

IFS Green Budget 2018

Trade barriers between the UK and the EU: industry and worker exposure

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This presentation

Potential changes in trade barriers between the UK and the EU

Impacts of new trade barriers on industries

Exposure to impacts across workers

Focus on one particular aspect of Brexit: trade with the EU

- Examine impacts and mechanisms behind them in more detail
- Not providing 'economic impact of Brexit' estimate

Potential changes to UK–EU trade barriers

Consider three ‘trade policy scenarios’

1. **‘WTO rules’**: Default
2. **Free-trade agreement (FTA)**: e.g. ‘Canada option’
3. **European Economic Area (EEA)**: e.g. ‘Norway option’

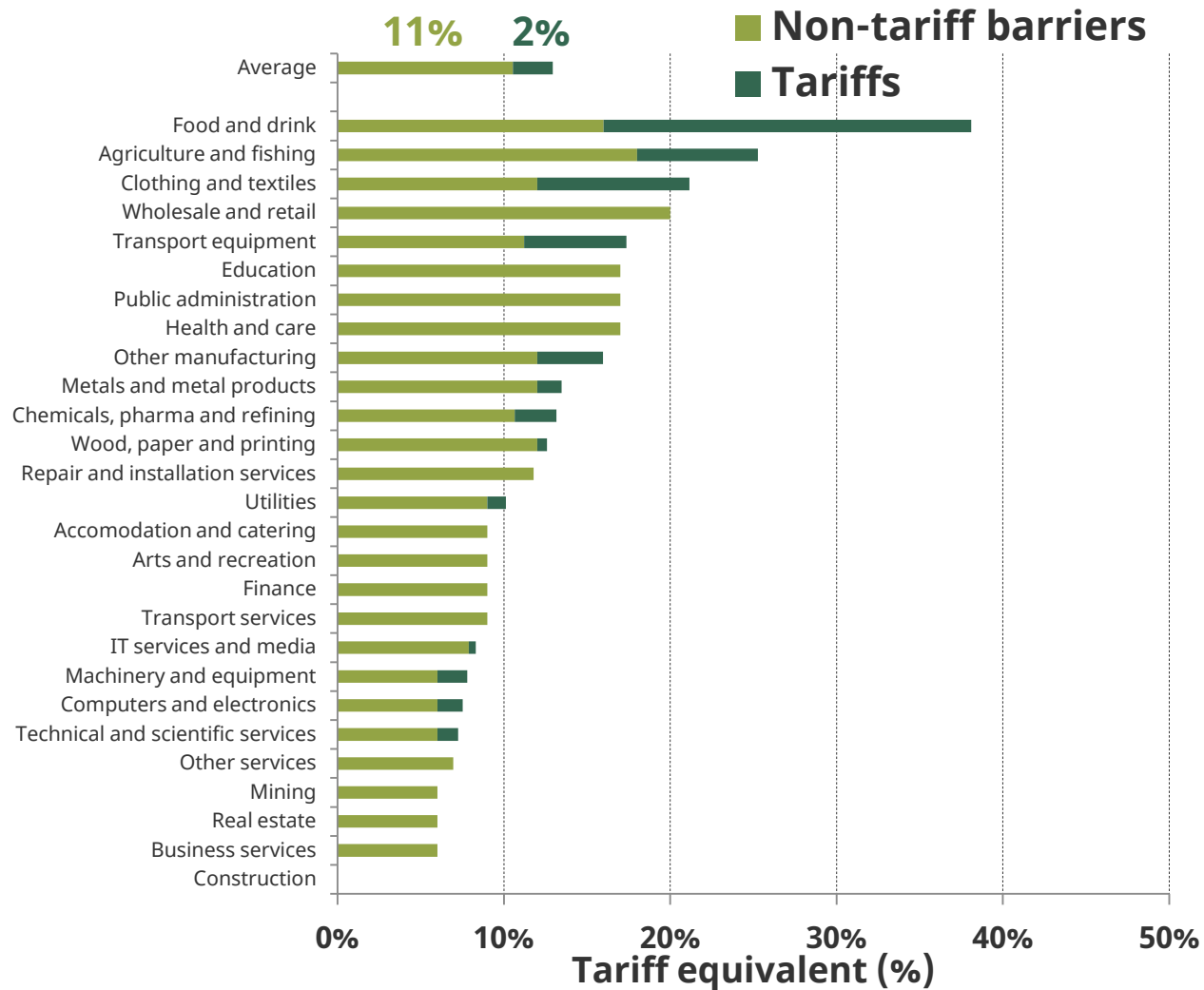
Two broad categories of trade barriers

- Tariff barriers (scenario 1. only): taxes levied on imports of goods
- Non-tariff barriers: non-tax policy impediments to trade

Hard to quantify likely magnitudes of non-tariff barriers

- Use government’s own internal (scenario specific) estimates

Estimated cost of trade barriers: 'WTO rules'



