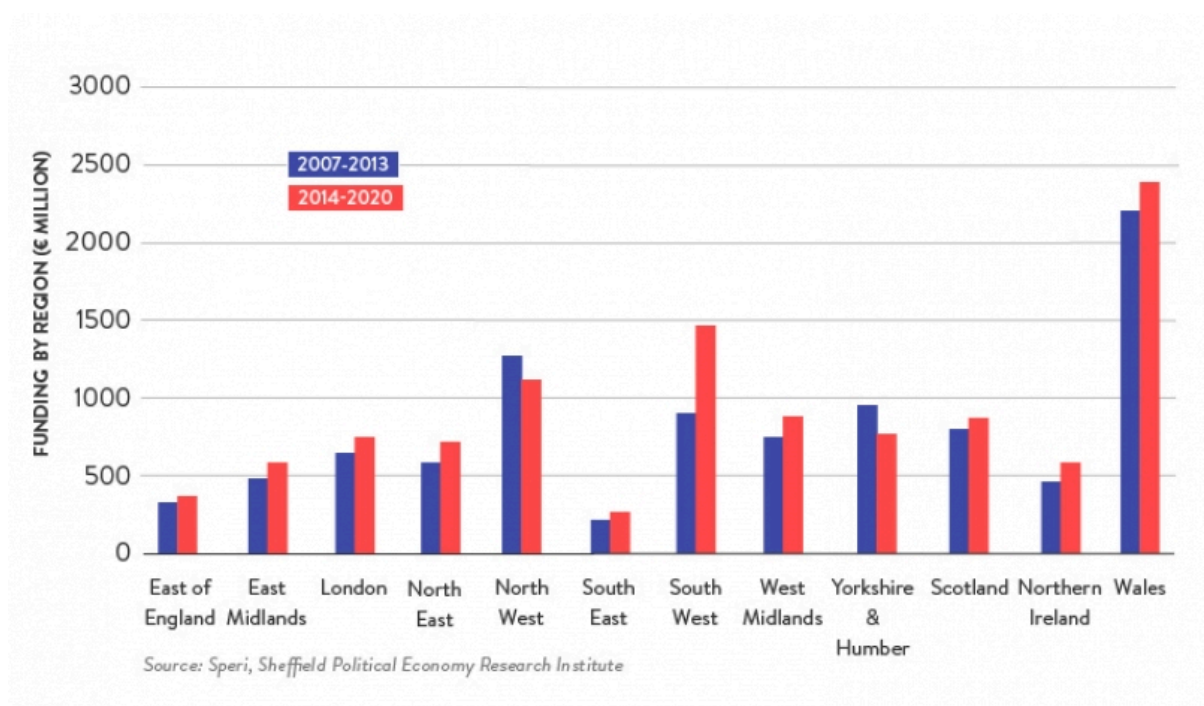
42 <https://www.gov.uk/government/speeches/autumn-budget-2017-philip-hammonds-speech>

43 <https://www.theguardian.com/politics/2017/oct/31/david-davis-concedes-brexite-financial-deal-will-probably-favour-eu>

44 <https://www.thetimes.co.uk/article/preparing-for-brexite-deal-to-cost-1m-a-day-and-it-will-favour-eu-h0p36q66m>

45 <http://speri.dept.shef.ac.uk/wp-content/uploads/2016/05/Brief24-UK-regions-and-European-structural-and-investment-funds.pdf>

Figure 9: EU Structural and Investment Funding to UK Regions, 2007-2020⁴⁶



The UK government is developing proposals for a UK shared prosperity fund. The Local Government Association has stated the UK government needs to find £8.4 billion to make up the shortfall in regional aid after Brexit.⁴⁷

NHS STAFFING

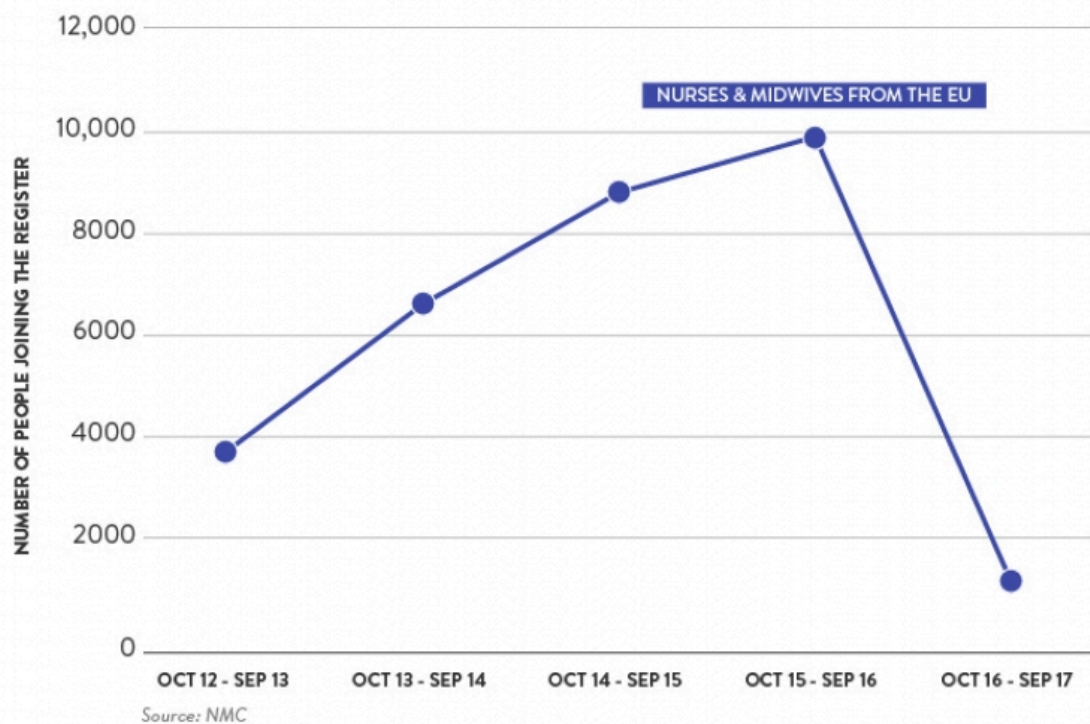
The Nursing and Midwifery Council says applications from EU nurses to work in the UK have fallen by 89 per cent since the referendum. At the same time, more UK based nursing staff are leaving the register than are joining it. This is the first time the number of nurses on the register has dropped year on year.⁴⁸

Figure 10: EU Nursing Applications to the Nursing and Midwifery Council Register, 2012-2017⁴⁹

⁴⁶ Figure 1 from <http://speri.dept.shef.ac.uk/wp-content/uploads/2016/05/Brief24-UK-regions-and-European-structural-and-investment-funds.pdf>

⁴⁷ https://www.local.gov.uk/sites/default/files/documents/2017-07_Beyond%20Brexit%20-%20LGA%20Discussion%20%28FINAL%29_0.pdf

⁴⁸ <https://www.nmc.org.uk/globalassets/sitedocuments/other-publications/the-nmc-register-30-september-2017.pdf>



The Royal College of GPs has warned 3.5 million patients are at risk of losing their local doctor because of Brexit.⁵⁰ The General Medical Council is also concerned the demand for GPs is outstripping supply, warning of a “crunch point” for the medical profession.⁵¹

A shortage of GPs in Lincolnshire means patients faced a four-week wait for an appointment. In 2016, Cumbria already had more than 50 vacancies out of a total consultant workforce of over 200.⁵²

The British Medical Association says nearly one in five NHS doctors from the European Economic Area (EEA) has made concrete plans to leave the UK. Their survey shows that as many as 5,400 EEA doctors are considering moving abroad.⁵³

49 <https://www.nmc.org.uk/globalassets/sitedocuments/other-publications/the-nmc-register-30-september-2017.pdf>

50 <http://www.rcgp.org.uk/news/2017/may/nearly-million-patients-at-risk-of-losing-their-family-doctor-through-brex-it-warns-rcgp.aspx>

51 <https://www.gmc-uk.org/news/31153.asp>

52 <https://www.gmc-uk.org/static/documents/content/SoMEP-2017-final-full.pdf>



Figures prepared for the UK parliament show a fall in the percentage of EU nationals joining the NHS. In 2016–2017, 11 per cent of nurses leaving the NHS were EU nationals. The numbers of Portuguese, Spanish and Italian nurses have fallen between December 2016 and June 2017.⁵⁴

The University Admission service UCAS says the number of applicants for nursing courses declined by 18 per cent in 2017 compared with the previous year. This is the “biggest fall in nursing applications on record.”⁵⁵

