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Introduction

Each section of Brexit FactBase has its own individual summary. This Pdf contains the summaries from above ten sections. For summaries for any of several sections not listed, please go to the section via the main menu on the [website](#).

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A Current opinion of Brexit

- EU is no longer a top issue – around 5% see it as the most important issue (July 2024)
- Top five issues in July 2024 were:
 - NHS/hospitals/healthcare (47%)
 - Economy (34%)
 - Immigration/immigrants (31%)
 - Inflation/prices (21%)
 - Housing (18%)
- Polls indicate that public opinion has reversed significantly compared to 2016 referendum result
 - Majority (~65%) in May 2024 thought, in hindsight, that it was wrong to vote for Brexit vs ~35% who didn't
 - In June 2024:
 - 55% said they would vote to rejoin
 - 35% said they would vote to stay out
 - 10% didn't know

B What is the EU?

- Unifying ideal: a peaceful, united and prosperous Europe
- Four freedoms established in 1958
- When UK joined in 1973, it was clear that membership involved much more than trade
- EU uses a democratic model to govern the European Commission and approve laws
- EU now has near-frictionless trade in goods and services between member states
- UK as a member state had strong influence in the EU
- EU has areas to address but democratic deficit often exaggerated

C Sovereignty and law

- UK was sovereign throughout its EU membership
 - Minority of policy areas (or 'competences') determined exclusively at EU level
 - Majority of UK law determined by UK – not by EU
- UK had a strong influence in the EU – shaped and voted for the majority of EU law
 - Each member state has right of veto over major decisions
 - Lisbon Treaty means that national parliaments are better able to express views on draft EU legislation
- In 2014, a UK government review identified areas for EU to improve (e.g. democratic accountability and application of subsidiarity)
 - Cameron renegotiation gained major win: 'UK excluded from closer political union'
- EU recognises issues to address and has its own reform agenda on e.g. eurozone and further reform of CAP
- UK came before ECJ less frequently than most member states
- UK was subject to EU law during the transition period

D EU budget and UK contribution

- UK net contribution was about 0.4% of GDP a year: less than 1.2% of public expenditure in 2019
- For 2019, UK contribution was:
 - £14.4 billion gross after rebate;
 - £7.9 billion after public and private sector receipts
 - £152 million a week (or 32p per person per day)
- Economic benefits of EU membership added an estimated 4% to UK GDP (IFS)
 - Benefits to UK were about 10x UK's net contribution to EU
- In 2019, GDP was £2.3 trillion and EU membership was worth:
 - ~£90 billion
 - ~£1,700 million a week
 - ~£450 per person for the year
- UK financial settlement (2020-2065) was estimated at £30.2 billion in March 2024
 - £23.8 billion 80% had been paid by December 2023
 - Balance outstanding at March 2024 – £6.4 billion
- Separately, UK pays to participate in any EU programmes that it joins post Brexit (e.g. Horizon)

E Economic context

- In terms of international ranking, the UK economy is:
 - 6th largest global economy in nominal terms
 - 9th globally in terms of relative purchasing power
 - 28th globally in economic output per capita
 - Higher in income inequality than nearly all other European countries
- 80% of UK economy is devoted to services; 10% is devoted to manufacturing
 - Manufacturing accounts for over 50% of UK exports – so critical for trade (and vice versa)
 - Services sector output has grown faster than manufacturing output since Brexit
- Trade plays a critical role in the UK economy
- UK economy has recovered to pre-pandemic levels, but growth rate was bottom of G7 in 2023 and early 2024
 - Since referendum, £ has weakened against \$ and €
 - Brexit trade barriers mean UK's trade openness has declined
- UK has high employment but low labour productivity (a key drag on nation's wealth)

- Real wage levels in 2024 are still below levels before the global financial crisis
- In 2022 and 2023, real wages fell before rising in 2024
- Productivity growth slowed after the crisis of 2007/8 and has been patchy
- Brexit has hindered UK economy, but views differ on size of impact and timing
 - UK is growing more slowly than its peers with Brexit than without
 - Central estimate of long-run on GDP is reduction of 3% to 5%, compared to remaining in EU
 - Majority of impact may have already happened
 - Long-run impact of ~£95 billion lost GDP (based on 4% of 2023 GDP)
 - Reduced productivity
 - Business investment has weakened
 - Exports and imports around 15% lower in the long run
 - Trade deals with non-EU countries have an immaterial impact
 - Reduced EU immigration has caused labour shortages
 - Increased non-EU immigration has had a positive effect

F World trade and arrangements

- About 4/5 of world trade is in goods and 1/5 is in services
 - Services trade is growing faster than goods trade
- Recent trends in world trade:
 - In 2022, global trade dipped by 3%
 - Developing countries bore the brunt, but most regions contracted
 - Contraction partly due to trade and geopolitical tensions between large players
 - Prevailing focus on inflation overshadows urgent issues like trade disruptions, climate change and rising inequalities
- Main players in world trade:
 - EU, US and China dominate world trade
 - UK ranks 6th for trade after Germany and France
 - UK ranks 10th for goods exports
 - UK ranks 2nd for services exports
- Preferential trade arrangements reduce tariff and non-tariff trade barriers
 - Non-tariff barriers have much bigger impact than tariffs
 - EU single market and customs union remove the most barriers globally
 - UK's red lines limited post-Brexit deal to a basic FTA
 - FTA removes tariffs but does little for non-tariff barriers or services

