IFS Green Budget 2018
Trade barriers between the UK and the EU: industry and worker exposure

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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

This rises to 25% in Northern Ireland and 24% in West Midlands.

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
Summary

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