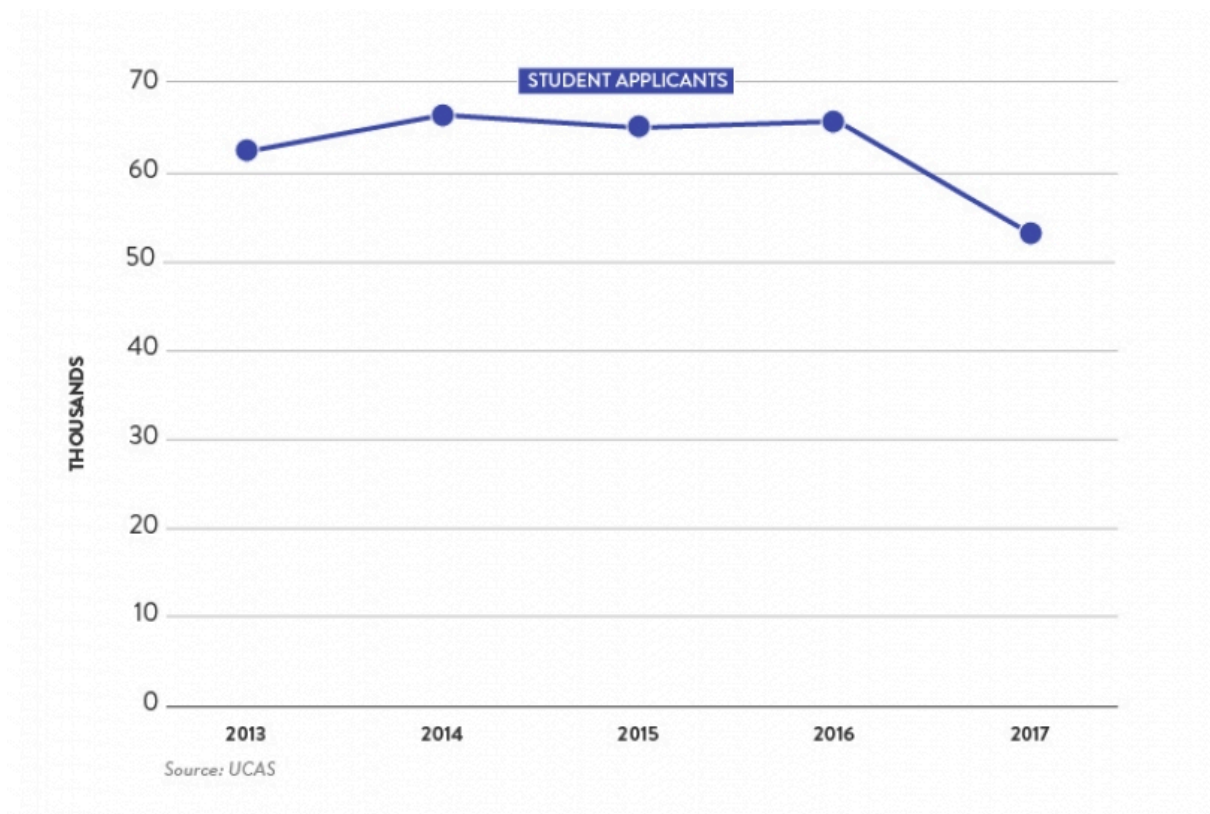
Figure 11: Student Applicants for Nursing Courses, 2013–2017⁵⁶

⁵³ <https://www.bma.org.uk/collective-voice/influence/europe/brexit/eu-survey>

⁵⁴ <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7783>

⁵⁵ <https://www.ucas.com/file/136531/download?token=A0UpZoEd>

⁵⁶ <https://www.ucas.com/corporate/data-and-analysis/ucas-undergraduate-releases/2017-cycle-applicant-figures-june-deadline-0>

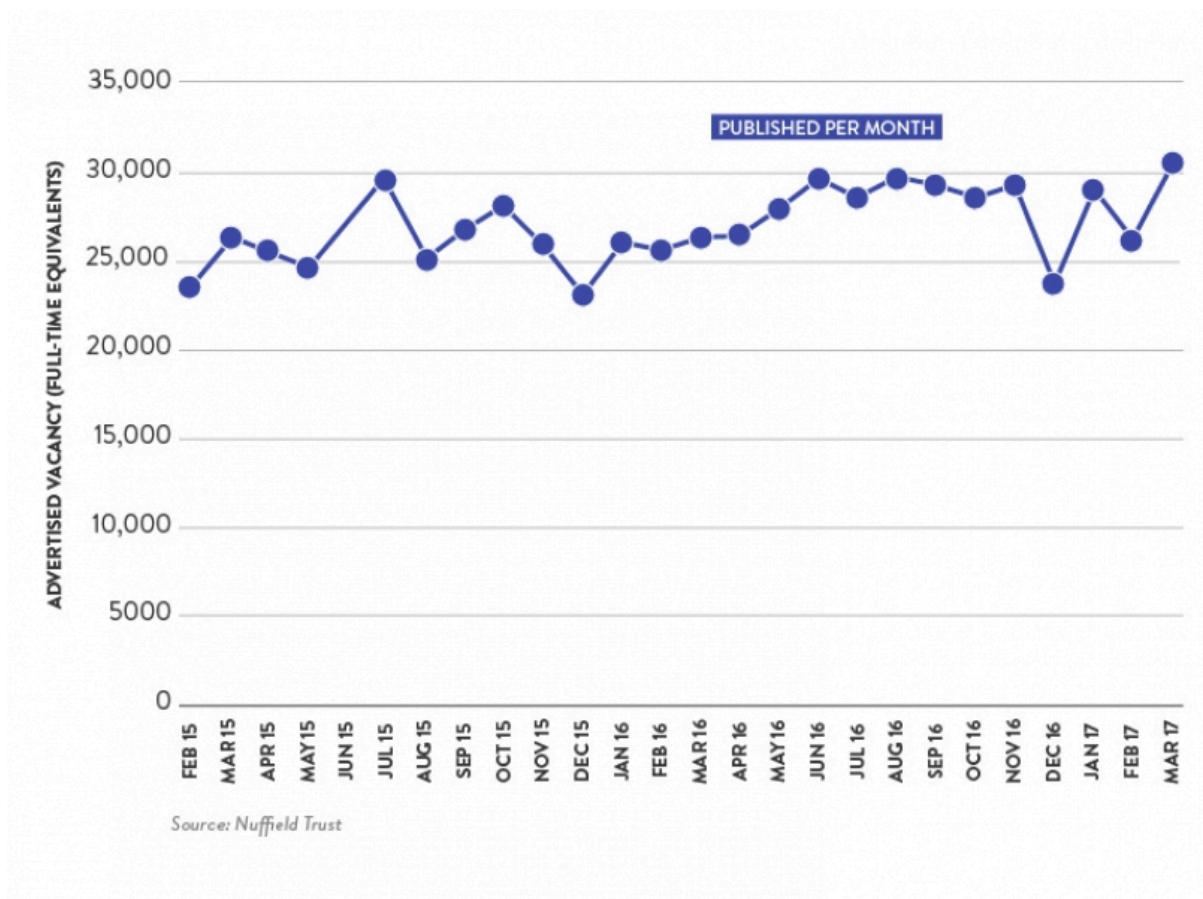


NHS Digital, the main recruitment website for the NHS, says that in the year to June 2017 a total of 9,832 EU doctors, nurses and support staff left the UK. The number of officially advertised full-time vacancies in NHS England rose from 26,424 in 2016 to 30,613 in March 2017. Recent research by the Labour Party, based on freedom-of-information (FOI) requests made to 82 NHS trusts, indicates there are currently 100,000 full-time staff vacancies in the NHS.⁵⁷

Figure 12: NHS Digital: Full-Time Monthly Advertised Vacancies, 2015–2017⁵⁸

⁵⁷ <https://www.thetimes.co.uk/article/more-than-100-000-vacant-nhs-posts-j7kbp7dz>

⁵⁸ <https://www.digital.nhs.uk/media/32051/NHS-Vacancy-Statistics-England-February-2015-March-2017-Provisional-Experimental-Statistics-Report/pdf/nhs-vac-stats-feb15-mar17-eng-rep>

