

Summary from Brexit FactBase

<https://brexitfactbase.com>

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1 EU and sovereignty

- EU's origins are in the aftermath of WW2 – its unifying ideal a peaceful, united and prosperous Europe with economic cooperation as its foundation
- EU determines policy areas (or 'competences') in a minority of areas where cross-border rules are needed (e.g. trade)
- Single Market is unique globally in creating near-frictionless trade in goods and services for member states
- All member states are sovereign nations who mutually benefit from close cooperation
- UK government identified areas for EU to improve such as democratic accountability and application of subsidiarity
- EU has issues to address and is debating its own reform agenda on issues such as eurozone and further reform of the CAP
- Historically the UK has had a strong influence in the EU and has voted for the majority of EU law
- UK may unilaterally revoke Article 50 but an extension requires approval of all member states

2 UK contribution and benefit

- UK net contribution is about 0.4% of GDP
- Economic benefits of EU membership are over ten times the contribution and add about 4% to UK GDP (about £80 billion a year or £1,500 million per week)
- In 2016 the contribution was £12.2 billion before the grants and funding the UK receives back. After these receipts, UK net contribution was £7.1 billion (£140 million a week)
- UK's financial contribution to EU is less than 1.3% of public expenditure
- In the first half 2018, Brexit caused UK economic growth to fall by about 2% a year – losing GDP of about £800m a week
- Government expects the UK's financial settlement with EU to be £35-£39 billion with payments running to 2064. However, NAO has warned that it could be higher.

3 Trade and investment

- 68% of UK trade in goods and services is with EU or countries that have agreements with EU (including pending agreements) – 77% when current negotiations are taken into account
- Small drop in EU-related trade requires much larger increase with other trade partners to compensate
- All Brexit alternatives involve new trade barriers and additional costs which reduce trade volumes and profitability
- Non-tariff barriers (like customs checks or regulations and standards) are bigger barriers than tariffs
- Trade specialists say that EU27, US, China, India and Canada are likely to be most important markets for UK post-Brexit
- In theory, UK has opportunities to negotiate trade deals with other countries, but UK negotiating position weaker after Brexit
- Trade negotiation task is truly enormous – over 750 agreements tied to EU membership need renegotiating and replacing, just to stand still. Trade negotiations are likely to take years
- Most economists agree that, with Brexit, UK will be less attractive to foreign investors than as EU member state. In 2017 UK saw marked fall in inward foreign direct investment – ranked 19th as global investment destination

4 Immigration

- Government wishes to reduce immigration, but an ageing population means UK will need more migrant workers not fewer
 - 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)
 - Post-Brexit trade negotiations are likely to lead to increased migration from non-EU countries
- EU 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
 - If EU migration to UK is reduced, it will be damaging for UK economy and public services
- Brexit has already caused:
 - Fewer EU citizens to arrive and more to leave
 - Rising net migration from non-EU countries
- Government is consulting on its White Paper on post-Brexit immigration published December 2018

5 Impact on economy

- All reputable economists agree that Brexit will have significant overall negative economic impact on UK economy
- UK economy will continue to grow after Brexit, but more slowly than if UK stays in EU
- Brexit impacts include:
 - New barriers to trade and disrupted supply chains
 - Reduced employment in the UK
 - Export of jobs and activity to EU27
 - Reduced benefits from migration
 - Additional bureaucracy and costs
 - Impaired ability to compete in world markets
- Long-run economic impact of proposed deal estimated at 3.9% GDP – cost of £80 billion a year (£1.6 billion/week)

- For comparison, government (November 2018) assessed mid-range long-run annual GDP losses to be:
 - 1.4% for EEA-style agreement (loss of GDP of £0.5 billion per week)
 - 4.9% for FTA-style agreement (£2.0 billion per week)
 - 7.7% for WTO option (£3.0 billion per week)
- Employment effects of government's November estimates equivalent to job losses of:
 - EEA – 0.4 million
 - FTA – 1.6 million
 - WTO – 2.5 million
- Benefits of potential new trade deals with other countries are small, uncertain and long-term as are benefits from reduced regulation
- For EU27, Brexit will, overall, have minor economic impact but some regions could suffer a big impact, notably Ireland

