



Trade War between European Union and UK

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EU: A Brief Introduction

- The European Union - often known as the EU - is an economic and political partnership involving 28 European countries. It began after World War Two to foster economic co-operation, with the idea that countries which trade together are more likely to avoid going to war with each other. UK joined EU in 1973.
- EU has since grown to become a "single market" allowing goods and people to move around, basically as if the member states were one country. It has its own currency, the euro, which is used by 19 of the member countries, its own parliament and it now sets rules in a wide range of areas - including on the environment, transport, consumer rights and even things such as mobile phone charges.

Trade Statistics

- **EU 27 with UK**

Thousand Dollars

	2017	2016	2015	2014	2013
EU Imports from UK	207,251,933	185,683,899	195,046,160	233,138,119	233,650,941
EU exports to UK	354,676,903	339,387,207	344,726,593	378,065,041	358,363,380

- EU 28 trade with the World

	2017	2016	2015	2014	2013
Imports	5,763,626,001	5,222,444,023	5,213,545,189	6,022,448,941	5,933,934,249
Exports	6,103,897,102	6,136,999,889	5,370,478,882	5,350,403,274	5,866,027,303

UK trade with the world

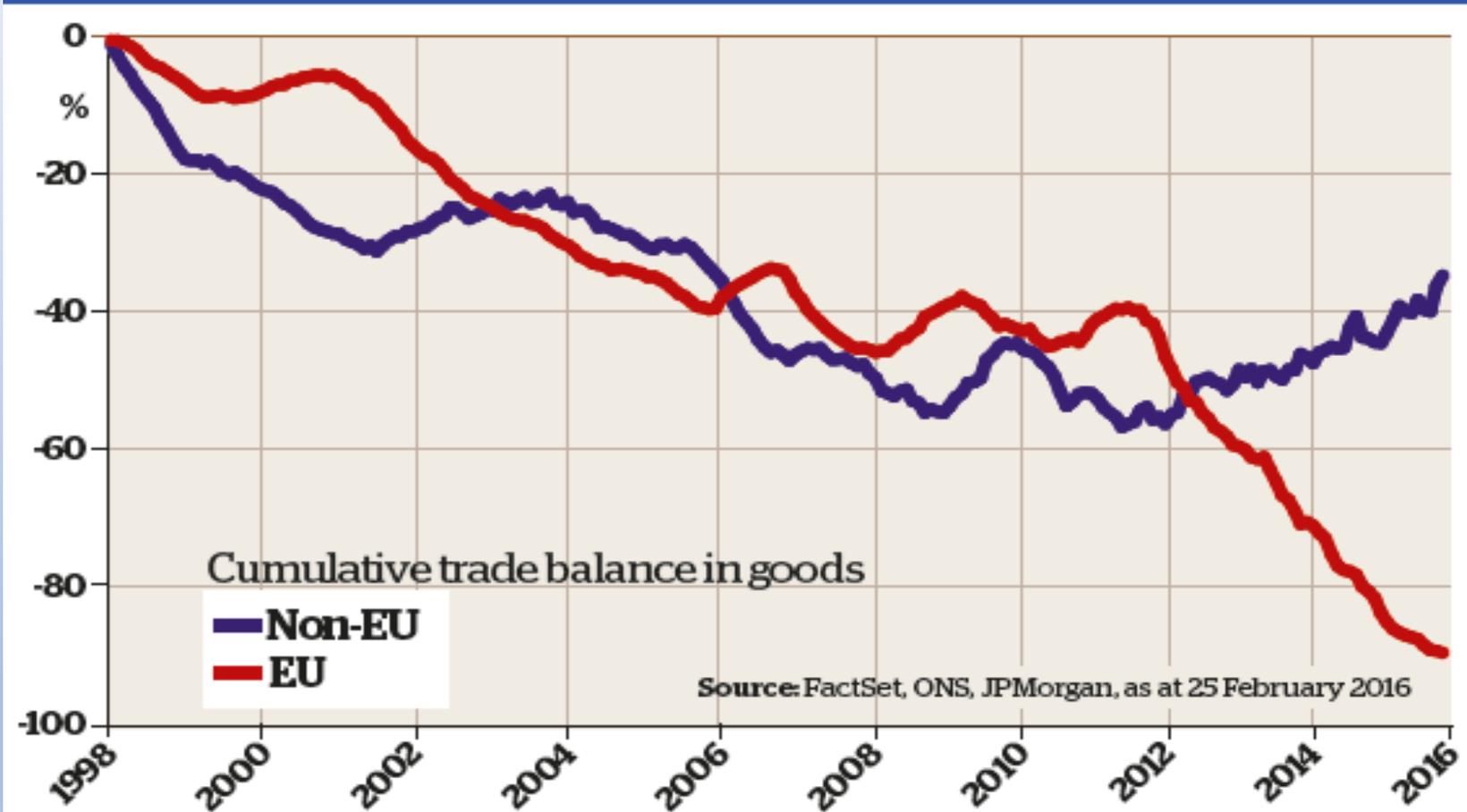
	2017	2016	2015	2014	2013
Imports	640,365,381	636,367,936	630,251,058	694,344,323	657,222,528
Exports	443,733,890	411,463,356	466,295,683	511,145,443	548,041,853

