

Potential trade arrangements with the EU

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Introduction

Future relationship with EU has important implications for:

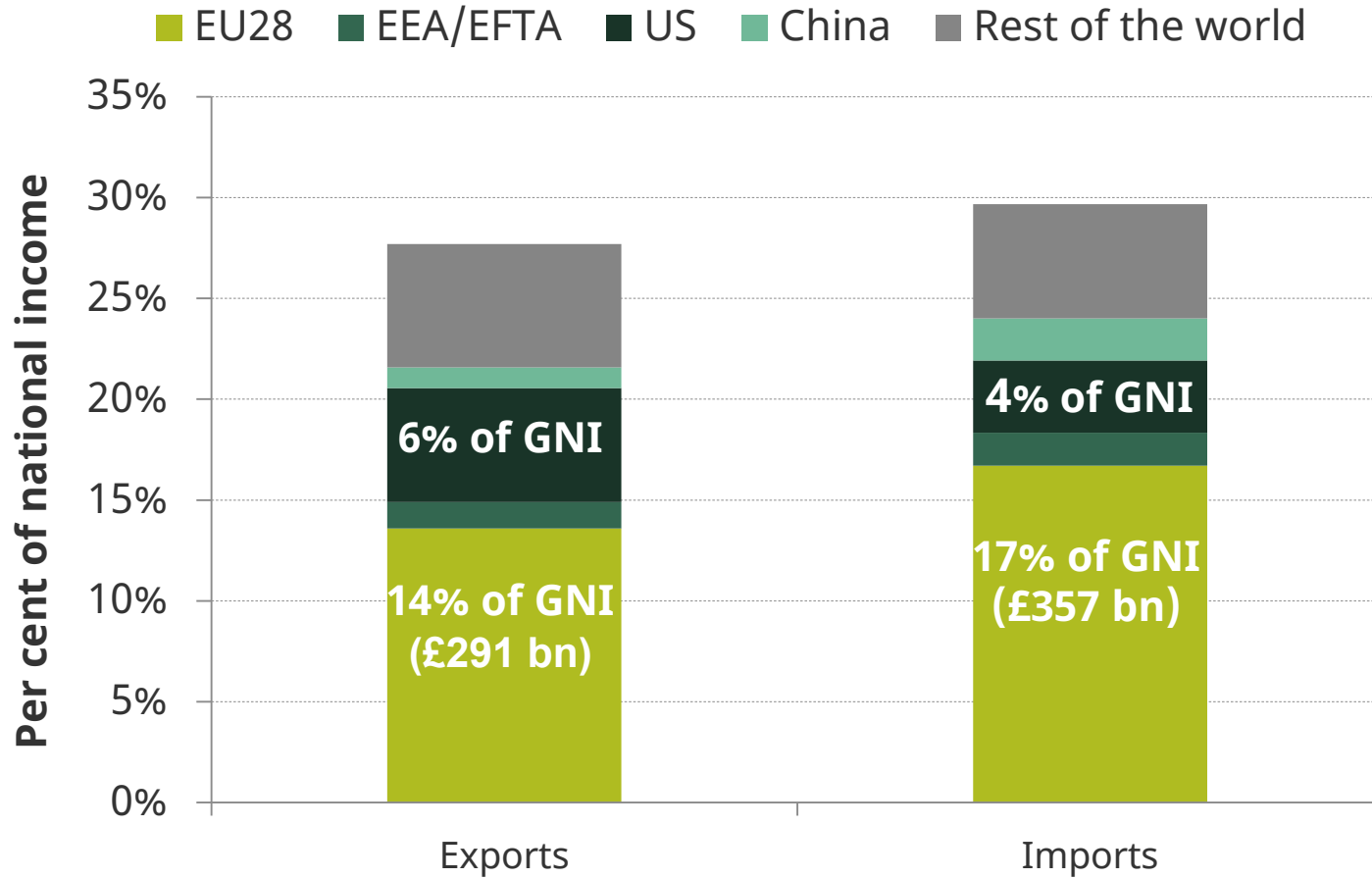
- Trade
- Economic growth
- Regional and other inequalities in the UK

This presentation:

- Why new trade barriers likely to be significant
- Why depth of relationship important for trade
- Impacts likely to be uneven across workers and labour markets
 - Particularly significant for workers in manufacturing industries

Suggests close monitoring of impacts and targeted investments for at-risk locations/groups will be important