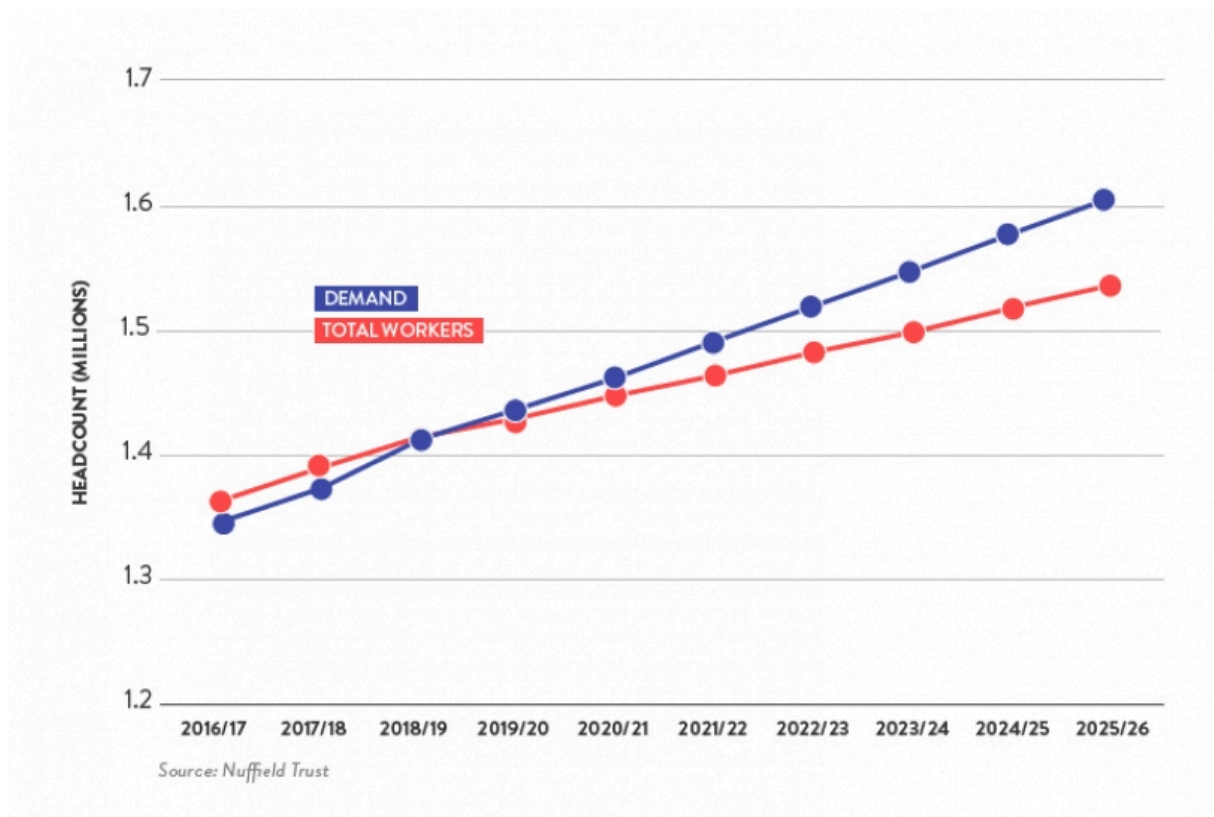


The Nuffield Trust has estimated that social care, which includes care homes for the elderly, faces a shortfall of as many as 70,000 workers by 2025–2026, if net migration from the EU is halted after Brexit.⁵⁹

Figure 13: Impact on Supply of Social Care Staff of UK Restrictions on EU Migration, 2016–2026⁶⁰

⁵⁹ <https://www.nuffieldtrust.org.uk/news-item/nhs-could-face-bill-of-over-half-a-billion-pounds-from-brexite>

⁶⁰ <https://www.nuffieldtrust.org.uk/research/getting-a-brexite-deal-that-works-for-the-nhs#social-care-should-not-be-overlooked>



UK BUSINESS

Almost 50 per cent of UK manufacturing exports go to the EU. The International Monetary Fund (IMF) has stated that Brexit has the “potential to reshape the structure of the UK economy”. The IMF highlights the impact on agriculture, manufacturing and services.⁶¹

The pound is the worst-performing major currency since the Brexit vote, according to the financial news service Bloomberg.⁶² But the OECD says it has seen little sign of any boost to UK total exports from the depreciation of sterling.⁶³

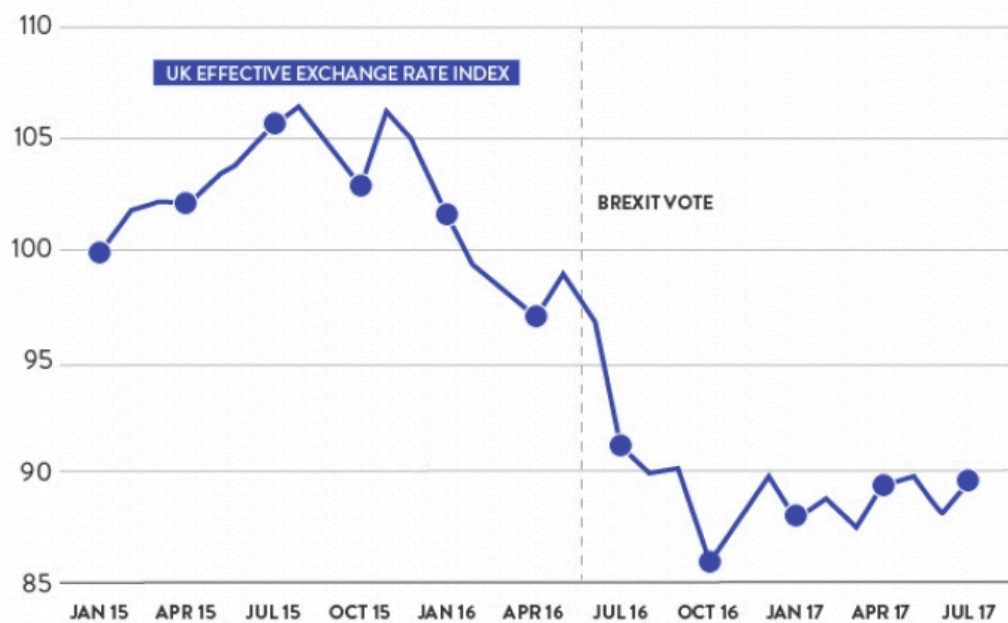
Figure 14: Decline in the Value of the Pound, 2015–2017⁶⁴

61 <http://www.imf.org/en/News/Articles/2017/12/19/mcs122017-united-kingdom-staff-concluding-statement-of-the-2017-article-iv-mission>

62 <https://www.bloomberg.com/news/articles/2017-11-30/brexit-gives-new-life-to-old-tractors-as-u-k-auction-sales-jump>

63 <https://www.oecd.org/eco/surveys/United-Kingdom-2017-OECD-economic-survey-overview.pdf>

64 <http://cep.lse.ac.uk/pubs/download/brexit11.pdf>



Source: CEP Calculations. (Note: Import weighted effective exchange rate calculated using 2013 UK import shares and monthly average exchange rates. Normalised to 100 in January 2015).

The *Economist* has found that in relative terms, British equities have not been performing well since the Brexit vote. “In both dollar and sterling terms, the FTSE 100 index has been one of the worst developed markets in 2017.”⁶⁵

Measured in dollar terms, the FTSE 100 index has risen by just 6 per cent since the referendum compared with gains of 26 per cent for the S & P 500 index in the US and gains of 23 per cent in the MSCI world index.⁶⁶

*Figure 15: FTSE-100 Performance Compared With Other Global Indices*⁶⁷

⁶⁵ <https://www.economist.com/news/finance-and-economics/21732535-investors-hopes-best-may-yet-be-dashed-markets-apparent-calm-over>

⁶⁶ <https://www.economist.com/news/finance-and-economics/21732535-investors-hopes-best-may-yet-be-dashed-markets-apparent-calm-over>

⁶⁷ <https://www.economist.com/news/finance-and-economics/21732535-investors-hopes-best-may-yet-be-dashed-markets-apparent-calm-over>



UK FINANCIAL SERVICES

Financial services account for 25 per cent of UK services exports, according to the ONS.⁶⁸ International banks operating in the UK are so far set to move around 4,600 jobs from London in preparation for March 2019, according to *Financial Times* research.⁶⁹

THE UK CAR INDUSTRY

New car sales in the UK fell by 11.2 per cent in November 2017, while manufacturing output is at an 18-month low. Deliveries to the UK domestic market have fallen by more than a quarter.⁷⁰

Mike Hawes, chief executive of the industry body the Society of Motor Manufacturers and Traders, which represents more than 700 UK companies, said in October 2017, "Domestic demand for new cars decreased for the ninth month this year amidst continued

⁶⁸ <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016>

⁶⁹ <https://www.ft.com/content/931b1b1a-df49-11e7-a8a4-0a1e63a52f9c>

⁷⁰ <https://www.smmmt.co.uk/vehicle-data/car-registrations/>

uncertainty over both Brexit and the government's air quality plans.”⁷¹

Investment in the UK car industry is down more than 50 per cent on 2016. Of all UK-built cars, 82.1 per cent were shipped abroad in October 2017, with the bulk going to Europe.⁷²

The UK motor industry calculates the imposition of EU tariffs on the UK would put £1,500 on the price of a new car imported to the UK from the EU.