Why Brexit?

- UK developed differences with EU when it adopted Euro as a single European currency.
- The UK pays more into the EU budget than it gets back.
- In 2016 the UK government paid £13.1 billion to the EU budget, and EU spending on the UK was forecast to be £4.5 billion. So the UK's 'net contribution' was estimated at about £8.6 billion
- UK also pays a very high membership fee 19 billion pounds to EU .
- ONS, Office of the National Statistics UK claims that UK paid 275 million pound a week in 2014 and 250 million in 2016.



UK's deepening EU trade deficit



Article 50 of EU Act

- Article 50 of EU Act is a plan for any country that wishes to exit the EU to do so. It was created as part of the Treaty of Lisbon - an agreement signed up by all EU states which became law in 2009. Before that treaty, there was no formal mechanism for a country to leave the EU.
- In a referendum on 23 June 2016, 51.9% of the participating UK electorate voted to leave the EU; the turnout was 72.2%.
- On 29 March 2017, the UK government invoked Article 50 of the Treaty on European Union. The European Union (withdrawal Act) 2018 declares "exit day" to be 29 March 2019

Brexit

- Prime Minister Theresa May announced the government's intention that the UK would not seek permanent membership of the European Single Market or the EU Custom Union after leaving the EU and promised to repeal the European Communities Act of 1972 and incorporate existing European Union Law into UK Domestic Law . A new government department, the Department for Exiting the European Union, was created in July 2016.
- Brexit will have profound economic and political implications for UK.

Trade Impact

To forecast the consequences of UK leaving EU, Following impacts might be experienced.

- High tariffs on imports from EU.
- Higher non tariff barriers on trade, (arising from different regulations and border controls etc.)
- UK may not participate in future policies of EU towards deeper integration and reduction of non tariff barriers within EU.
- One in every ten UK jobs is linked with EU trade. Therefore Brexit might effect jobs directly or indirectly.