EU is UK's most important trade partner



Source: ONS Pink Book 2019

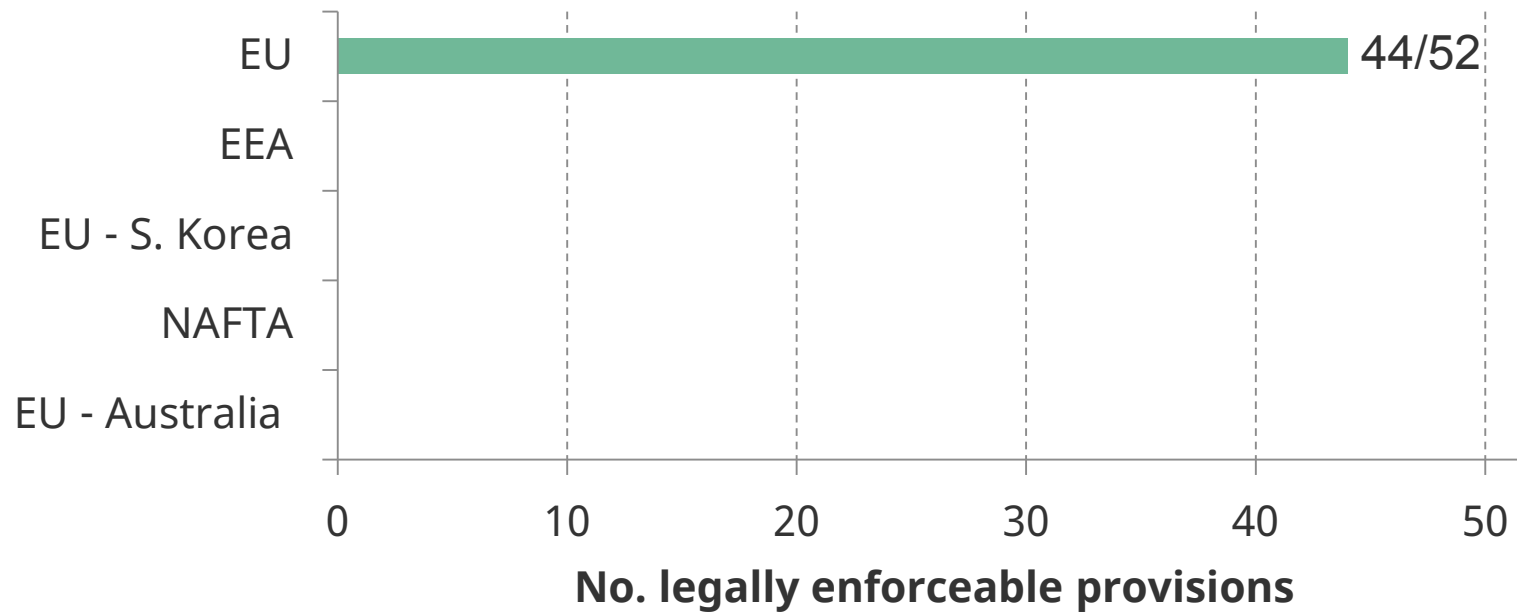
Measuring the depth of trade agreements

List of provisions

1. Tariffs on industrial goods	15. Anti-corruption	29. Cultural cooperation	43. Political dialogue
2. Tariffs on agricultural goods	16. Competition policy	30. Economic policy dialogue	44. Public administration
3. Customs administration	17. Environmental laws	31. Education and training	45. Regional cooperation
4. Export taxes	18. Intellectual property rights	32. Energy	46. Research and technology
5. SPS measures	19. Investment measures	33. Financial assistance	47. SMEs
6. State trading enterprises	20. Labour market regulation	34. Health	48. Social Matters
7. Technical barriers to trade	21. Movement of capital	35. Human Rights	49. Statistics
8. Countervailing measures	22. Consumer protection	36. Illegal immigration	50. Taxation
9. Anti-dumping	23. Data protection	37. Illicit drugs	51. Terrorism
10. State aid	24. Agriculture	38. Industrial cooperation	52. Visa and asylum
11. Public procurement	25. Approximation of legislation	39. Information society	
12. TRIMS measures	26. Audiovisual	40. Mining	
13. GATS	27. Civil protection	41. Money laundering	
14. TRIPS	28. Innovation policies	42. Nuclear safety	

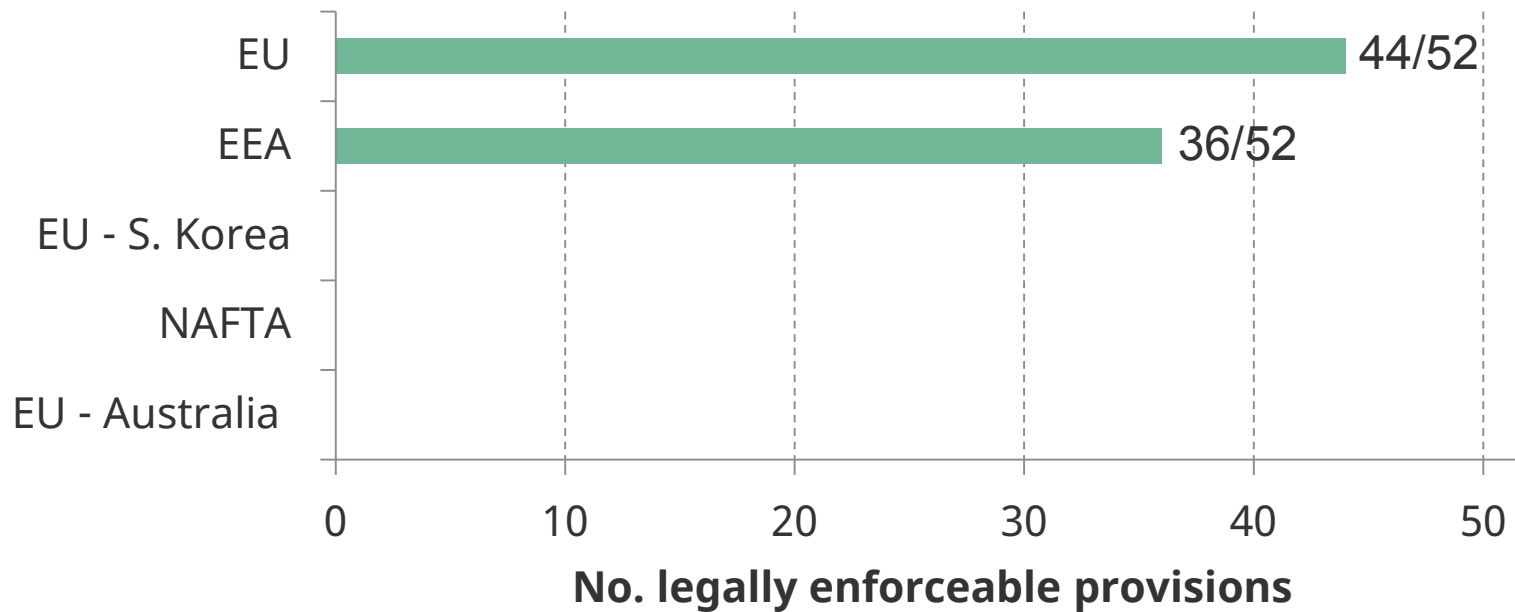
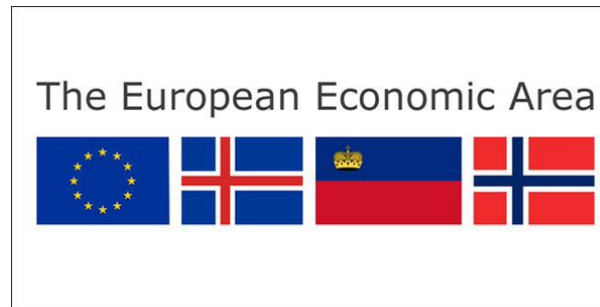
Source: Hofmann, C, A Osnago, and M Ruta (2017), "Horizontal Depth: A New Database on the Content of Deep Agreements", Working Paper, World Bank.