The UK car industry is responsible for 12 per cent of total UK exports of goods and employs over 800,000 people. Since 2010, output has risen by more than 60 per cent.⁷³

THE UK LABOUR MARKET

UK job vacancies were at a record high of 798,000 in the three months to November 2017.⁷⁴ According to the ONS, there are 18 sectors of UK industry in which a fifth of the labour force originates from the EU.⁷⁵

The hospitality sector is one high-profile example. It is responsible for a total of 3 million jobs in the UK. Seventy-five per cent of waiters in London are EU nationals, according to the British Hospitality Association (BHA). The BHA believes more than 60,000 new EU migrants a year are needed just to replace those who leave the industry and maintain current levels of service.⁷⁶

UK Brexit Secretary David Davis admitted in the *Independent* in February 2017 that “in the hospitality sector, hotels and restaurants, in the social care sector, working in agriculture, it will take time. It will be years and years before we get British citizens to do those jobs.”

71 <https://www.smmmt.co.uk/vehicle-data/car-registrations/>

72 <https://www.smmmt.co.uk/vehicle-data/car-registrations/>

73 <https://www.smmmt.co.uk/vehicle-data/car-registrations/>

74 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest>

75 <https://www.theguardian.com/politics/2017/jul/29/eu-workers-fifth-labour-force-18-sectors-britain-economy>

76 <http://www.bha.org.uk/wordpress/wp-content/uploads/2017/05/BHA-EU-migration-final-report-170518-public-vSTC.pdf>

THE UK CONSTRUCTION INDUSTRY

One in five people working on housebuilding sites across Britain comes from other EU countries. The Home Builders Federation says there are not enough UK-born workers to meet demand.⁷⁷

Output in the UK construction industry was estimated to have decreased by 0.5 per cent in the third quarter of 2017. According to the ONS, it has now fallen for six consecutive periods.⁷⁸

UK AGRICULTURE

The National Farmers Union points to a 29 per cent national shortfall of seasonal workers for horticulture businesses in September 2017.⁷⁹

Crops are “rotting in the fields” following a decline in the number of EU agricultural workers in Cornwall. Farmers only have two-thirds of the workers they need.⁸⁰

Research conducted by the council states that “all agricultural businesses reported virtually no demand for agricultural jobs from a British workforce and the demand for jobs in the food processing sector was also relatively low from UK workers.”⁸¹

THE UK TRANSPORT SECTOR

The Freight Transport Association says that 10 per cent of its entire workforce is made up of EU nationals. There is a shortage of 52,000 light goods vehicle (LGV) drivers in the UK, a rise of almost 50 per cent in the 12 months since the Brexit vote.⁸²

⁷⁷ http://www.hbf.co.uk/uploads/media/28075-Home_Builder_Report-Master-_V4_02.pdf

⁷⁸ <https://www.ons.gov.uk/businessindustryandtrade/constructionindustry/bulletins/constructionoutputingreatbritain/october2017andnewordersjulytoseptember2017>

⁷⁹ <https://www.nfuonline.com/news/latest-news/worker-shortages-could-cause-supply-chain-disruption-in-2018-nfu-warns/>

⁸⁰ <http://www.independent.co.uk/news/uk/home-news/cornwall-council-appeal-government-crops-rotting-migrant-labour-a8049391.html>

⁸¹ www.cioslep.com/assets/file/Economic%20and%20Social%20Impacts%20of%20EEA%20Area%20Workers%20on%20Cornwall%20and%20the%20

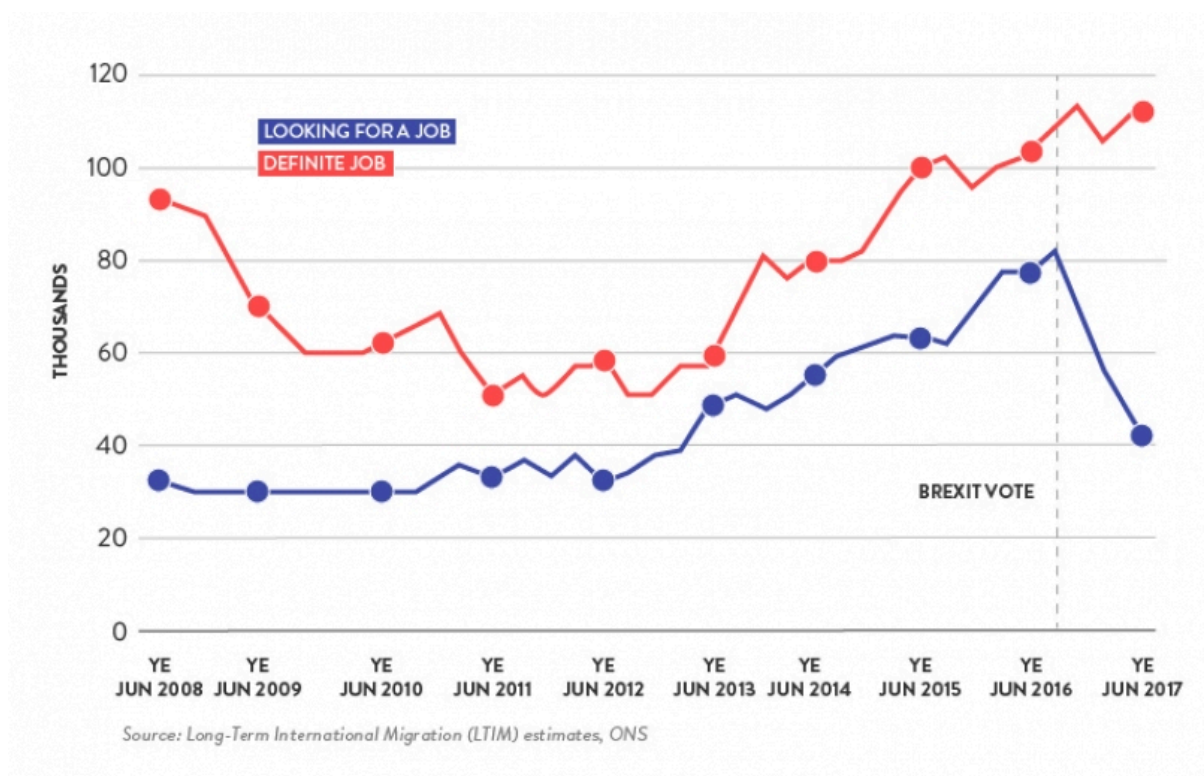
⁸² http://www.fta.co.uk/export/sites/fta/_galleries/downloads/campaigns/skills-shortage-report-1117.pdf

THE WIDER UK ECONOMY

Net migration to the UK has fallen by the largest amount on record in the year since the Brexit vote. Over three-quarters of the decrease in net migration can be accounted for by EU citizens.

The ONS has found that fewer EU citizens are coming to the UK “looking for work”. The number has more than halved in the year to June 2017.⁸³ At the same time, the number of EU citizens leaving the UK has risen by almost a third.

Figure 16: EU Citizens Coming to the UK for Work, 2008–2017⁸⁴



The Centre of Economic Business Research believes a rapid reduction in net immigration to below 100,000 a year would reduce the potential size of the UK economy by between 1.5 and 3 per cent by 2025. As a result public borrowing would have to rise by £15.6 billion a year.⁸⁵

⁸³ <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/november2017>

⁸⁴ <https://visual.ons.gov.uk/migration-since-the-brexit-vote-whats-changed-in-six-charts/>

85 <https://cebr.com/reports/cebr-special-report-economic-consequences-of-limiting-migration/>

COMPLEXITY

The head of the Home Civil Service, Sir Jeremy Heywood, has described Brexit as a project “unprecedented in our modern peacetime history in both scale and complexity”.⁸⁶

Sir Amyas Morse, auditor general of the National Audit Office, has warned that the plans to implement Brexit are at risk of falling apart “like a chocolate orange”.⁸⁷

The UK Civil Service is currently having to manage a total of 313 separate projects to make Brexit happen.⁸⁸

*Figure 17: Implementing Brexit: Activities of Central Government Departments November 2017*⁸⁹

⁸⁶ <https://civilservice.blog.gov.uk/2017/01/27/the-civil-service-adapting-to-the-challenge-of-the-times/>

⁸⁷ <https://www.theguardian.com/politics/2017/jul/13/brexit-plans-fall-apart-chocolate-orange-auditor-general>

⁸⁸ <https://www.nao.org.uk/wp-content/uploads/2017/11/Implementing-the-UKs-exit-from-the-European-Union.pdf>

⁸⁹ <https://www.nao.org.uk/wp-content/uploads/2017/11/Implementing-the-UKs-exit-from-the-European-Union.pdf>



EU AGENCIES

Almost 70 EU agencies currently oversee the UK.⁹⁰ Some will cease to be relevant after Brexit, but dozens of regulatory bodies will have to be replaced, at a substantial cost in staff and investment. Most of these agencies have to be replicated because of the UK government's wish to reject the authority of the European Court of Justice (ECJ).