Notes and sources: see Figure 10.5 of the IFS Green Budget

Estimating impacts on industries

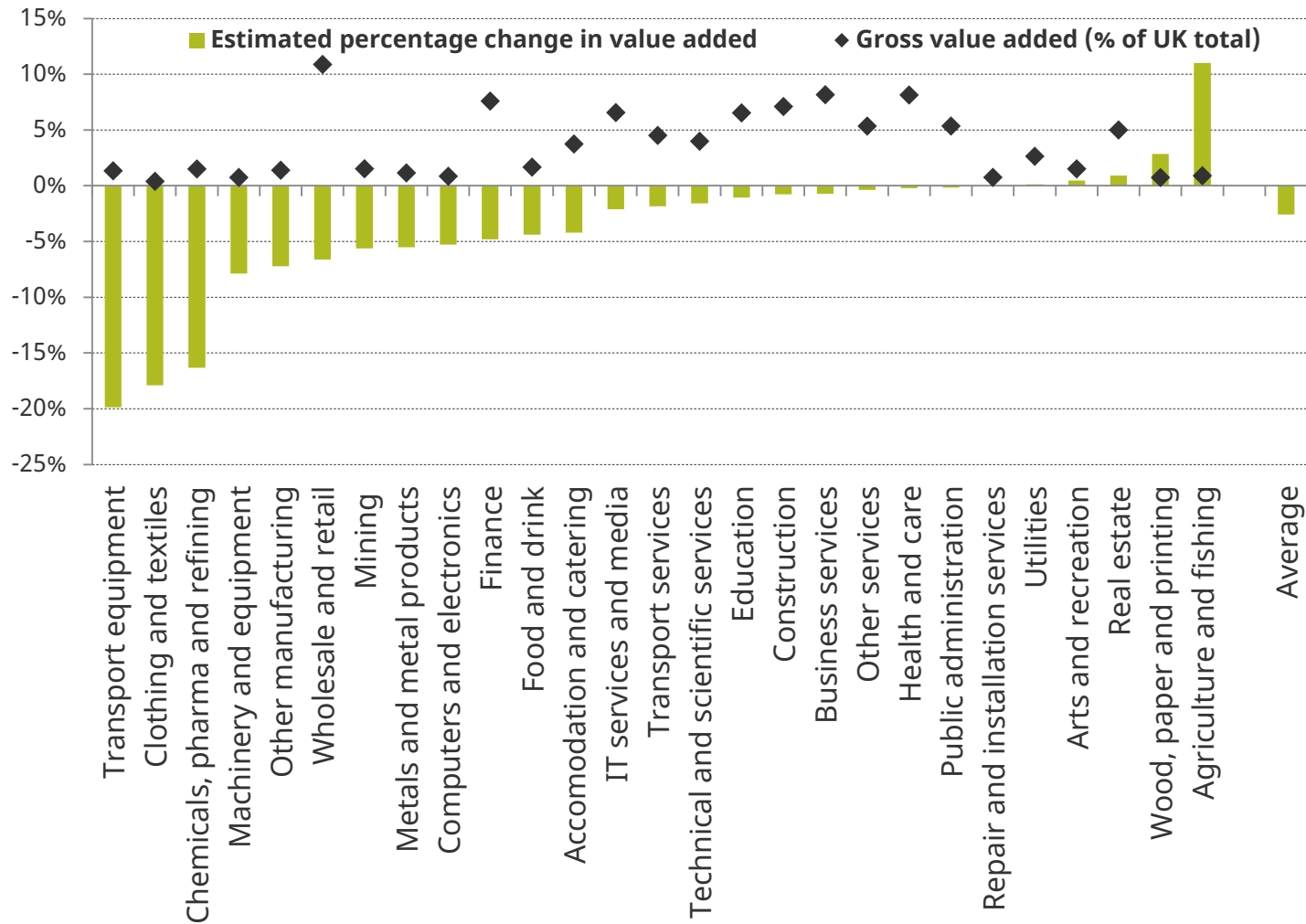
Calculate impact of trade barriers on industry *value added*

- Accounts for changes in cost of inputs and in output price

Results show which industries likely to be most and least affected

- Not predictions of exact changes in value added

Estimated impact of 'WTO rules' trade barriers



Notes and sources: see Figure 10.6 of the IFS Green Budget

Worker exposure in 'WTO rules' scenario



Notes and sources: see Table 10.1 of IFS Green Budget

Worker exposure in 'WTO rules' scenario



Notes and sources: see Figure 10.9 of IFS Green Budget

Changes in trade policy cause economic disruption

Large variation in likely impact of trade barriers across industries

- Transport equipment; clothing & textiles; chemicals, pharma. & refining most exposed to negative impacts
- Agriculture may stand to gain (at cost to consumers)
- Relative impacts the same across scenarios we consider

Impacts on finance and regional exposure key areas of uncertainty

Very highly exposed workers likely to find adjustment harder

- Men with low ed. qualifications and plant & machine workers most at risk