Depth of different trade agreements



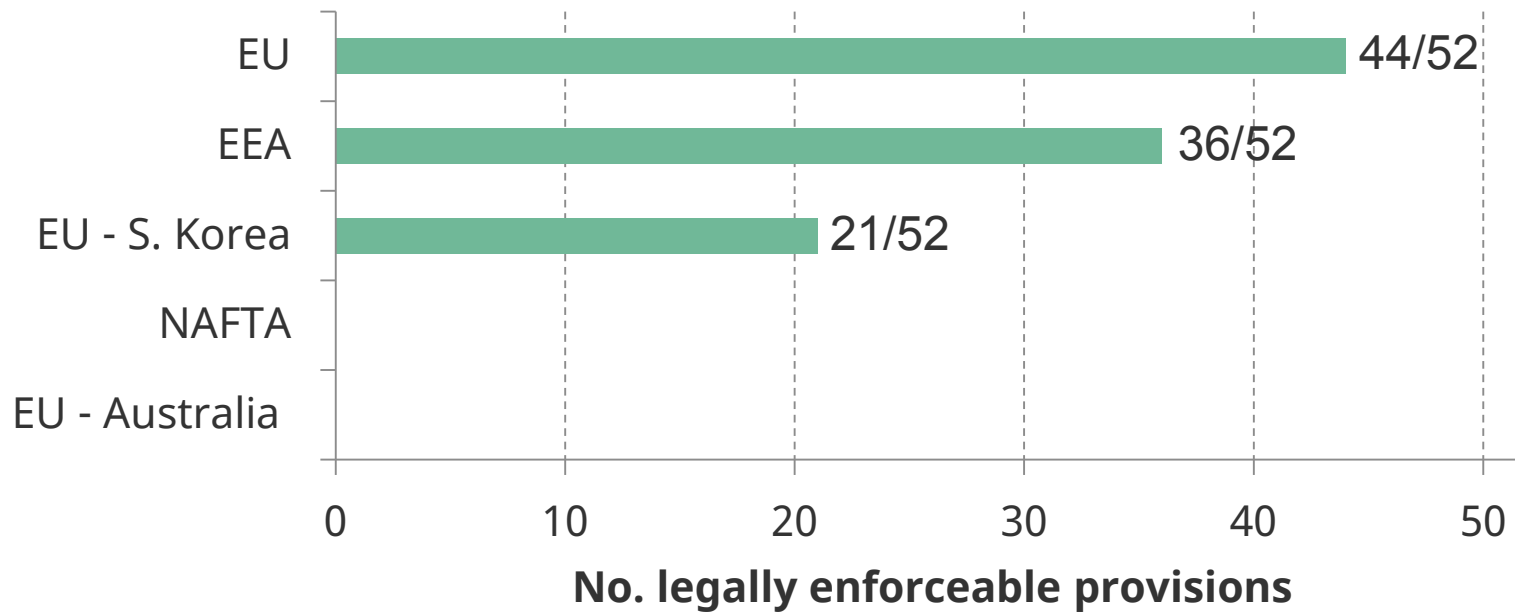
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Depth of different trade agreements



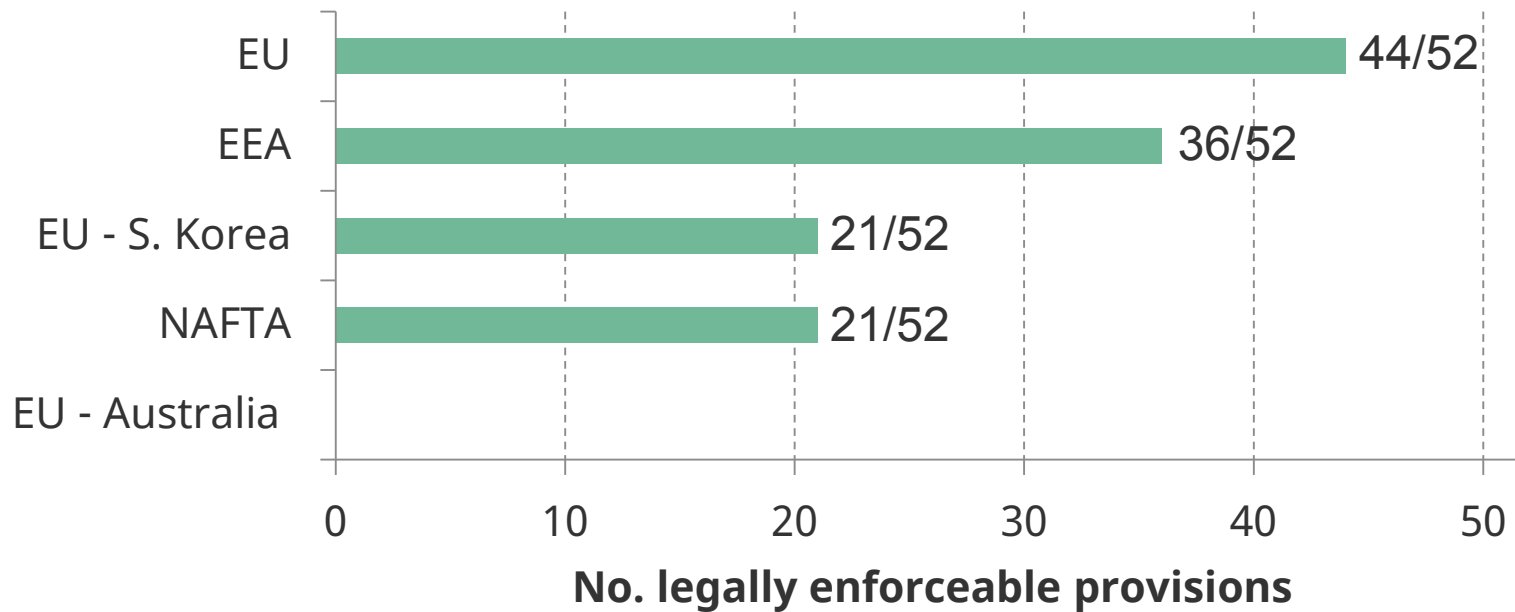
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Depth of different trade agreements