The business lobby group the Confederation for British Industry (CBI) has said the UK must sign up to at least ten out of 39 EU regulatory agencies that "set the bar for industry standards across the world". These include the European Aviation Safety Agency, the European Chemicals Agency, the European Food Safety Authority and the European Medicines Agency. There is also concern in the medical profession over a continuing UK role for Euratom, the pan-European nuclear regulator.⁹¹

The UK government has already announced plans to create an independent environmental watchdog⁹² and a trade remedies authority.⁹³

The European Commission says Britain will have to conclude more than 750 bilateral international treaties before March 2019. 295 involve trade, while 202 involve regulatory cooperation. Talks will need to take place with more than 160 non-EU countries.⁹⁴

CUSTOMS REGULATION

The UK Public Accounts Committee expects a fivefold increase in customs checks at UK ports after Brexit. In 2016 nearly £740 billion worth of goods crossed the UK border.⁹⁵

Her Majesty's Revenue & Customs (HMRC) estimates that the number of traders who have to make customs declarations after the

90 <http://www.fieldfisher.com/media/2017/12/eu-institutions-post-brexit-as-the-uk-government-stands-to-take-control-of-470-million#sthash.RKLQGmTf.dpbs>

91 <http://www.cbi.org.uk/insight-and-analysis/the-room-is-where-it-happens/>

92 <https://www.bloomberg.com/news/articles/2017-11-12/u-k-environment-secretary-promises-green-brexit-with-watchdog>

93 <https://www.ft.com/content/198c6a0a-e71a-11e7-8b99-0191e45377ec>

94 <https://www.ft.com/content/f1435a8e-372b-11e7-bce4-9023f8c0fd2e>

95 <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/401/401.pdf>

UK leaves the EU will rise by almost a half to 273,000. The introduction of customs declarations alone could end up costing traders in the region of £4 billion a year, according to the Institute for Government.⁹⁶

The National Audit Office has warned that the timely completion of a new IT system to handle customs is crucial in order to process £34 billion in customs duties, excise taxes and value-added tax (VAT) after Brexit.⁹⁷ Currently 85 different IT systems operate at UK borders. The new Customs Declarations System is due to be ready just two months before Britain is set to leave the EU.

The delivery of this new IT system is “in doubt” according to MPs, who say there has been a “collapse in confidence” in the Customs Declaration Service.⁹⁸ The chair of the Public Accounts Committee, Meg Hillier, has even voiced criticism of the readiness of the government’s contingency option.

THE UK CIVIL SERVICE

As of October 2017, 2,409 new posts had been created in five government departments to meet the demands of Brexit.⁹⁹ There is no centrally held register across Whitehall recording all Brexit-related employment activity, but the government has said it expects to have hired a total of 8,000 additional civil servants to deal with Brexit by the end of next year.¹⁰⁰

The Department for Environment, Food and Rural Affairs will have created 1,200 new posts by March 2018 to plan for Brexit.¹⁰¹ The National Audit Office says this government department has

96 https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_Brexit_customs_WEB_0.pdf

97 <http://www.independent.co.uk/news/uk/politics/brexit-national-audit-office-amyas-morse-customs-check-computer-it-system-a7837811.html>

98 <https://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/news-parliament-2015/collapse-in-confidence-cds-16-17/>

99 <https://www.nao.org.uk/wp-content/uploads/2017/12/Implementing-the-UKs-exit-from-the-European-Union-people-and-skills.pdf>

100 <https://www.nao.org.uk/wp-content/uploads/2017/12/Implementing-the-UKs-exit-from-the-European-Union-people-and-skills.pdf>

101 <https://www.nao.org.uk/wp-content/uploads/2017/12/Implementing-the-UKs-exit-from-the-European-Union-the-Department-for-Environment-Food-Rural-Affairs.pdf>

“de-prioritised” its domestic policy agenda to work on the UK’s exit from the EU.¹⁰²

Two new government departments have had to be established, the Department for International Trade and the Department for Exiting the EU. The two existing government departments with the most need for additional staff are HMRC and the Home Office.

HMRC has told the Public Accounts Committee that it needs up to 5,000 more staff to prepare for a Brexit if there is no trade deal with the EU.¹⁰³

The Home Office is already recruiting 300 extra Border Force staff.¹⁰⁴ The home secretary, Amber Rudd, has told MPs her department has hired an extra 700 immigration staff and will have added another 500 staff by April 2018.¹⁰⁵ Some 5,000 staff may be required to process and register applications from the 3 million EU nationals now living in the UK, according to the Institute for Government.¹⁰⁶

102 <https://www.nao.org.uk/wp-content/uploads/2017/12/Implementing-the-UKs-exit-from-the-European-Union-the-Department-for-Environment-Food-Rural-Affairs.pdf>

103 <https://www.politicshome.com/news/uk/economy/news/90102/hmrc-warns-it-could-need-%C2%A3450m-and-5000-extra-staff-case-%E2%80%98no-deal%E2%80%99-brexit>

104 <https://publications.parliament.uk/pa/cm201719/cmselect/cmhaff/540/540.pdf>

105 <https://www.theguardian.com/uk-news/2017/nov/19/home-office-admits-its-struggling-to-recruit-staff-to-register-eu-nationals>

106 https://www.instituteforgovernment.org.uk/sites/default/files/publications/Brexit_immigration_WEB.pdf

CONCESSIONS AND CHAOS

The UK government has not taken a clear and consistent position on Brexit since the referendum.

During the referendum campaign there was little mention of the UK having to pay a divorce bill to leave the EU.¹⁰⁷ In November 2017 UK Prime Minister Theresa May agreed to a divorce bill of “between £35 billion and £39 billion in current terms.”¹⁰⁸

Over the past year, the official position of the UK had been that all UK laws should be free from the control of the ECJ. However, the draft agreement concedes the ECJ will still have a role protecting EU citizens’ rights living in the UK.¹⁰⁹

THE UK CABINET

The two-year transition period May has suggested ensures the UK will observe all EU rules, including freedom of movement.¹¹⁰ It was only back in June 2017 that the UK international trade secretary, Dr Liam Fox, told the BBC that the UK did not vote in the referendum to “part leave” the EU.¹¹¹

In October 2017, the international trade secretary promised at the Conservative Party conference that he would have 40 trade deals ready to sign “one second after midnight in March 2019”.¹¹²

A month later, Dr Fox admitted to the International Trade Select Committee that he had yet to reach any agreement for preferential trade access with dozens of non-EU countries.¹¹³ The EU has made it clear a two-year transition period would prevent any such agreements from coming into force until 2021 at the earliest.

¹⁰⁷ <https://www.politico.eu/article/what-they-didnt-tell-you-about-brexit-before-the-referendum/>

¹⁰⁸ <https://www.gov.uk/government/speeches/pm-commons-statement-on-european-council-18-december-2017>

¹⁰⁹ https://ec.europa.eu/commission/sites/beta-political/files/joint_report.pdf

¹¹⁰ https://ec.europa.eu/commission/sites/beta-political/files/joint_report.pdf

¹¹¹ <http://www.bbc.com/news/business-40409179>

¹¹² <http://uk.businessinsider.com/liam-fox-promises-to-sign-40-free-trade-deals-the-second-after-brexit-2017-10>

¹¹³ <https://www.ft.com/content/243152f0-bfc8-11e7-b8a3-38a6e068f464>

In January 2017 Davis told parliament that the UK would achieve “a comprehensive free trade agreement and a comprehensive customs agreement that will deliver the exact same benefits as we have now.”¹¹⁴ By March this had turned into an “ambition”.¹¹⁵

In May 2016, Davis, while campaigning to leave the EU, tweeted his support for a “UK-German deal that would include free access for their cars and industrial goods”.¹¹⁶ EU membership expressly forbids any such individual arrangements.

