

National Institute of Economic and Social Research

UK's global competitiveness 'under threat' from EU exit

FOR IMMEDIATE RELEASE

Britain's trade in goods and services could be affected significantly following its departure from the European Union putting the country's global competitiveness under threat, according to an election briefing by the National Institute of Social and Economic Research.

Restricting the trading relationship to a free trade agreement (as proposed by the Conservative party) will harm the prospects of UK trade even if the UK is able to strike new deals with other non-EU countries. The prospects for the service sector are particularly worrisome as FTAs tend to be restricted to goods trade. The closer any deal is to full EU membership, the less would the damage to the trade growth, jobs and economic prosperity.

"Britain's exit from the EU will threaten the UK's global competitiveness because trade is a key driver of productivity, employment and business creation," said Ana Rincon-Aznar, Principal Economist at NIESR. *"While striking early trade deals with non-EU countries will be important to help offset some of the drag that will result from more restricted trading arrangements with the EU, NIESR research suggests the benefit will be small even if the UK is able to establish FTAs with all Anglo-American and BRIICS countries."*

- The UK has a close trading relationship with the EU. Just under 50 per cent of total trade is directly with other EU countries, and the UK is also immersed in intricate global value chains involving EU businesses.
- Political parties offer a variety of Brexit options ranging from staying in the EU to a hard Brexit. Previous research has established that the closer the link with the EU, the less disruption there will be to trade.
- The ruling Conservative party will take the country out of the Single Market and the Customs Union to allow the UK to set its own tariffs and trade deals. The Labour party offers a 'permanent and comprehensive UK-wide customs union' and 'a close alignment with the Single Market'. The Liberal Democrats, the Scottish National Party, support continued EU membership. Plaid Cymru favour membership of the EU Single Market and Customs Union and the Brexit party seeks an exit without a deal.
- The UK runs a trade surplus in services of around £100 billion (in 2018) which helps offset some of the deficit in goods trade. By exiting the EU, the service sector trade will then be more exposed because even the most ambitious FTAs are limited for services.
- All major regions of the UK are exposed to exports, but the geographical location of exporters is not uniform across the UK. London and the South East, the East of England and the North West dominate, accounting for around 60 per cent of total exporters of goods. London dominates services trade, accounting for around a third of total exporters.

- As a member of the EU, the UK also benefits from trade agreements with third countries such as Canada, Japan, Turkey etc accounting for around 14% of total exports. Of the 74 countries with which the EU has deals, the UK has signed agreements with 49 of these countries, representing approximately 7% of total exports.

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Notes for editors:

This full General Election Briefing on “*UK Trade and Trade Policy After Brexit*” can be found [here](#).

NIESR’s microsite containing briefings, podcasts and vodcasts on the General Election can be found [here](#).

This briefing is supported by the [Nuffield Foundation](#).

For further information or to arrange interviews, please contact the NIESR Press Office or Luca Pieri on 0207 654 1931/ l.pieri@niesr.ac.uk

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