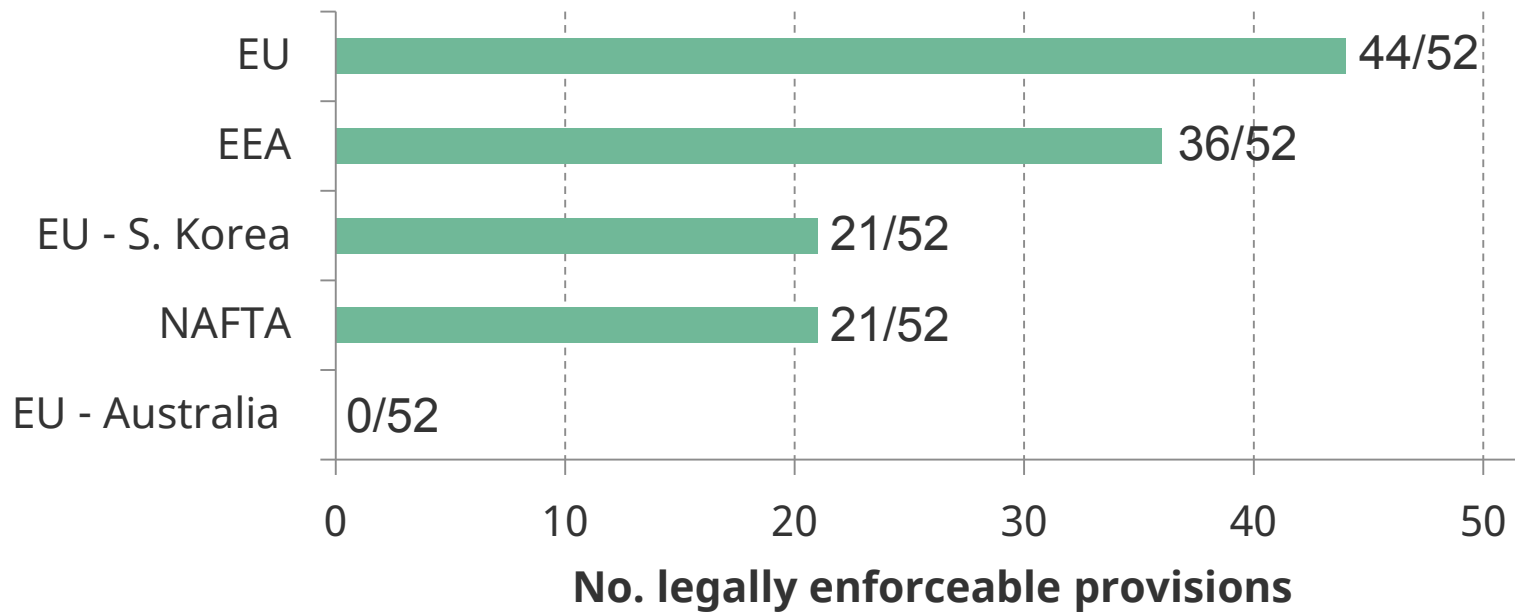
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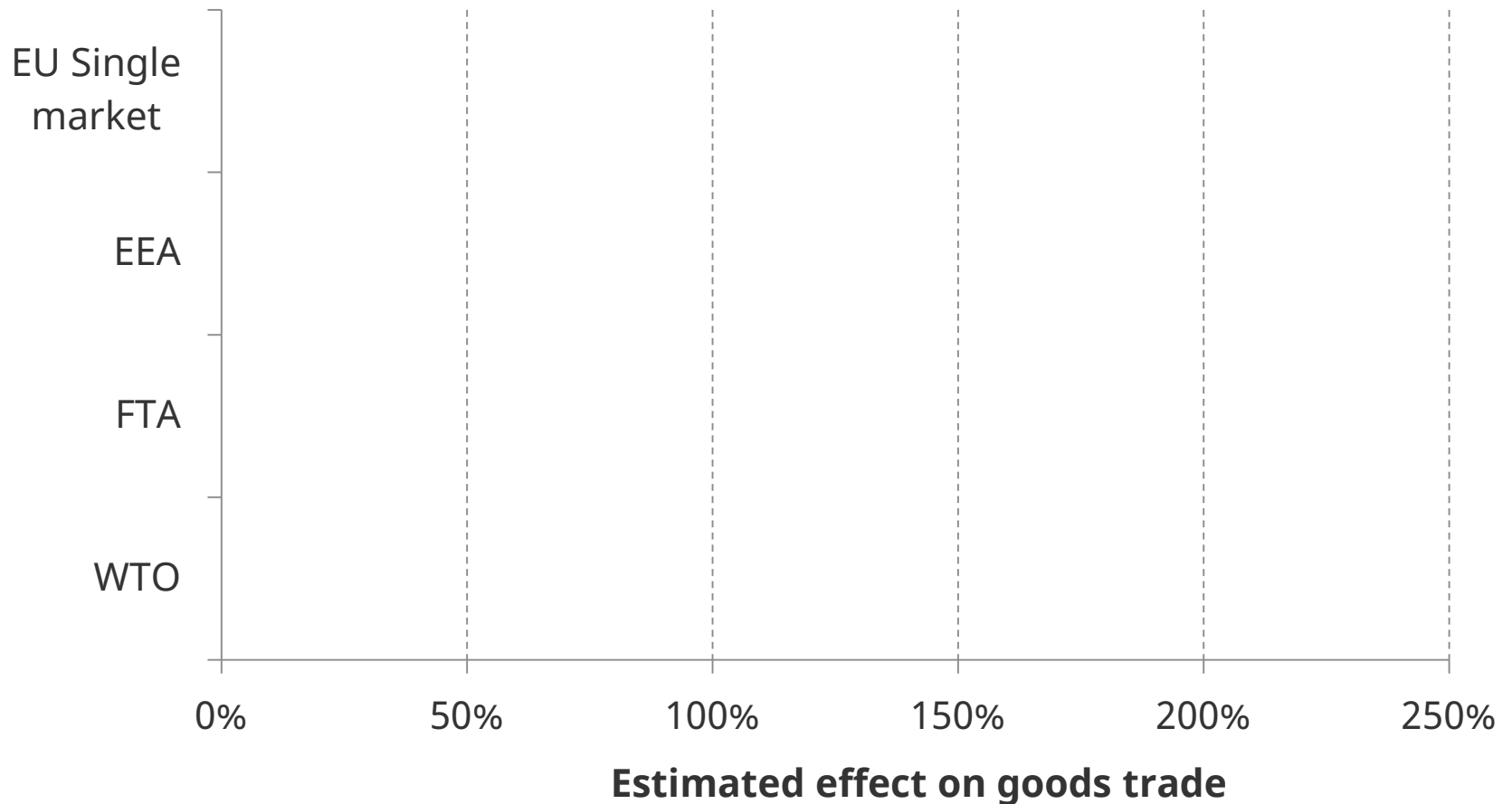
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Depth of different trade agreements