In December 2017, Davis was accused of having misled parliament after he admitted that the government had not carried out any systematic impact assessments on how Brexit would affect UK industries. In December 2016, June 2017 and October 2017, Davis said something different.¹¹⁷

In June 2017 Davis told the BBC that “we’ve got 50, nearly 60 sector analyses already done, we’ve got planning work going on in the customs, we have got planning work going on 22 other issues which are critical, 127 all told”.¹¹⁸

In May 2015, UK Foreign Secretary Boris Johnson felt able to praise the benefits of the single market to the UK in the *Daily Telegraph*: “The best and cheapest way to kick-start growth is to complete the single market.”¹¹⁹

THE UK PRIME MINISTER

In May 2016, Theresa May, before becoming prime minister and before the Brexit vote, was also praising the virtues of the single market and warning of the dangers of businesses relocating if the UK left the EU.

114 <https://hansard.parliament.uk/Commons/2017-01-26/debates/A1223D93-378D-4248-96AC-B737286BB83A/OralAnswersToQuestions>

115 http://www.heraldsotland.com/news/15194050.Brexit_climbdown_as_minister_says_claim_of___39_exact_same_benefits___39_is_an___39_ambition___39_

116 <https://twitter.com/DavidDavisMP/status/735770127564607489>

117 <https://www.newstatesman.com/politics/staggers/2017/12/many-times-david-davis-talked-about-brexit-analysis-he-says-doesn-t-exist>

118 <http://news.bbc.co.uk/2/shared/bsp/hi/pdfs/25061701.pdf>

119 <http://www.telegraph.co.uk/news/politics/conservative/11596265/David-Cameron-will-discover-shyTories-all-across-Europe.html>

“I think the economic arguments are clear. I think being part of a 500 million trading bloc is significant for us.”¹²⁰

In April 2016, May had explicitly dismissed the idea of replacing European trade with international trade deals: “Look at the figures. We export more to Ireland than we do to China, almost twice as much to Belgium as we do to. India, and nearly three times as much to Sweden as we do to Brazil. It is not realistic to think we could just replace European trade with these new markets.”¹²¹

Then, in January 2017, the prime minister delivered her Lancaster House speech, in which she promised to leave the single market, and said she would rather do “no deal” with the EU than one which was a “bad deal for Britain”.¹²²

But in a speech nine months later, the chancellor of the Exchequer, Philip Hammond, was able to highlight the critical value of the single market to the UK’s financial services sector: “No existing trade agreement, nor third country access to the EU, could support the scale and complexity of reciprocal trade in financial services that exist between the UK and EU.”¹²³

NORTHERN IRELAND

The UK government has listed 142 different levels of EU-relevant north south cooperation.¹²⁴ Annual bilateral trade across the Irish border is worth €65 billion.¹²⁵ A third of Northern Ireland’s exports go to the south.¹²⁶ Ireland exports half of its beef to the UK.¹²⁷

¹²⁰ <https://www.theguardian.com/politics/2016/oct/25/exclusive-leaked-recording-shows-what-theresa-may-really-thinks-about-brexit>

¹²¹ <http://www.bbc.com/news/uk-politics-38653681>

¹²² <https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech>

¹²³ <https://www.gov.uk/government/speeches/thecityuk-annual-dinner-chancellors-speech>

¹²⁴ <https://www.theguardian.com/politics/2017/nov/27/hard-brexit-would-hit-142-irish-cross-border-agreements>

¹²⁵ <https://www.ft.com/content/011d4abc-ce23-11e7-b781-794ce08b24dc>

¹²⁶ [http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/583116/IPOL_BRI\(2017\)583116_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/583116/IPOL_BRI(2017)583116_EN.pdf)

¹²⁷ <https://www.ifa.ie/wp-content/uploads/2017/03/763773Brexit-imperatives-policy-paper55629.pdf>

May has made an explicit promise to prevent a hard border in Ireland.¹²⁸ This assurance goes to the heart of the UK's contradictory approach to Brexit.

In the event of no trade deal being reached with the EU, she has said that Northern Ireland will be in full alignment with the rules of the EU internal market and customs union in various sectors that underpin the Good Friday Agreement. A specific pledge has also been made that there can be “no new regulatory barriers” along the Irish Sea.¹²⁹

If one part of the UK retains a regulatory alignment with the EU, the entire UK has to continue to accept all EU rules. This appears incompatible with the May's promise to leave the single market and customs union.

Pierre Moscovici, European commissioner for economic affairs, has warned, “It's hard to imagine that there is no hard border, and at the same time, no internal market and no customs union, there would be a contradiction there.”¹³⁰

128 <https://www.irishtimes.com/news/world/uk/theresa-may-on-ni-we-will-ensure-there-is-no-hard-border-1.3317631>

129 https://ec.europa.eu/commission/sites/beta-political/files/joint_report.pdf

130 <http://www.bbc.com/news/business-42403771>

CHOICES

The CBI, which represents 190,000 UK businesses, has stated, “The EU is the most important single trading partner for every major sector of the UK economy.”¹³¹

Seven out of the top ten destinations for UK services are in the EU.¹³² Of total UK exports in goods, 48.2 per cent also went to the EU.¹³³

The governor of the Bank of England, Mark Carney, highlighted the importance of trade to the UK economy in a speech to the IMF in September: “It’s a fact that the UK is a truly open economy and it’s a truth that being an open economy is the key to Britain’s success.”¹³⁴

The single market is the largest and deepest integrated trading bloc in the world. UK exports to the EU have risen by 68 per cent between 1999 and 2015, according to the ONS.¹³⁵

TRADE DEAL AND JOBS

The University of Birmingham has found that across the UK, more than 2.5 million jobs are exposed to the trade effects of Brexit. This is a list of the 20 sectors across services and manufacturing most at risk if the politicians cannot agree. In total, these industries produce £140 billion a year for the UK economy.¹³⁶

*Figure 18: Jobs at Risk*¹³⁷

131 <http://www.cbi.org.uk/business-issues/brexit-and-eu-negotiations/eu-business-facts/making-a-success-of-brexit>

132 <https://visual.ons.gov.uk/uk-perspectives-2016-trade-with-the-eu-and-beyond/>

133 <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/unitedkingdombalanceofpaymentsthepinkbook/2017>

134 <https://www.bankofengland.co.uk/speech/2017/de-globalisation-and-inflation>

135 <https://visual.ons.gov.uk/uk-perspectives-2016-trade-with-the-eu-and-beyond/>

136 https://blog.bham.ac.uk/cityredi/wp-content/uploads/sites/15/2017/12/City-REDI-Briefing-Template_Sectoral-Analysis-2.pdf

137 https://blog.bham.ac.uk/cityredi/wp-content/uploads/sites/15/2017/12/City-REDI-Briefing-Template_Sectoral-Analysis-2.pdf



INTERNATIONAL INVESTMENT

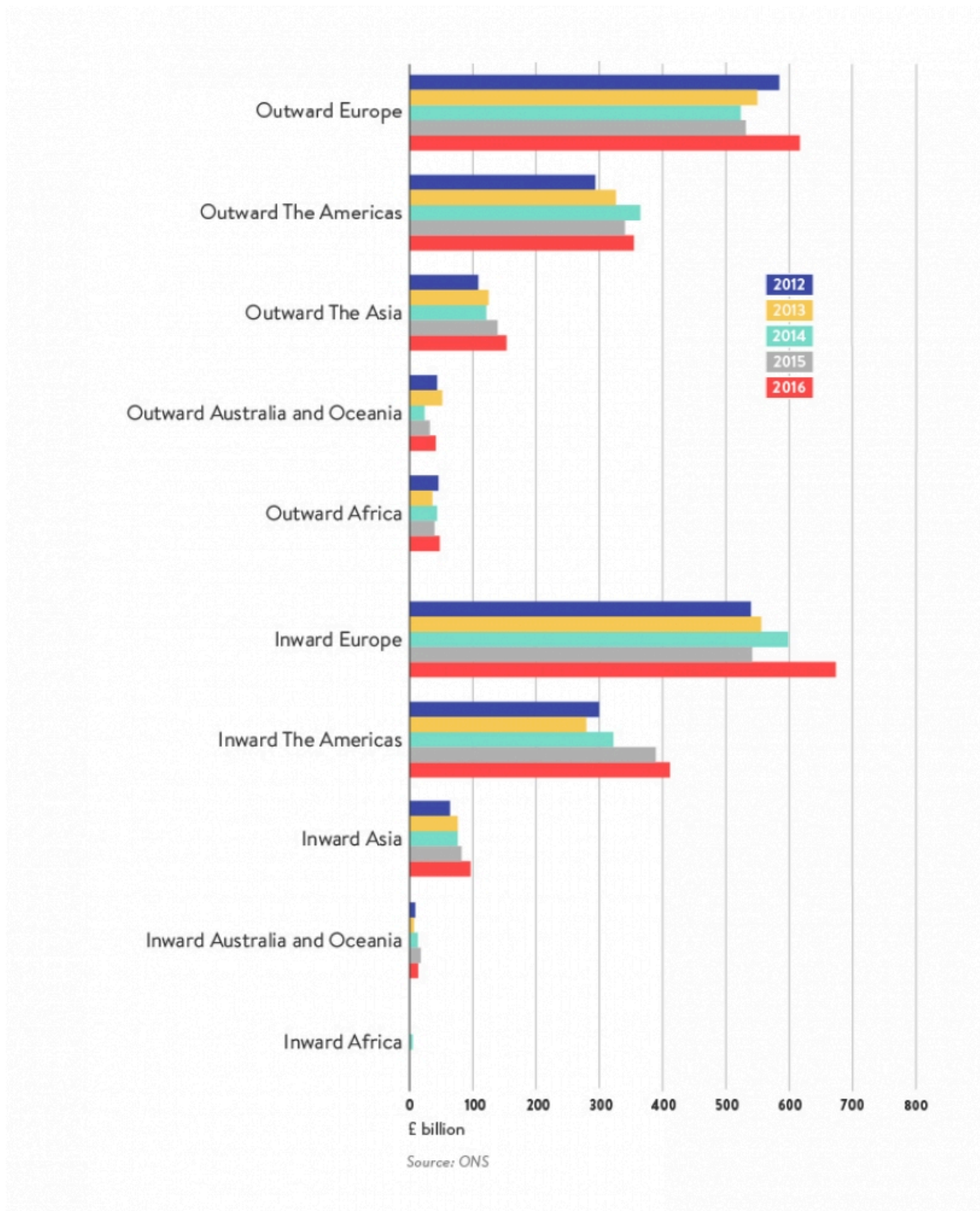
Europe was the region responsible for the biggest increase in UK international investment abroad in 2016. Europe was also where the majority of UK earnings from foreign investments were generated.

