

UKTPO

UK TRADE POLICY
OBSERVATORY

Brexit, What Brexit?

What has happened to UK trade
since January 2021

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Introduction

1. Background to the changes brought about by the agreement with the EU
2. What has happened to exports and imports since January
3. How much trade with the EU is ‘duty free’?

Introduction

- Trade and Cooperation Agreement between UK and EU, came into force January 2021
- No tariffs on trade in goods, providing you can prove originating status
- But increase in non-tariff and regulatory barriers with regard to both goods and services
- Customs and border control:
 - EU introduced full controls
 - UK delayed introduction of full controls on imports

UK temporary easements

Jan 2021:

full customs controls not introduced and traders could delay completing import declarations by up to 175 days.

Jan 2022:

- Full customs declarations and controls
- Pre-notification requirements for Sanitary and Phytosanitary (SPS) goods, ie agri-food imports

July 2022:

- Safety and Security Declarations
- Certification and physical checks will be introduced for most agri-food imports
- High-priority plants and plant products checks will transfer from place of destination to designated BCPs

September 2022,

- Certification and physical checks for all dairy products

November 2022

- Certification and physical checks for all remaining agri-food imports

Introduction

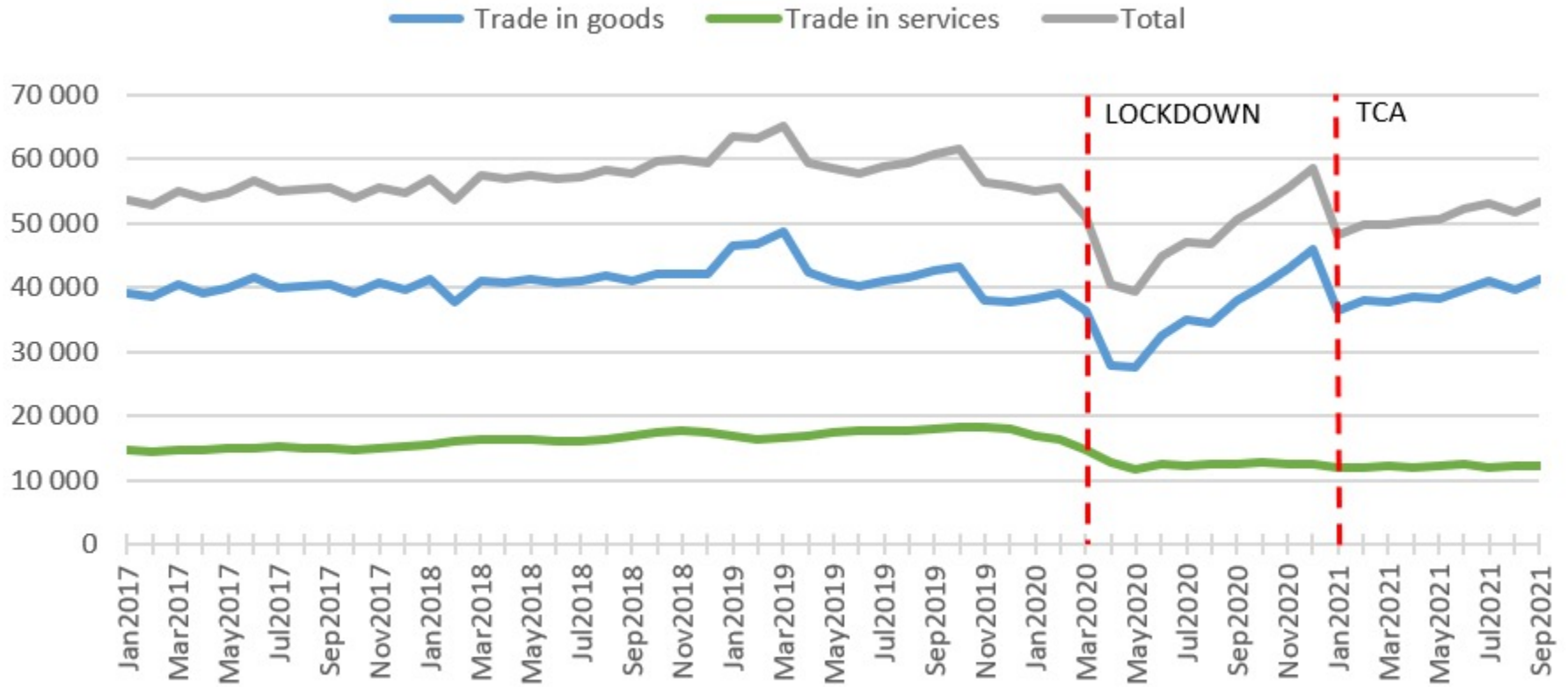
- We examine the trade data to assess empirically the impact of the TCA on UK trade
- We look at trade in goods, trade in services in total and by sector
- The TCA was notionally ‘duty-free, quota free’ – so we also assess how this is working out in practice

Figure 1: UK Trade, January 2017-September 2021 (£ million)

a) Exports



b) Imports



Data source: ONS; UK trade: goods and services publication tables, seasonally adjusted.