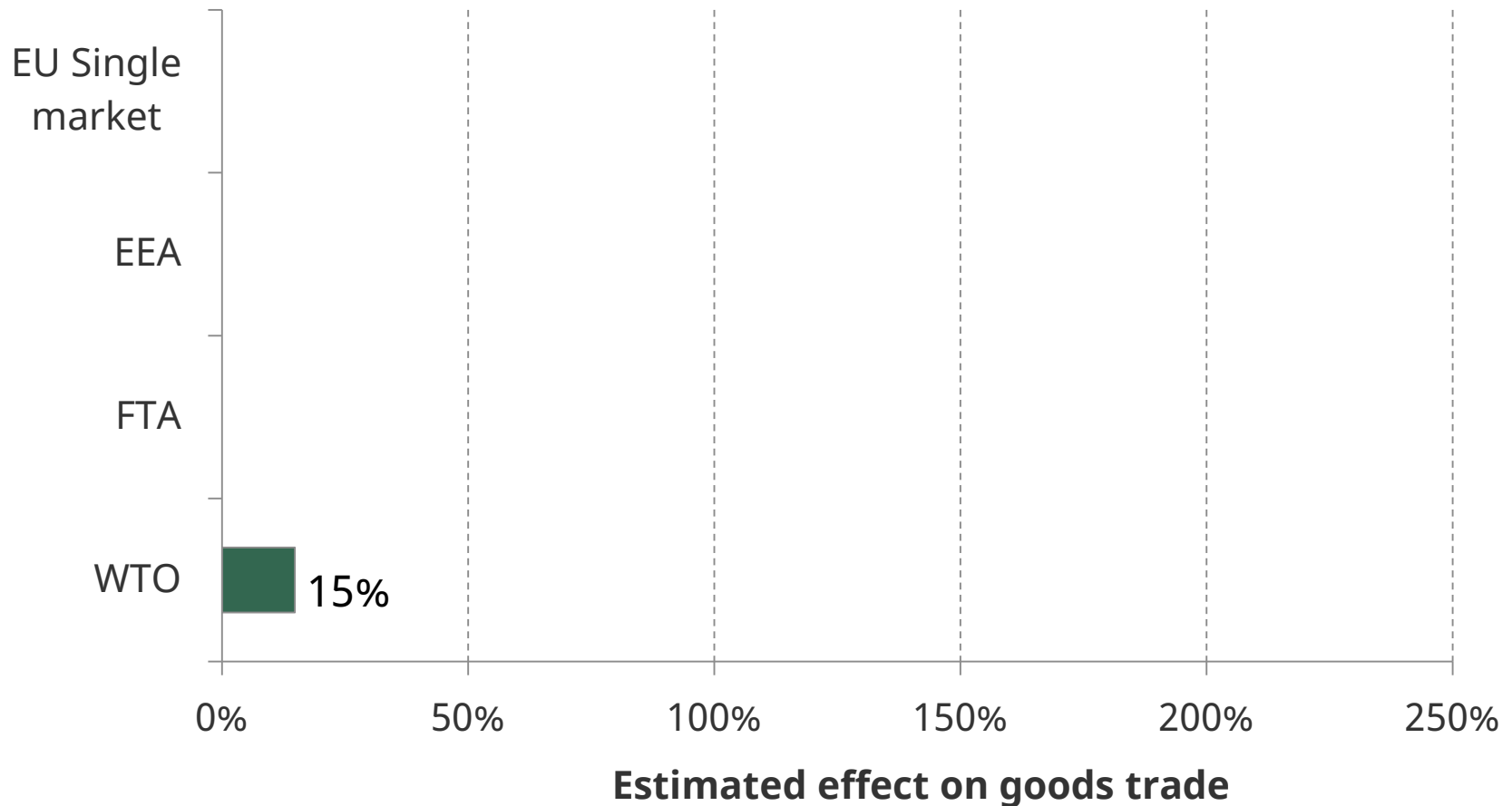
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Estimated long-run effects of different agreements on goods trade



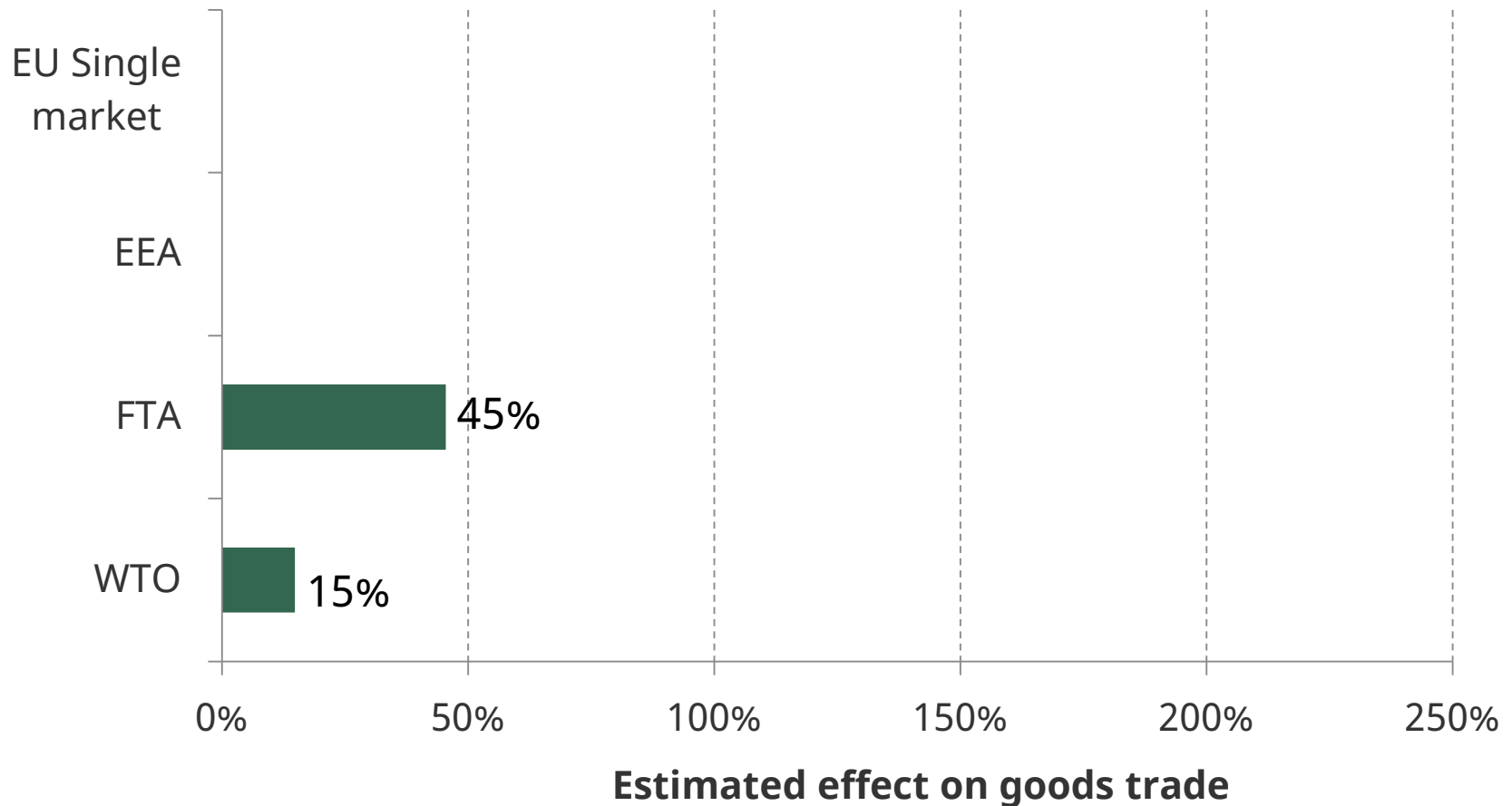
Source: Table 1 (col. 4) of Mayer T, V Vicard, S Zignago (2019), "The Cost of Non-Europe Revisited", *Economic Policy*, 34(98).