The ONS attributes both the rise in UK inward and outward foreign investments in 2016 to Europe.¹³⁸

*Figure 19: UK Outward and Inward Foreign Direct Investment Positions by Continent, 2012–2016*¹³⁹

138 <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/foreigndirectinvestmentinvolvingukcompanies/2016>

139 <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/foreigndirectinvestmentinvolvingukcompanies/2016>



US TRADE POLICY

US President Donald Trump has made clear both his determination to put America First on trade and his belief that

companies should bring back manufacturing jobs to the US. He has already withdrawn from the Trans-Pacific Partnership trade agreement, criticised the North America Free Trade Agreement and the World Trade Organisation (WTO), and vetoed the appointment of new judges to this international trade body.

Trump said in November 2017, "We are not going to let the United States be taken advantage of anymore".¹⁴⁰

In September 2017, the US Department of Commerce imposed tariffs amounting to close to 300 per cent on plane parts made in Belfast by Bombardier.¹⁴¹ The Canadian engineering company employs 4,200 people in Northern Ireland.¹⁴²

US Commerce Secretary Wilbur Ross says the UK must ditch European food safety laws on chlorinated chicken and genetically modified food to secure a free-trade deal with the US. He says changing these regulations will form a "critical component of any trade discussion".¹⁴³

NEW DEAL VS. STATUS QUO

Dr Monique Ebell of the National Institute of Economic and Social Research (NIESR) has estimated that if the UK leaves the single market, UK total trade will see a long-term reduction of anything between 22 and 30 per cent.¹⁴⁴

The NIESR believes that even if the UK were able to reach new deals with the US, Australia and New Zealand, the total benefits of all those deals combined would boost total UK trade by less than 3 per cent.¹⁴⁵

¹⁴⁰ <https://www.washingtonpost.com/news/post-politics/wp/2017/11/10/trump-says-u-s-wont-be-taken-advantage-of-anymore-and-hours-later-pacific-rim-nations-reach-deal-on-trade-without-u-s-buy-in/>

¹⁴¹ <https://enforcement.trade.gov/download/factsheets/factsheet-canada-large-civil-aircraft-cvd-prelim-092617.pdf>

¹⁴² <https://www.theguardian.com/business/2017/sep/27/punitive-export-tariff-placed-on-planes-made-in-northern-ireland>

¹⁴³ https://www.farminguk.com/News/Senior-Trump-adviser-tells-UK-to-accept-chlorinated-chicken-as-part-of-trade-deal_47835.html

¹⁴⁴ <https://www.niesr.ac.uk/blog/will-new-trade-deals-soften-blow-hard-brexit>

¹⁴⁵ <https://www.niesr.ac.uk/blog/will-new-trade-deals-soften-blow-hard-brexit>

The Rand Corporation, a leading US think tank, has warned that leaving the EU with no deal would reduce UK GDP by £100 billion over ten years. It believes that under most plausible scenarios, the UK will be economically worse off outside the EU.¹⁴⁶

TRADE DEAL OPTIONS

The UK government wants a “bold and ambitious” new trading relationship with the EU, which involves separating itself from the EU system of governance but retaining access to the EU’s single market.¹⁴⁷ However the EU’s constitutional and economic arrangements are bound closely together.

Johnson, a prominent Leave campaigner, insists the UK wants to be able to “do things in a distinctive way” or Britain will become a “vassal state”.¹⁴⁸ Johnson has also said he is in favour of the policy of the UK “having our cake and eating it”.¹⁴⁹ His statements seem to indicate he believes that Britain could benefit from open trade with the EU but without having to follow its rules, particularly on free movement.

The EU chief Brexit negotiator, Michel Barnier, believes the UK cannot expect to leave the single market and keep all of its trade benefits. “There won’t be any cherry picking.” UK politicians, he said, “have to face the consequences of their own decision”.¹⁵⁰ He has also made clear there is “no way” the UK will be given a bespoke deal.¹⁵¹

146 <https://www.rand.org/randeurope/research/projects/brexit-economic-implications.html>

147 <http://www.telegraph.co.uk/news/2017/01/17/theresa-mays-brexit-speech-full/>

148 <https://www.theguardian.com/politics/2017/dec/17/boris-johnson-breaks-ranks-with-brexit-vassal-state-warning>

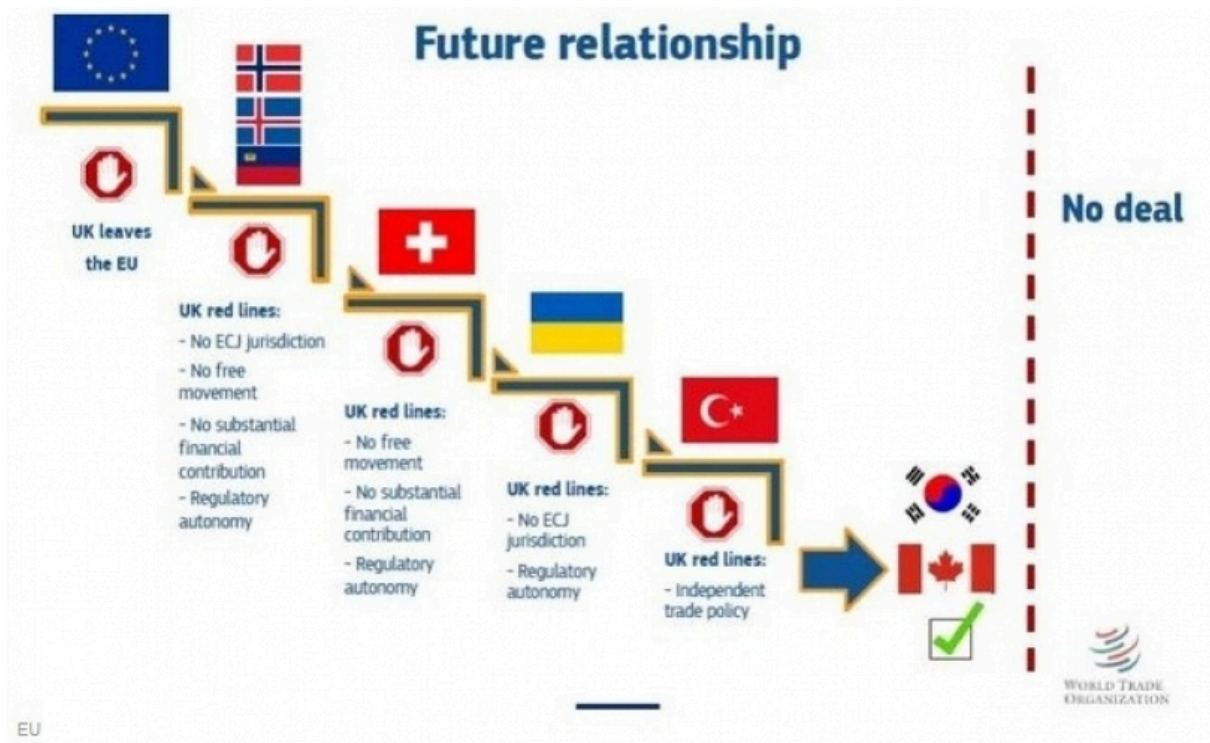
149 <https://www.thesun.co.uk/news/1889723/boris-johnson-joins-forces-with-liam-fox-and-declares-support-for-hard-brexit-which-will-liberate-britain-to-champion-free-trade/>

150 <https://www.prospectmagazine.co.uk/politics/they-have-to-face-the-consequences-of-their-own-decision-michel-barnier-speaks-exclusively-on-the-uks-brexit-position>

151 <https://www.prospectmagazine.co.uk/politics/they-have-to-face-the-consequences-of-their-own-decision-michel-barnier-speaks-exclusively-on-the-uks-brexit-position>

Figure 20 shows how the European Commission is explaining the options to EU leaders. European negotiators believe the UK's redlines leave a free-trade agreement, like the one agreed with Canada and South Korea, as the only option open to the UK.