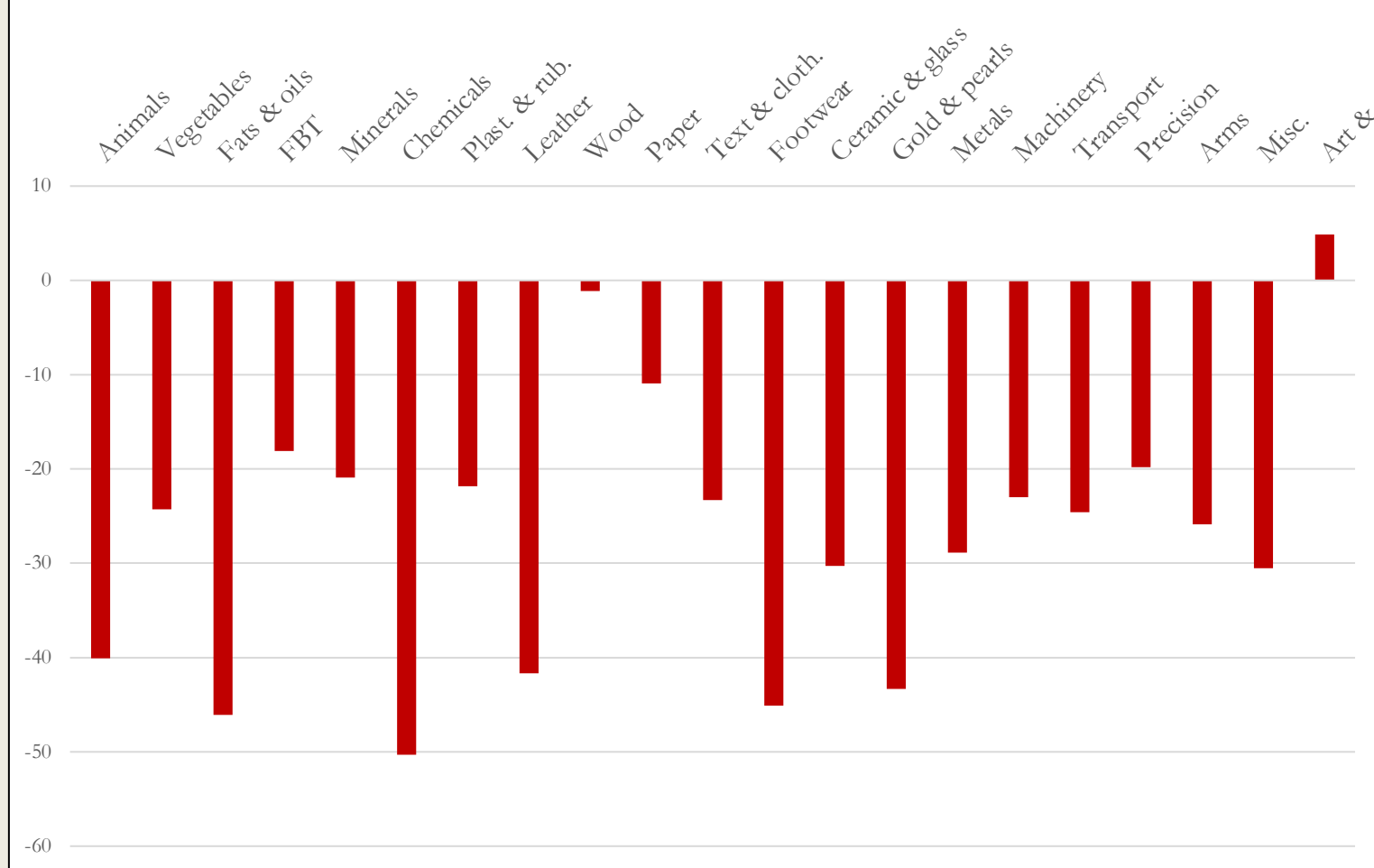
How to work out Brexit effects?