Estimated long-run effects of different agreements on goods trade



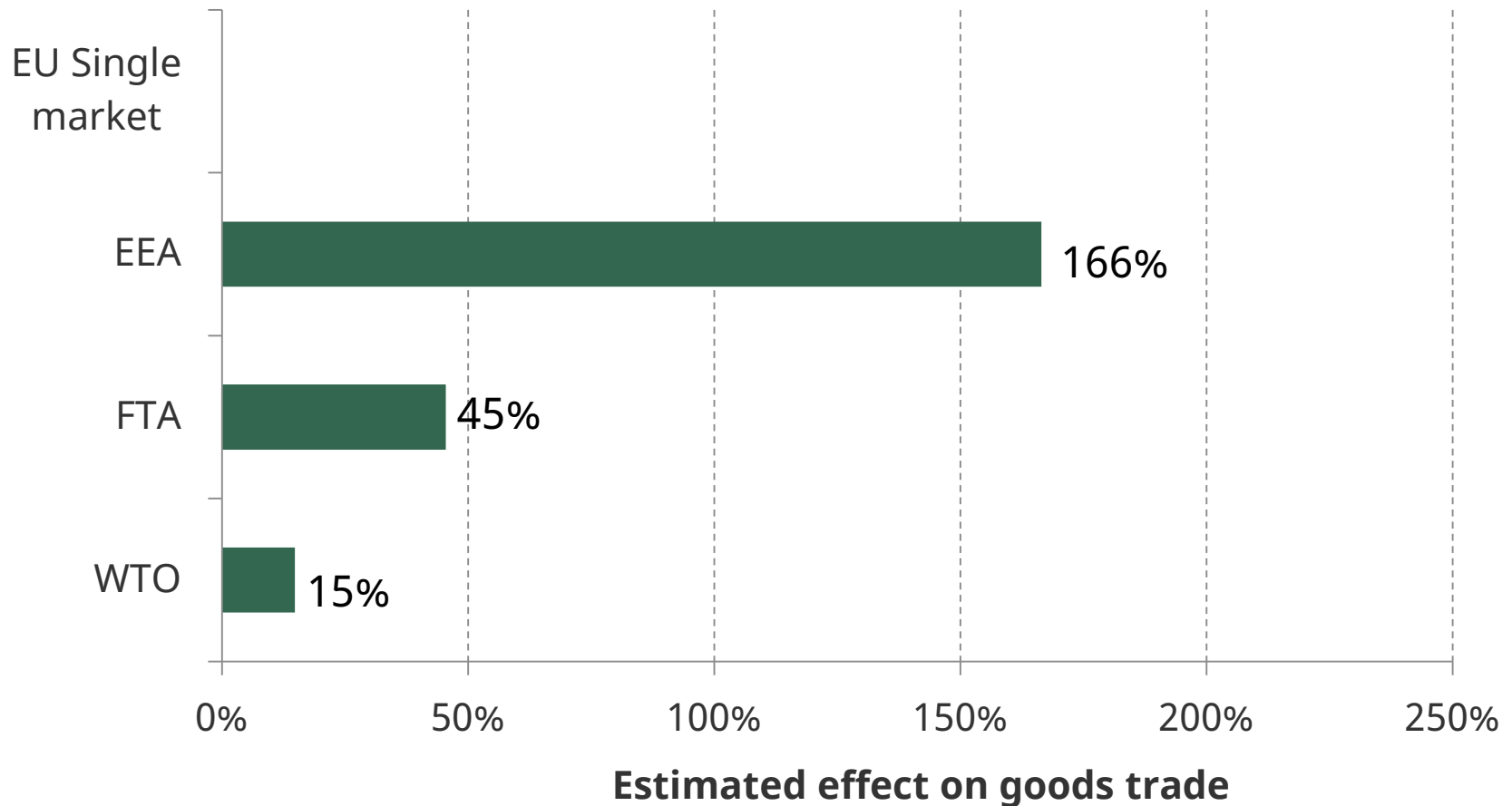
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Estimated long-run effects of different agreements on goods trade