Figure 20: European Commission Portrayal of the Options for Trade Between the UK and the EU¹⁵²



Given his unambiguous comments about a bespoke deal, Barnier appears to have ruled out any combination of the two trade arrangements the EU already has in place with Norway and Canada as potential models for the UK.

Canada Model

The Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada is limited in scope and principally applies to goods. A similar arrangement between the EU and the UK would require the UK to impose border controls.

Although it would provide tariff-free trade for most manufactured goods, any such agreement would largely exclude

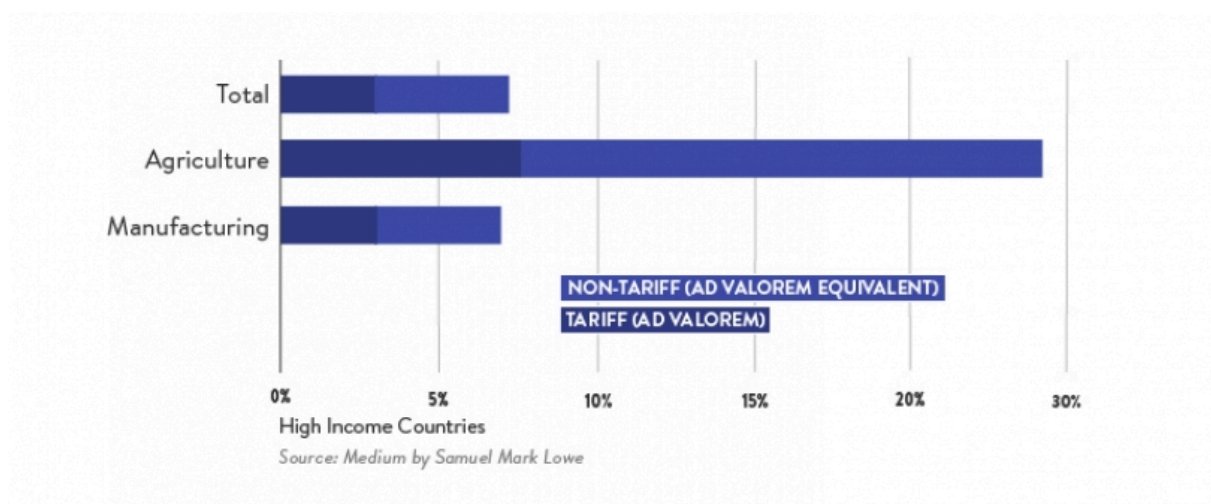
¹⁵² https://ec.europa.eu/commission/sites/beta-political/files/slide_presented_by_barnier_at_euco_15-12-2017.pdf

services, which have generated the majority of the growth in UK exports over the past ten years. They include everything from design and architecture, accounting and financial services, to the technology, TV and film industries.

The UK ran a £92 billion trade surplus in services in 2016, compared with a deficit of £135 billion in the trade in goods.¹⁵³

The Institute for Fiscal Studies has pointed out for services, “non-tariff barriers are especially important”. Non-tariff barriers include safety regulations, licensing regimes, environmental standards and product quotas.¹⁵⁴ Their impact is difficult to quantify, but as figure 21 shows, based on United Nations data, they have four to five times more impact on the flow of goods and services than the imposition of tariffs.

Figure 21: Overall Level of Restrictiveness on International Trade Imposed by Non-Tariff Measures¹⁵⁵



Norway Model

Norway’s relationship with the EU ensures full access for its goods and services to the single market. But it also means Norway follows EU rules on the free movement of goods, services, people

¹⁵³ <https://secondreading.parliament.uk/blog/economy-blog/uk-trade-a-deficit-in-goods-but-a-surplus-in-services/>

¹⁵⁴ http://unctad.org/en/PublicationsLibrary/ditctab20121_en.pdf

¹⁵⁵ <https://medium.com/@SamuelMarcLowe/can-global-britain-defy-gravity-18df4e9f4f7f>

and capital. Norway has to agree to contribute to the EU budget and observe EU laws of which it has no say in the making.

According to research by the Centre for Economic Performance (CEP) at the London School of Economics, in 2011 Norway's contribution to the EU budget was £106 per capita, only 17 per cent lower than the UK's EU net contribution for that year of £128 per capita.¹⁵⁶

As the CEP observes, "becoming part of the EEA would not generate substantial fiscal savings for the UK government".¹⁵⁷

Business Opinion

Only 2 per cent of British businesses think the government is right to leave the single market and customs union and rely on WTO rules, according to the British Chambers of Commerce.¹⁵⁸

Only 10 per cent of foreign businesses invested in the UK think Brexit will have a positive impact on their future investments here, according to an Ipsos Mori survey for 13 UK based-foreign chambers of commerce.¹⁵⁹

Almost two-thirds of EU businesses expect to abandon some of their British suppliers after Brexit, according to a survey for the Chartered Institute of Supply and Purchasing of 1,100 supply-chain managers.¹⁶⁰

THE REVERSIBILITY OF BREXIT

Irish Taoiseach Leo Varadkar is hopeful that the UK still has a place in the EU: "The door remains open for the UK to stay in the European Union."¹⁶¹

¹⁵⁶ <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06730>

¹⁵⁷ <http://cep.lse.ac.uk/pubs/download/brexit01.pdf>

¹⁵⁸ <http://www.britishchambers.org.uk/policy-maker/policy-reports-and-publications/ge2017-snap-poll-brexit.html>

¹⁵⁹ <https://www.babinc.org/pessimism-brexit-negotiations-uk-based-foreign-businesses/>

¹⁶⁰ <https://www.cips.org/en/supply-management/news/2017/november/eu-firms-set-to-abandon-british-suppliers-post-brexit--cips/>

¹⁶¹ <http://www.independent.co.uk/news/uk/politics/brexit-latest-news-uk-rejoin-eu-ireland-leo-varadkar-door-remains-open-a7803086.html>

French President Emmanuel Macron has also suggested the UK has the option of rejoining the EU: “In a few years, if it so wishes, Britain could regain its place [in the EU].”¹⁶²

Former diplomat Lord Kerr, who helped draft article 50 of the Treaty on European Union, which is the legal procedure by which the UK is leaving the EU, told the BBC in November, “At any stage we can change our minds if we want to, and if we did we know that our partners would actually be very pleased indeed.”¹⁶³

Further reading, acknowledgements and sources
(<https://institute.global/news/brexit-what-we-now-know-further-reading-acknowledgements-and-sources>) can be found in a supplementary document.

¹⁶² <http://www.telegraph.co.uk/news/2017/09/26/emmanuel-macron-says-britain-will-have-place-in-reformed-simplified/>

¹⁶³ <https://www.theguardian.com/politics/2017/nov/10/brexit-date-is-not-irreversible-says-man-who-wrote-article-50-lord-kerr>

FIND OUT MORE
INSTITUTE.GLOBAL

FOLLOW US

facebook.com/instituteglobal

twitter.com/instituteGC

instagram.com/institutegc

GENERAL ENQUIRIES

info@institute.global

Copyright © January 2018 by the Tony Blair Institute for Global Change

All rights reserved. Citation, reproduction and or translation of this publication, in whole or in part, for educational or other non-commercial purposes is authorised provided the source is fully acknowledged. Tony Blair Institute, trading as Tony Blair Institute for Global Change, is a company limited by guarantee registered in England and Wales (registered company number: 10505963) whose registered office is 50 Broadway, London, SW1H 0BL.