Impacts

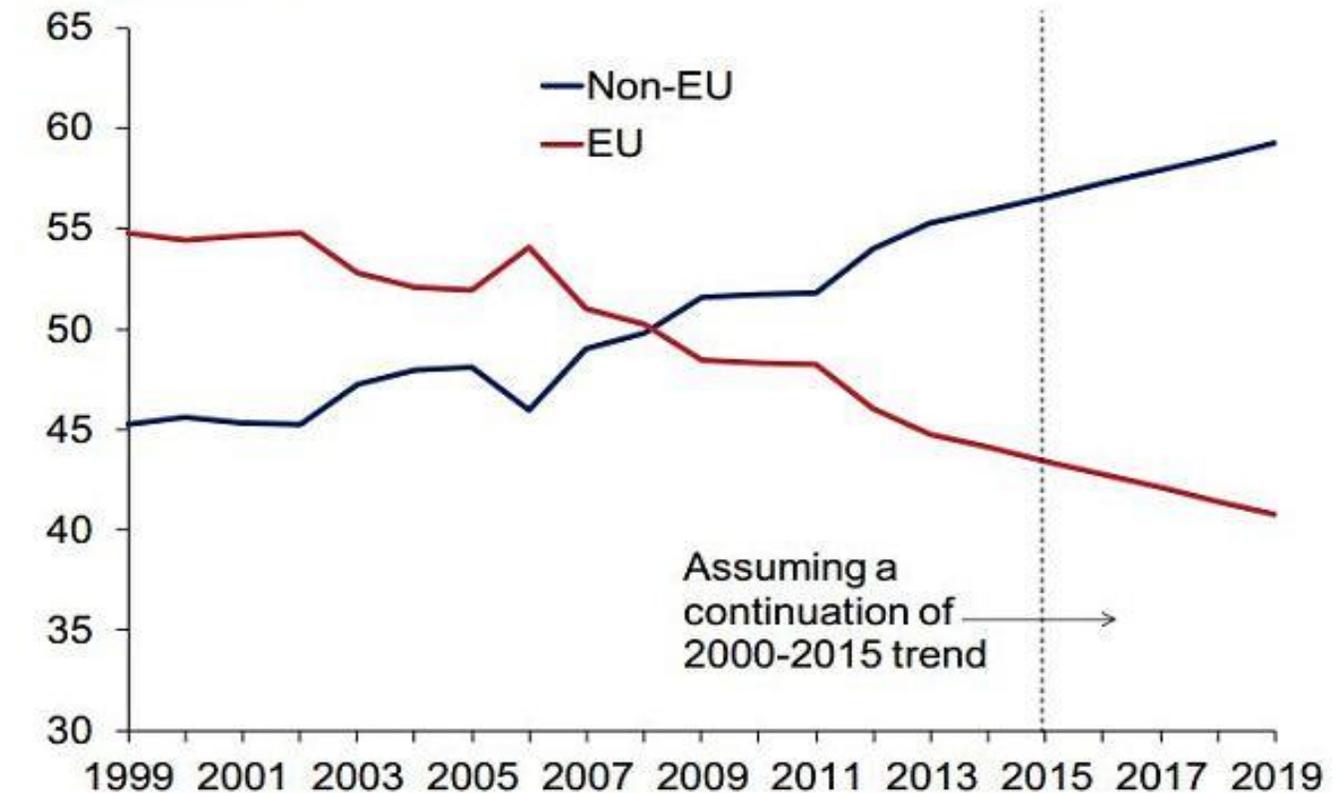
- UK's 61% of small business exports go to EU, with free trade and no tariff facility. This helps UK in creating more jobs. It might get affected.
- Brexit could lead to lower trade between UK and EU.
- It could also affect FDI, immigration and other economic regulations of UK.
- The cost of import from EU countries would rise for UK.
- Being in EU means lower cost of living for UK families due to cheap import and exports. It is around 3000 pound saving for average UK family annually. This incentive would be lost after Brexit.

Trade with the EU matters a lot, but slightly less than it used to

- About 43% of UK exports in goods and services went to other countries in the EU in 2016—[£240 billion](#) out of [£550 billion](#) total exports.
- That share has generally been declining, since exports to other countries have increased at a faster rate.

