Brexit anatomy

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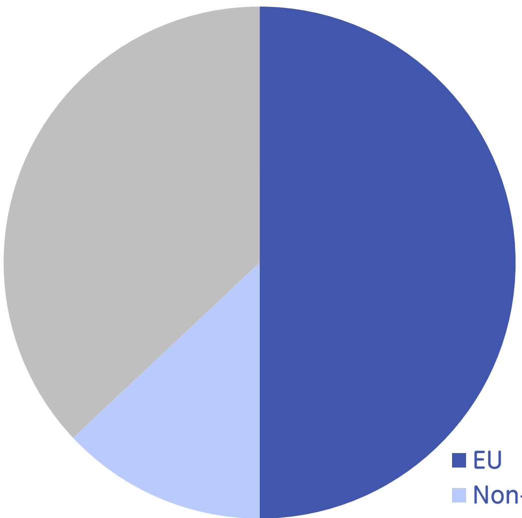
Economic Relationship UK-EU



Sector	EU FDI $m	EU share	Biggest EU investors
Retail, wholesale	66,443	62%	NE, DE, FR
Mining, quarrying	61,708	73%	n/a
Financial services	55,850	24%	NE, DE
ICT	39,190	34%	FR, DE, LU
Utilities	34,989	90%	n/a
Transportation	31,125	75%	DE, NE, ES
Food, beverages	23,555	41%	NE, FR, LU
Total	**452,525**	**46%**	**NE, FR, DE**

Source: ONS, Global Counsel UK

UK Export Structure: Cca half of UK exports go to EU, the share of exports to EU and countries with which EU has a free trade agreement is 63%.

UK Financial Market: Passportation according to EU rules; will be terminated after Brexit -> how to organize and regulate UK financial companies in the EUx?

UK FDI: Strongly depends on the EU

EU exports to the UK: a surplus of 0.6% GDP likely to be lost after Brexit

Immigration: migration of workers from the EU to the UK increases the UK labour force by cca. 0.5% each year -> ability to grow the economy without significant labour costs increases and inflation

UK – US: Trade agreements will have to be renegotiated with the US also

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Brexit Scenarios

Norwegian-style EEA agreement	The UK joins the European Economic Area and maintains full access to the single market, but must adopt EU standards and regulations with little influence over these. The UK still makes a substantial contribution to the EU budget and is unable to impose immigration restrictions.
Turkish-style customs union	Internal tariff barriers are avoided, with the UK adopting many EU product market regulations, but sector coverage of the customs union is incomplete. The UK is required to implement EU external tariffs, without influence or guaranteed access to third markets.
FTA-based approach	The UK is free to agree FTAs independently and the UK's relationship with the EU is itself governed by an FTA. Tariff barriers are unlikely, but as with all FTAs the UK will need to trade off depth – which means agreeing common standards and regulation – with independence.
Swiss-style bilateral accords	The UK and the EU agree a set of bilateral accords which govern UK access to the single market in specific sectors. Concern in Brussels about cherry picking may limit the sectors. The UK becomes a follower of regulation in the sectors covered, but negotiates FTAs separately.

Source: Global Counsel UK

There is no option, which would be a benefit for the UK in all areas of foreign trade, politics, immigration, financial markets and foreign direct investments

Concluding Remarks

In the case of Brexit some form of renegotiation of trade agreements highly likely

Minor negative impacts can be expected (selected industries might be negatively impacted more -> financial sector in the UK)

UK might benefit from bigger political flexibility -> absence of EU regulations and joint policymaking decisions when negotiating with non-EUx countries

UK might be negatively impacted by the need of re-negotiate trade agreements with the US

Increased internal political pressures within the UK (Scotland public opinion in favor of remaining in the EU)

Potential spillover of negative EU opinions from the UK to other EU member states

Brexit won't help in the short-term (increased costs, renegotiations, question mark over immigration)

Potential loss in GDP of the EUx estimated at ~0.5%, UK impact ~1%

Thank you for your attention

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