- The data suggest trade has declined...
- ... but there are other factors at play – notably COVID-19
- So when looking at whether or not trade has changed (up or down), one has to decide relative to what?
 - a. Compare UK-EU trade before/after 2021 with UK trade with a control group (non-EU OECD countries plus BRICS)
 - b. As above but also compare the changes in EU trade with itself and with OECD+BRICS,
 - c. Use a technique which selects the countries that most closely resemble the UK before Jan 2021

Impact of TCA on trade: Jan-July 2021

- reduced **goods** exports to the EU by 14% and by 24% for imports from the EU.
- Reduced **services** exports to the EU by 11.5% and by 37% for imports
- Note:
 - The effect on exports mostly happened in January
 - Imports are down consistently since January
 - Sectors most affected (exports): Footwear & headgear, animal and vegetable oils & fats, textiles and clothing, vegetable products, ceramic and metals

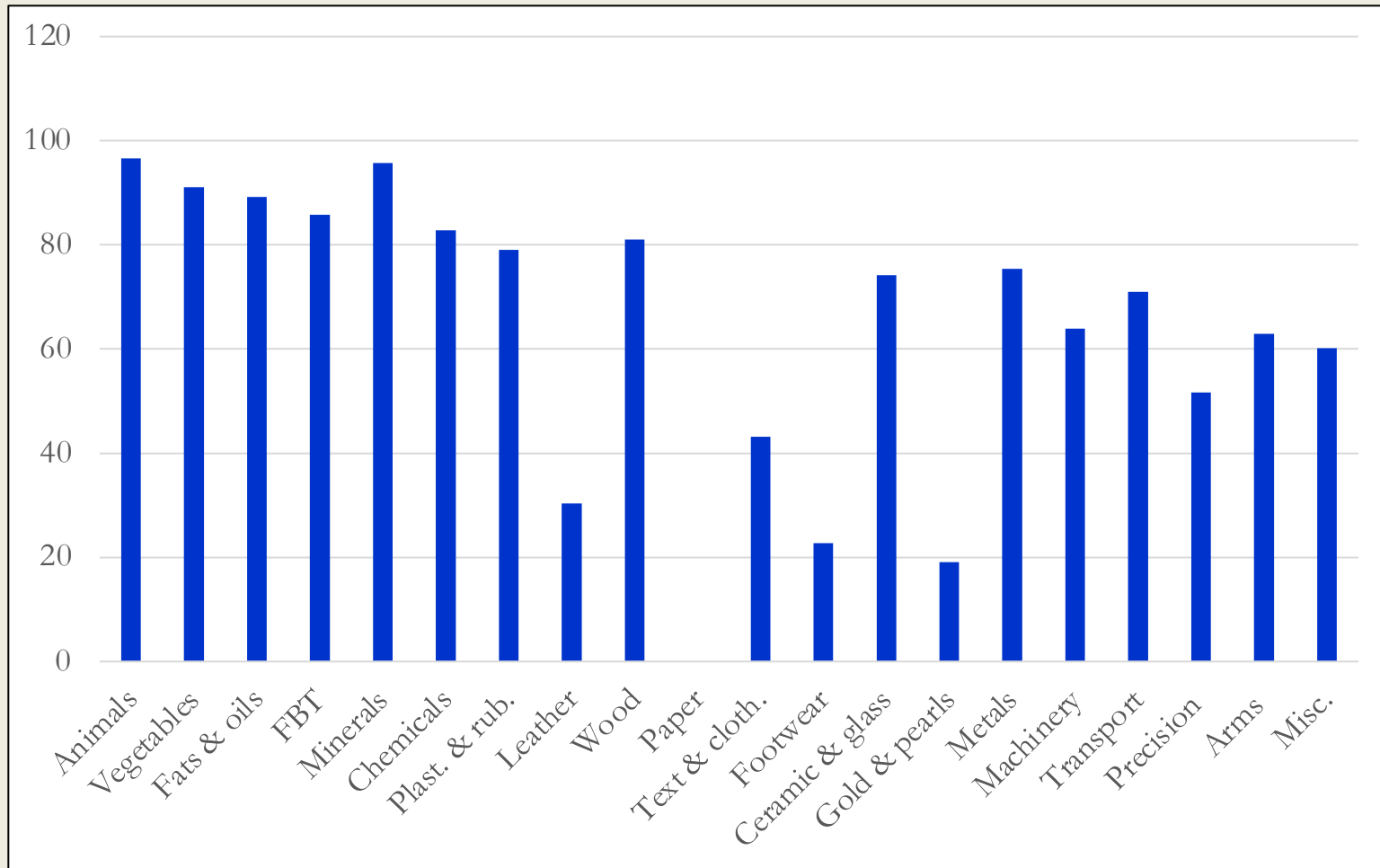
Impact on imports: Jan-Jul 2021



Preference utilisation

- In order to export to the EU duty free, firms need to prove that they meet the ‘rules of origin’
- Between 26-32% of exports to the EU that could have entered under zero-tariffs did not do so.
- Sectors where the PUR is very low include: footwear, textiles and clothing, leather, precision tools
- This is likely to be
 - Either because the firms could not meet the rules of origin
 - Or, it was not worth the bureaucratic hassle where tariffs are low