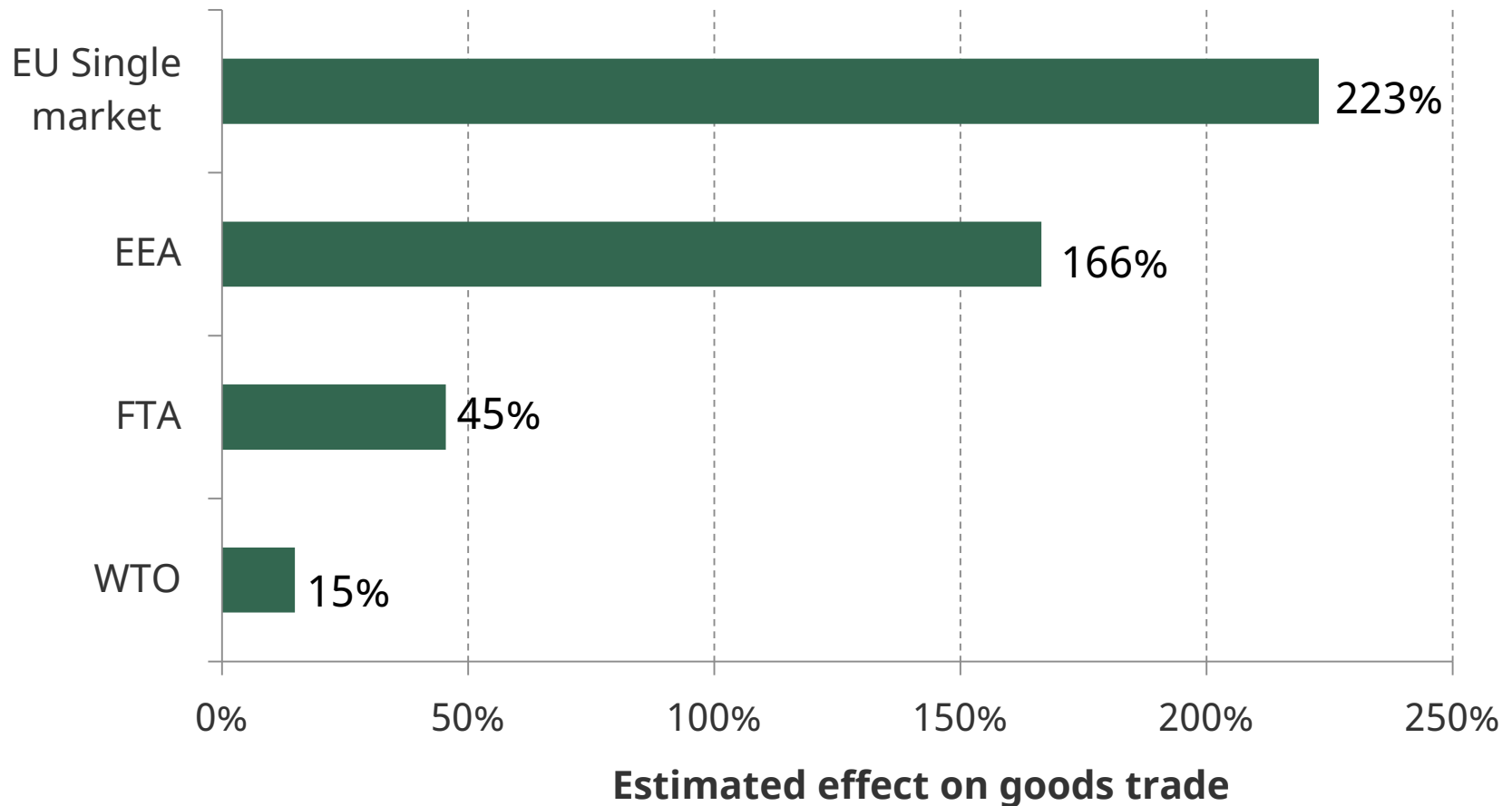
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Estimated long-run effects of different agreements on goods trade



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Effect of different agreements on services trade

Less data is available for services trade

- Harder to evaluate long run effects
- But deeper agreements associated with more services trade (Dhingra et al. 2018, Mayer et al. 2019)

Different aspects of trade agreements more relevant for services trade

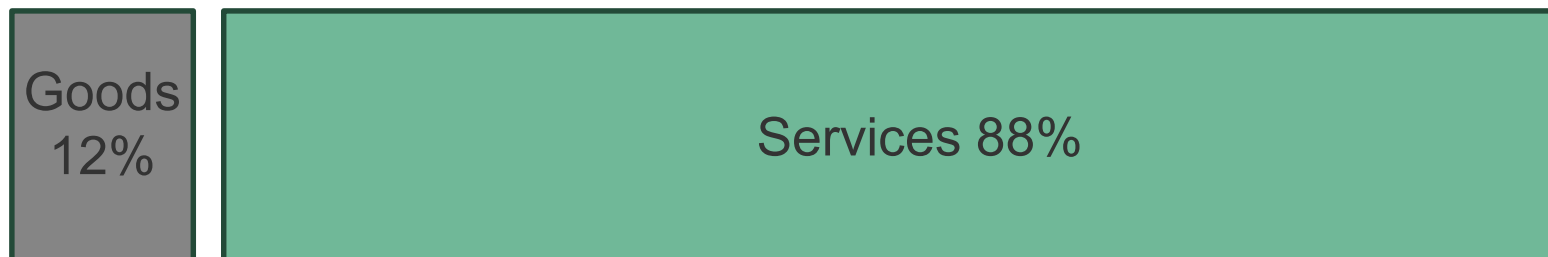
- Certain non-tariff barriers more important than tariffs
- Should we focus on reducing trade barriers facing goods or service exporters?

Goods vs services trade

Exports to the EU



% of Employment



Which sectors are most affected?

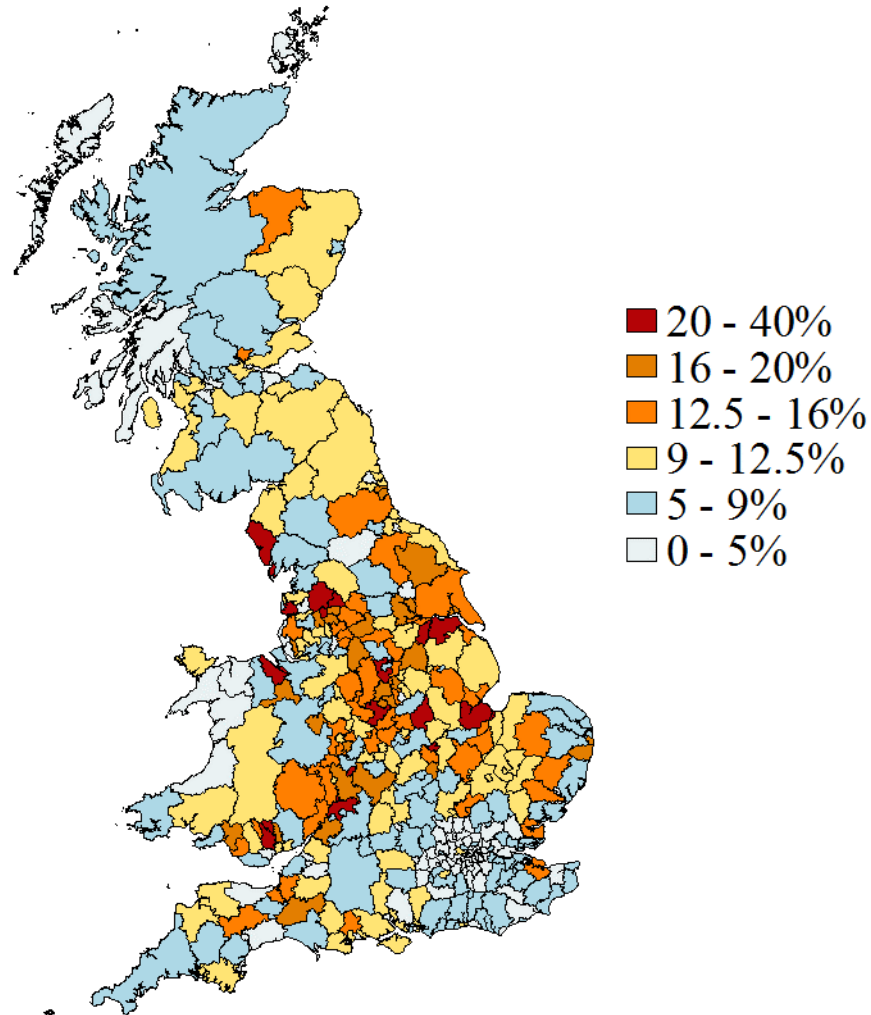
Measures of “exposure” for different industries from IFS *Green Budget* 2018