G UK trade and Brexit impact

- EU is UK's major trade partner, followed by the US
- In 2023, UK trade (exports + imports) was £1.4 trillion with deficit of £47 billion:
 - Surplus on services – £114 billion; deficit on goods – £161 billion
 - Deficit with EU – £99 billion; surplus with non-EU – £52 billion
 - Trade statistics in 'real' prices
- Most EU trade is with other EU27 countries
 - Single Market, Customs Union, VAT area and customs cooperation create near-frictionless trade within EU
 - 57.2% of EU27 exports went to other EU27 countries (2022)
 - 4.9% of EU27 exports went to the UK (2022)
- The TCA is inferior to EU membership and creates new trade barriers
 - Brexit trade barriers reduce UK-EU trade volumes and profitability
 - Non-tariff barriers (such as rules of origin and leaving EU VAT area) have much bigger impact than tariffs
 - New red tape means extra costs for UK government and business
 - One-off cost of installing UK border infrastructure: £4.7 billion (NAO) – operating costs will be extra
 - Annual cost of customs declarations: £7.5 billion (HMRC)
 - Annual cost to traders of border checks on food and animals: £0.5 billion (HMG)
- Economic costs of TCA far outweigh potential benefits of UK trade deals with non-EU countries
 - Long-run annual cost of Brexit ~4.0% of GDP (OBR)
 - Rollovers of pre-existing EU trade agreements achieve no gains for UK
 - Long-run annual benefits of new trade deals (Australia, NZ, CPTPP): ~0.18% of GDP (HMG)
 - 'Global Britain is a fantasy'
- From 2018 to 2023, compared to G7
 - UK goods exports performed 15% worse
 - Goods imports 8% worse (current prices)
 - UK services exports performed better at 17% growth, but behind EU (23%) and Germany (20%)
 - Services imports (12% growth) were middle of the G7 pack (above Italy, Japan and France)
- In real prices, from 2018 to 2023
 - Total exports increased by only £5 billion (1%) and imports were up by £30 billion (4%)
 - Increase of £49 billion (15%) in services exports exceeded fall in goods

- exports of £44 billion (-12%)
 - Total exports to EU fell by £12 billion (-8%) with goods down by £22 billion (-13%) and services up by £10 billion (8%)
 - Total non-EU exports grew by £17 billion (4%), with services up by £39 billion (35%) but goods down by £22 billion (-8%)
- Total imports increased £30 billion (4%) where a £49 billion (22%) increase in services imports exceeded fall in goods imports of £19 billion (-4%)
 - Goods imports from EU hardly changed but non-EU goods imports fell by £18 billion (-12%)
 - Services imports from EU were up by £14 billion (13%), but non-EU imports up by £35 billion (32%)
- For SMEs
 - Challenges include high shipping costs, transit delays, and lack of clear guidance
 - Supply chain disruption raises costs and reduces availability
 - 8,000 firms (mainly SMEs) stopped trading goods solely to the EU between 2021 and 2023
 - EU trade reduced due to 20-42% loss in the product varieties of goods being exported to EU
 - Reduced participation of UK in global supply chains

H Immigration

- Government wishes to reduce immigration, but an ageing population means UK needs migrant workers
 - Policy initiatives to reduce migrant workers (e.g. increasing retirement age) will take years to be effective
 - Freedom of Movement rules include controls over EU citizens, but UK decided not to implement them
- Net migration from non-EU countries has significantly exceeded that from EU (by four to one over the last decade)
 - Net migration is expected to fall from high levels of 2022/23
- Migration benefits UK economy overall
 - EU27 citizens of working age are more likely working than UK or non-EU citizens
 - EEA citizens in 2016-17 contributed about £5 billion towards UK public finances
 - Effects of EEA migration on UK workforce wages and employment are small
- Brexit has already caused:
 - Fewer EU/EEA citizens to arrive and more to leave
 - Rising net migration from non-EU countries

I Investment

- UK is a 'low investment nation' relative to its OECD peers (pre- and post-Brexit)
 - Business investment is estimated to be 10% lower than without Brexit (reducing GDP by about £29 billion)
 - If UK GFCF matched OECD average as % of GDP, it would be investing about £30 billion a year more
 - UK business investment has only recently exceeded pre-pandemic levels
- FDI plays an important role in UK economy
 - In 2023, global FDI flows declined for second year running
 - UK ranked 4th globally for FDI inward stock (behind US, EU, China)
 - UK's stock of FDI comes mainly from its top trading partners – EU (34%), US (34%) and rest of Europe (14%)
 - Top three UK sectors for FDI are financial services (29.8% of total), manufacturing (15.2%), and professional services (13.9%)
- Freeports provide limited economic benefits

J TCA: EU-UK trade agreement

- UK left EU on 31 December 2020
- From 1 January 2021, TCA applied and came into force 1 May 2021
 - Tariff-free, quota-free UK-EU trade for qualifying goods
 - Creates many new trade barriers for goods and services
 - TCA does little to remove barriers for services trade
 - EU applied its controls to imports from the UK from 1 January 2021
 - UK controls on goods imports from EU being introduced in phases in 2024
 - UK excluded from EU programmes (eg Erasmus, Horizon)
- Windsor Framework refines operation of Northern Ireland Protocol, to be phased in by 2025
- First five-year review of the implementation of the TCA in 2026
 - Economic benefits from refinement will be small
- UK Trade and Business Commission 'Blueprint for Policymakers'
 - 114 recommendations to improve trade relationship
 - Evidence-based
- Major economic benefits would come from rejoining Single Market and Customs Union

