

# NO DEAL AND THE EU

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*The possibility of the UK leaving the EU without a deal has been a risk since 23<sup>rd</sup> June 2016. But EU policymakers must be in no doubt of how serious the consequences of no deal would be for the European economy and jobs across the continent. The facts are clear: if the UK leaves the EU in a disorderly fashion it would result in disruption for businesses and families across Europe. Negotiators must do all they can to agree transitional arrangements as part of the Withdrawal Agreement as soon as possible.*

## **Jobs will be lost and trade disrupted in the EU if there is no deal**

- Research from Belgium shows 1.2 million jobs in Europe at risk in the event of no deal<sup>1</sup>.
- The Republic of Ireland is the non-UK member state most exposed to no deal, anticipated to lose around 4% of GDP<sup>2</sup>.
- But the textiles sectors of Bulgaria, Italy, Portugal and Romania, the food sectors of Belgium and Spain, and the electronics sector of Hungary and the Czech Republic will also be badly hit<sup>3</sup>.

## **The introduction of customs processes and tariffs in a no deal scenario would disrupt EU goods trade with the UK**

- If customs procedures are suddenly imposed between the UK and EU, there will be delays and backlogs at European ports. In 2016, €69 billion of EU27 goods passed through the Channel Tunnel to the UK<sup>4</sup> and almost 100% of the trade flowing through Calais, 45% of the trade flowing through Zeebrugge<sup>5</sup> and 8.5% of the trade flowing through Rotterdam is destined for the UK<sup>6</sup>.
- Delays and backlogs at EU ports will mean the prices of UK goods for EU consumers and businesses rising, and disruption to carefully balanced European supply chains across the continent.
- Hundreds of thousands of firms in the EU27 – many of them SMEs – would have to deal with complicated paperwork for the first time, making trade more costly and difficult and potentially even closing off an important market. In the Netherlands alone, there are 35,000 companies that trade with the UK and have never traded outside the EU before<sup>7</sup>.

## **A no deal Brexit would also affect the EU's access to UK services, and the access of EU services businesses to the UK's markets**

- A no deal resulting in barriers between the UK's financial centre and the EU could mean the cost of finance rising for EU businesses. Tens of thousands of EU firms rely on the UK's financial services businesses for loans, managing pensions and even insuring planes. Making these services more expensive will damage European competitiveness.
- The 8,008 EU firms using the financial services passport to access the UK's markets would face barriers to trade in case of a no deal Brexit<sup>8</sup>, limiting their ability to sell to UK customers.
- The UK currently broadcasts over 700 TV channels from the UK into the EU through a type of passport similar to that in financial services<sup>9</sup>. A no deal Brexit would see UK broadcasters unable to provide their content to EU consumers, reducing choice and competition.

<sup>1</sup> Vandenbuschle, Connell and Simons, Global value chains, trade shocks and jobs: An application to Brexit

<sup>2</sup> IMF, Euro Area Policies: 2018 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for M

Vandenbuschle, Connell and Simons, Global value chains, trade shocks and jobs: An application to Brexit member Countries

<sup>3</sup> Vandenbuschle, Connell and Simons, Global value chains, trade shocks and jobs: An application to Brexit

<sup>4</sup> EY, Economic Footprint of the Channel Tunnel in the EU, June 2018

<sup>5</sup> Associated British Ports, Belgian Ports Post Brexit

<sup>6</sup> Port of Rotterdam, Brexit and Port of Rotterdam

<sup>7</sup> KPMG, Brexit will have an enormous Customs impact on Dutch businesses

<sup>8</sup> Andrew Bailey letter to Andrew Tyrie, 17<sup>th</sup> August 2016

<sup>9</sup> European Audiovisual Observatory, Audiovisual Services in Europe

### **Closing the door to UK expertise and data sharing will affect consumer safety and innovation.**

- No deal means losing the involvement of the 500 UK experts in the EMA, and the contributions of the country that detects the greatest number of medicines having negative side effects<sup>10</sup> and the 8th most on faulty consumer goods products from tattoo ink that contains dangerous levels of lead to lights that catch fire when pugged in too long<sup>11</sup>.
- The UK has some of the best universities in the world and European researchers value the contributions to collaborative research, on wide ranging projects from cyber-security, robotics and big data to fishing efficiencies and crowd-funded renewable ventures.

### **EU businesses have been united in warning against no deal dangers**

*A cliff-edge outcome is the "**worst possible outcome for business**" as "companies need certainty and time to prepare and adjust to the post-Brexit situation,"* – BusinessEurope, representing the business organisations of 34 European countries<sup>12</sup>

*"[No deal] would have **significant negative consequences on both sides of the Channel,**"* – BDI, the German business federation representing 35 trade associations and more than 100,000 enterprises with around 8 million employees<sup>13</sup>

*"The UK's exit from the EU without a new trade agreement in place **is the worst possible outcome for companies and their employees in both the UK and EU-27,**"* – CEFIC, the European chemical industry association representing European chemicals firms employing 1.2million people<sup>14</sup>

*"[A no deal] scenario would have **grave implications for the profitability of businesses in a key sector of the EU and UK economies** and all that could entail vis-à-vis profitability and employability,"* – ACEA, the European automobile manufacturers association<sup>15</sup>

*"Any cliff edge **would risk serious disruption to business, leading to significant operational and financial challenges** as well as impacting on the ability to deliver service levels expected by customers,"* – DIGITALEUROPE, representing the digital technology industry in the EU, including 37 national trade associations<sup>16</sup>

### **The UK and EU must sign and pass the Withdrawal Agreement and secure transitional arrangements to remove the threat of no deal**

Transitional arrangements are essential. UK, EU and third country businesses, governments, agencies, public bodies and infrastructure will not be ready for no deal in March 2019. Avoiding a cliff edge in 8 months' time must be the top priority for negotiators on both sides.

To achieve transitional arrangements and avoid a cliff edge, the Withdrawal Agreement must be signed. That means the UK answering the EU's legitimate questions about how regulation and VAT would work in a backstop.

The EU must also make a major step forwards and compromise on a UK-wide solution for the backstop. Businesses are clear they wish to see no physical borders for Northern Irish trade – either East West or North-South.

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<sup>10</sup> Office of Health Economics, Public Health and Economic Implications of the UK exiting the EU and the Single Market

<sup>11</sup> European Commission, EU Rapid Alert System for dangerous non-food products: 2017 results per country

<sup>12</sup> BusinessEurope, Consequences of a Cliff-Edge Brexit

<sup>13</sup> BDI, The UK is Hurling Towards a Disorderly Brexit

<sup>14</sup> CEFIC, European Chemical Industry Joint Statement on Brexit and the future

<sup>15</sup> ACEA, Position Paper: Brexit

<sup>16</sup> DIGITALEUROPE, The Digital Tech Sector Priorities and Gap Analysis in a EU-UK cliff-edge scenario