6 Impact on industry sectors and regions

- Several studies (including government's own analysis) conclude that all UK regions and nearly all industry sectors will be harmed by Brexit
- Economic impact on some industries (such as automotive and chemicals) could be severe depending on deal negotiated
- Public services, like health and social care, are likely to be badly affected because of reliance on EU workers
- Reduced exports from UK to EU create opportunities for EU27 suppliers to replace UK suppliers
- Trade effects on sectors:
 - 5 sectors will bear most of the trade costs of Brexit: financial services; automotive; agriculture, food and drink; consumer goods; and, chemicals and plastics
 - 3 sectors with the most jobs at risk: administration and support services, wholesale trade, and legal and accounting services
- Trade effects on regions:
 - London and the South East are likely to suffer the least
 - Most at risk: Cumbria, Hampshire, Herefordshire, Gloucestershire, Lancashire, Leicestershire, East Riding/North Lincolnshire, Warwickshire and Wiltshire
 - Regions with high EU exports in vulnerable goods sectors:
 - Northern Ireland and Cornwall (food, live animals and manufactures)
 - Northumberland, Tees Valley and Durham (chemicals, machinery and transport equipment)
 - East Wales (manufactures, machinery and transport equipment)

7 Impact on policy areas

- Policy areas such as science, education and healthcare face common material risks from Brexit
- Risks include loss of funding; loss of influence over EU standards; loss of participation in EU and international programmes; loss of and reduced access to talent
- After Brexit, in areas like environment, defence and security, an ongoing partnership and continued cooperation between UK and EU27 are important for UK's and EU27's future success
- Challenge is to find effective ways for UK to maintain involvement and influence on EU27 (and elsewhere) after Brexit

8 Negotiation time-table

- Phase 1 prioritised citizens' rights, Irish border and UK's financial settlement
- Phase 2 focused on finalising Withdrawal Agreement and agreeing principles for future UK-EU relationship
 - Future relationship covers trade and other important areas like defence and security
 - Detailed Phase 2 work takes place during a transition period after UK leaves in March 2019
- In July 2018, Chequers White Paper proposed details for future UK-EU relationship but proved divisive
- On 14 November, Withdrawal Agreement and Political Declaration published
- Following unanimous approval by EU leaders, next steps are UK and EU Parliamentary approvals
- Following government's resounding defeat on 15 January on the WA, it faced a no-confidence motion on 16 January, which it passed
- On 29 January Commons passed amendment requiring PM to seek alternative arrangements to backstop in the WA
- On 14 February, government lost a non-binding Commons vote on its negotiating strategy, undermining its authority

Next steps

- No later than 12 March, there will be a delayed second Commons vote on the WA (including any changes to it or the Political Declaration). Labour has promised to table an amendment requesting a second referendum
- If the WA does not pass, outcome remains uncertain including three options:
 - UK requests and EU 27 unanimously agree to extend the Article 50 period
 - UK revokes Article 50 and pauses or stops Brexit
 - UK takes the 'no deal' option – there will be a vote by 13 March on whether to proceed with 'no deal'
 - If MPs reject 'no deal', by 14 March they will vote on an extension to Article 50
- If WA approved, Brexit negotiations on future relationship continue after 29 March 2019 for several years

9 No deal

- UK exits on 29 March 2019 with no transition period, causing a severe shock to industry and the economy
 - UK-EU trade on basic WTO terms: no bilateral agreements e.g. fisheries, aviation, banking
 - Immediate imposition of EU tariffs on UK goods exports to EU (and probably on UK imports from EU)
 - No agreement on border procedures or regulatory certification for traded goods: confusion and queues at borders
 - Shortages in shops, notably food
 - Hard border required in Ireland: breach of Good Friday Agreement
 - No agreement on adjudication of citizens' rights: stress and uncertainty for EU citizens in UK (and vice-versa)
 - UK citizens lose rights to freedom of movement in EU27: work, education, travel
- On 26 February 2019, DExEU reported it was not ready for 'no deal' – nor were businesses or individuals
- Immediate economic consequences for UK would be severe and long-lasting
 - Bank of England expects a bigger crash than financial crisis of 2007/8
 - Economy contracts due to instant trade barriers and uncertainty
 - Financial markets lose confidence in British institutions
 - Unemployment rises and sterling falls
 - Inflation spikes due to weak £, new tariffs and higher cost of trade
 - Interest rates rise sharply and house prices fall
- No agreement on future UK-EU partnership in policy areas, such as:
 - Defence and security: no basis established for future UK defence and security participation with EU27; UK no longer member of EU agencies critical for UK security
 - Science and education: loss of Horizon 2020 and Erasmus participation; reduced opportunities and mobility of talent; reduced participation in international science programmes, loss of funding etc.
 - UK regulatory influence in EU disappears: for example, no UK representation on 30+ EU regulatory bodies (EMA, EBA, EASA etc.) that govern standards and rules for UK-EU interactions
 - Euratom: major disruption to nuclear fuel cycle, both in UK and overseas; disrupted supply of medical isotopes to UK hospitals

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Concise information on Brexit

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