UK: Exports of goods & services

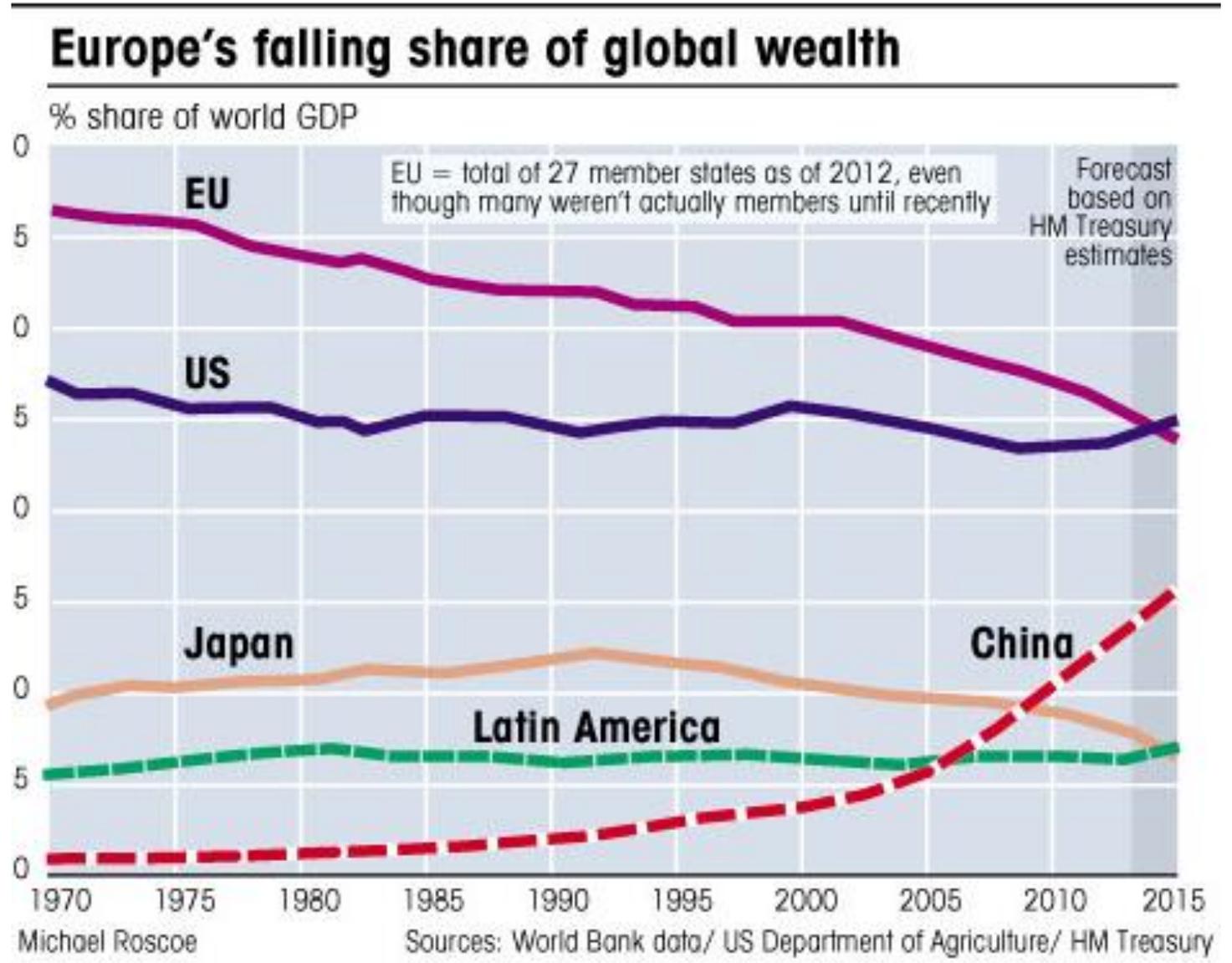
% of total value



Source : Oxford Economics/Haver Analytics

EU Share in World economy

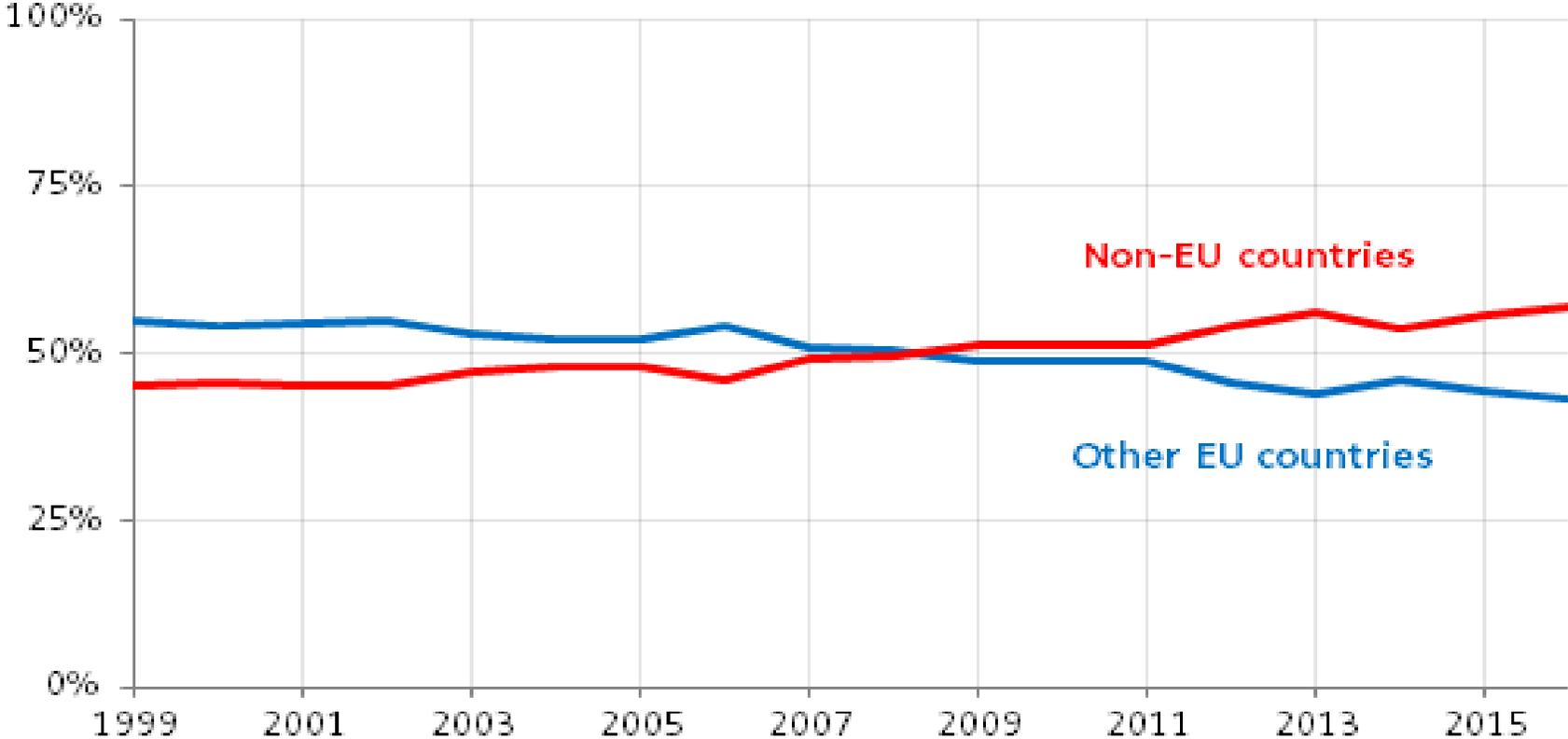
- The EU's share of the world economy has been declining too. In particular, the developing world has been growing faster than the developed world and is expected to continue doing so.
- 54% of imports into the UK came from other countries in the EU in 2016. That proportion has fallen since reaching a peak of 58% in 2002, although it's been rising slowly again since 2011.



UK exports: EU versus non-EU

UK share of exports of goods and services to other EU countries and to countries outside the EU, rolling annual figures

UK exports to EU and Non EU states



Source: ONS balance of payments datasets "Exports: European Union" (L7D7) and "Exports: Total Trade in Goods & Services" (KTMW)



Trade after UK leaves

- After the UK leaves the EU, the future rules on trade will depend on what kind of agreement, if any, the UK reaches with the EU after its departure. Trade in services will be particularly important, because about 80% of the UK economy comes from providing services.
- The future trade rules on services for a country outside the EU are particularly difficult to predict.
- After the UK leaves the EU, it will still continue to trade with EU countries. The government wants to negotiate a new trade agreement to make that trade easier.
- If no new trade deal is negotiated and trade took place under World Trade Organization rules, UK would have to pay tariffs and face other barriers to trade.

THANK

YOU