Top 5 most exposed industries (WTO rules scenario)

1. Transport equipment
2. Clothing and textiles
3. Chemicals, pharma and refining
4. Machinery and other equipment
5. Other manufacturing

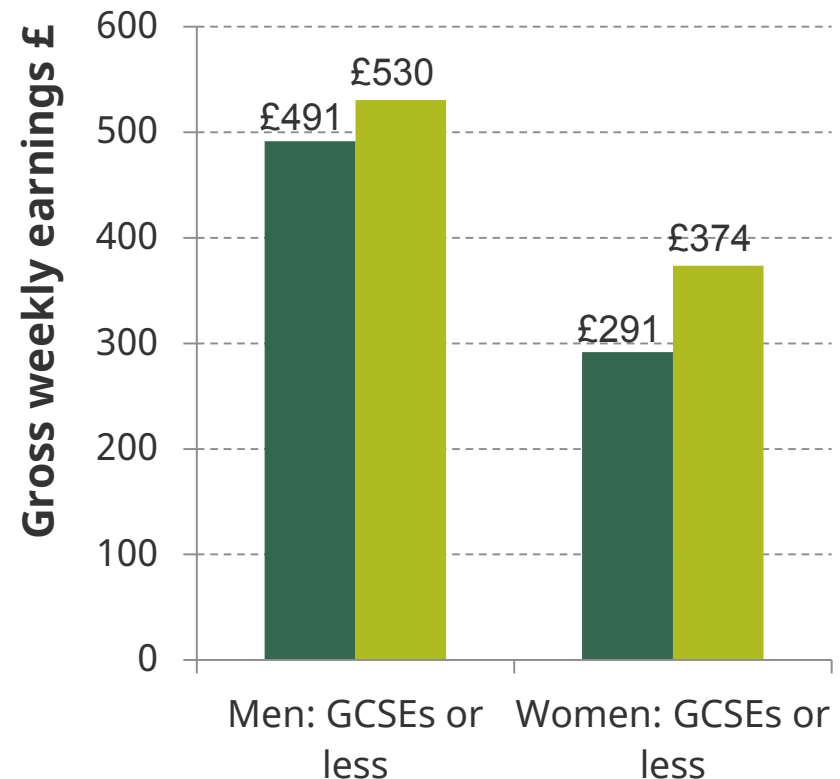
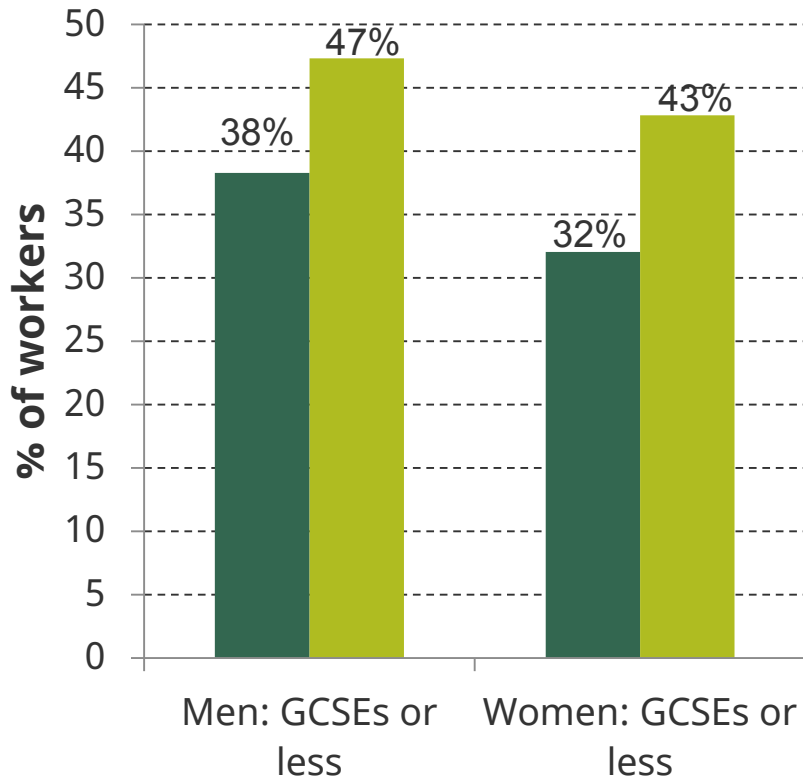
Regional concentration of manufacturing

% of total employment GB LAs in 2018



Source: Author's calculations using Business Register and Employment Survey

Manufacturing is more important for those with fewer qualifications



■ Non-manufacturing ■ Manufacturing

Source: Author's calculations using 2018 Quarterly Labour Force Survey

Conclusion

Diverging from the UK's largest trading partner likely to be costly

These costs are likely to be uneven

- Goods industries account for 12% of employment but most exports to EU
- Employment in manufacturing is regionally concentrated
- Manufacturing disproportionately employs those with few qualifications
- Literature (e.g. on effects of Chinese imports) suggests adverse shocks to this group have long-lasting effects

Case for close monitoring of impacts across local labour markets and investments for at-risk regions/groups

A look ahead to the March 2020 Budget

Wednesday 26 February 2020

One Birdcage Walk, London

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