Preference utilisation rate (Jan-July 2021)



Conclusions

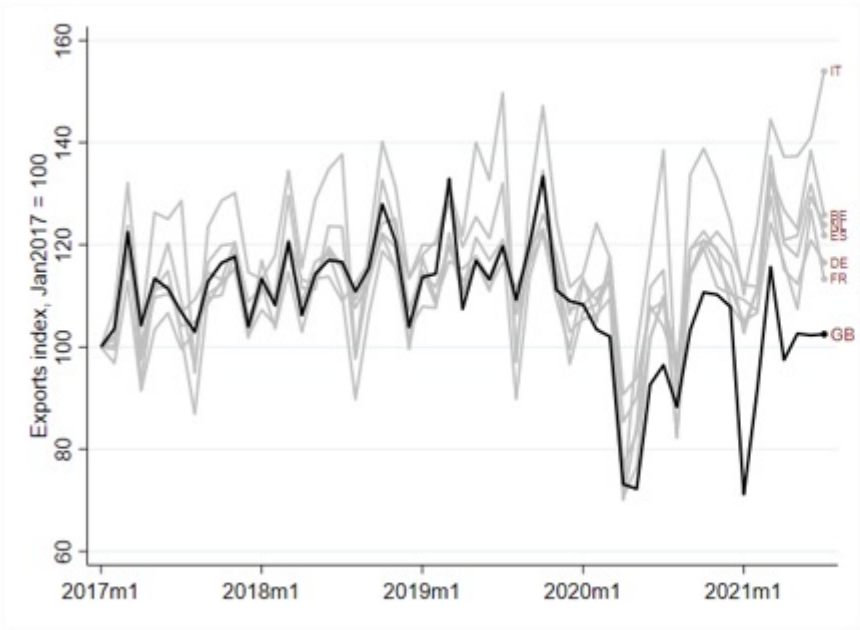
- Early days but clear evidence of a negative effect
- The difference in the behaviour of exports and imports is a little ‘puzzling’
- The introduction of full customs controls and declaration is likely to have a further dampening effect on imports.
- What this does not address is:
 - Whether Brexit has had an overall dampening effects on UK trade. We have ongoing work on this.
 - The differential impact across firm types – eg. impacts on small and medium sized enterprises.

Thank you

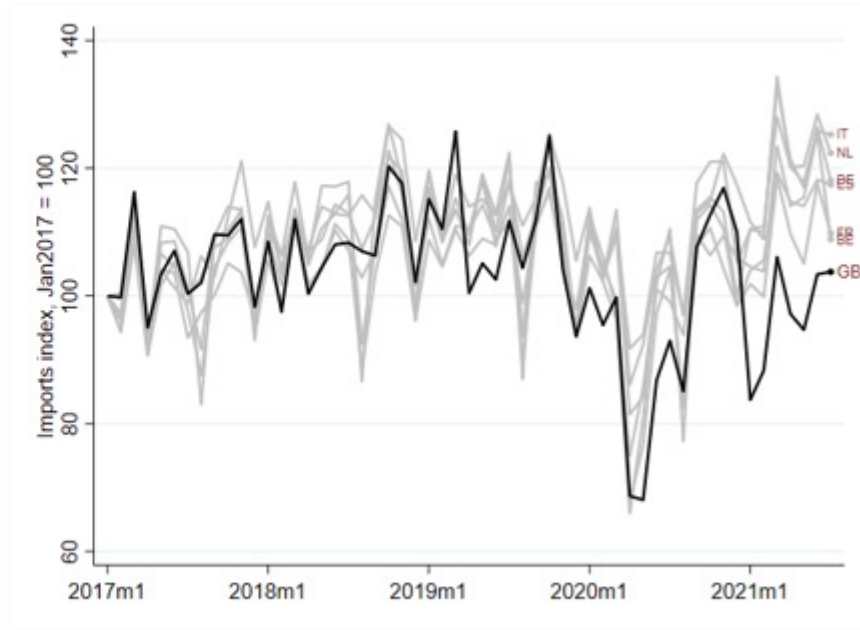
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Figure 2: Monthly Goods Trade of UK and selection of EU27 countries, excl. gold.



a) Exports



b) Imports