

Summary: Business View of the Brexit Options

WORKABLE OPTIONS FOR BUSINESS

| Model | Economic Impact | Frictionless Trade | Balance of rules | International Trade | Access to people | EU Funding & Programmes |
|--|---|---|--|--|--|---|
| 1. EEA + Customs Union | <i>No specific estimates available</i> | Continued frictionless trade with EU. | Close to continued automatic alignment with EU rules, but less influence than today. | Highest possibility of access to current and future EU trade deals. | Continued access to people and options for greater control than before. | Continued access to and participation in wide variety of EU programmes. |
| 2. Customs Union + Negotiated Agreement | <i>No specific estimates available</i> | Chance of relatively smooth trade. | Uncertainty about how regulatory relationship and services trade would work. | Highest possibility of access to current and future EU trade deals. | Movement of staff and hiring EU workers likely to become harder, but manageable. | Commitment to collaborate on EU programmes. |
| 3. EEA | Estimated -1.5% impact on GDP per capita in the long-term compared to status quo (HMT) | Relatively smooth but by no means completely frictionless trade. | Close to continued automatic alignment with EU rules, but less influence than today. | Risks to existing trade deals but ways to increase leverage for future ones. | Continued access to people and options for greater control than today. | Continued access to and participation in wide variety of EU programmes. |
| 4. Negotiated Agreement | Hard to estimate, but -2 to -5% impact on GDP per capita in long-term compared to status quo (LSE CEP/UK in a Changing EU) | Uncertainty about how trading relationship would work, but additional friction anticipated. | Uncertainty about how regulatory relationship and services trade would work. | Risks to existing trade deals but independence in long-term. | Movement of staff and hiring EU workers likely to become harder, but manageable. | Commitment to collaborate on EU programmes. |

UNACCEPTABLE OPTIONS FOR BUSINESS

| Model | Economic Impact | Frictionless Trade | Balance of rules | International Trade | Access to people | EU Funding & Programmes |
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| 5. CETA | Estimated -4 to -5% difference in GDP per capita in long-term compared to status quo (IMF) | High barriers to trade. | Red tape would multiply and access for services would be harmed. | Risks to existing trade deals but independence in long-term. | Restricted ability to move staff and hiring EU workers to become harder, but manageable. | No automatic right to participate in EU programmes. |
| 6. No Deal | Estimated -8% difference in GDP per capita in long-term compared to status quo (HMT) | Severe friction and disruption for trade. | Red tape would multiply and access for services would face a cliff-edge. | Risks to existing trade deals but independence in long-term. | Transitional period allowing EU nationals to continue come to work in the UK. | No right to participate in EU programmes. |

KEY:

Neutral impact on business

Negative impact on business

Highly negative impact on business

Impact depends on negotiation

Detailed Analysis: Business View of the Brexit Options

This week's votes could put the end to the crippling uncertainty that is harming the UK's economy and reputation as a place to invest. **It is vital that parliamentarians show the country compromise is possible and coalesce around a deal that can carry a majority in the House of Commons, is feasibly negotiable in Brussels, and works for jobs in communities across the UK.** Local employers will be watching the results of indicative votes closely. Compromise is crucial to avoid a deeply damaging no deal that would harm every sector, region and nation. And it is critical that Government takes the consensus view of parliament seriously and acts upon it.

Businesses are very clear on what is needed to secure a deal that works for jobs in communities across the UK.

- Firms can live with an amended version of the Withdrawal Agreement and Framework for a Future Relationship as negotiated between the Government and the EU.
- A deal that delivers a Customs Union and strong alignment between the UK and EU's rules delivers for the majority of sectors of the UK economy.
- A CETA deal – where provisions for services are not comprehensive enough for the UK does not work for business and so should be ruled out.
- A disorderly no deal is not an acceptable option.

The CBI has compiled the following paper to help policy makers better understand these differences for business. This paper does not cover all models of relationship with the EU – further analysis is available in the CBI's reports [Smooth Operations](#) and [The Future UK-EU Relationship](#).

Further information about the negative impact of no deal on regions across the UK can be found [here](#).

WORKABLE OPTIONS FOR BUSINESS

| Model | Frictionless Trade | Balance of rules | International Trade | Access to people | EU Funding & Programmes |
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| 1. EEA + Customs Union | Continued frictionless trade with the EU. <ul style="list-style-type: none"> • The UK would have full access to the single market and tariff free trade in all goods and services. • Trade would be smooth, without friction at the border or new non-tariff barriers. This would protect deeply integrated supply chains. • There would be no need for a hardened border on the island of Ireland. | Close to continued automatic alignment with EU rules, but less influence than today. <ul style="list-style-type: none"> • The UK would share almost all EU rules including employment, consumer protection, environmental, state aid, intellectual property and competition policy. | Highest possibility of access to current and future EU trade deals. <ul style="list-style-type: none"> • The UK would stand its best chance of being able to maintain access to 40+ trade deals it has with third countries outside the EU, which is important for firms that trade across the globe. | Continued access to people and options for greater control than before. <ul style="list-style-type: none"> • Firms would be able to access the people they need. • Employees would be able to travel easily for business. • Ability to introduce controls on movement of people such as those operating in Belgium or Switzerland. | Continued access to and participation in a wide variety of EU programmes. <ul style="list-style-type: none"> • Science and research institutions, innovative businesses and creative industries would be able to participate in EU programmes that allow international collaboration. • Students would be able to study abroad through Erasmus. |
| | | <ul style="list-style-type: none"> • The UK would have a voice in EU agencies that set rules. | The UK would have to negotiate ways of being involved in future EU-third country trade deals. This is something the EU was considering for Turkey. | | |

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| <p>2. Customs Union + Negotiated Agreement</p> | <p>A chance of relatively smooth trade.</p> <ul style="list-style-type: none"> Whether checks would be eliminated at borders and what kind of ambitious and balanced arrangement in services is anticipated will be established in the next phase, which firms are keen to move on to as quickly as possible. | <p>Uncertainty about how the regulatory relationship and services trade would work.</p> <ul style="list-style-type: none"> Firms would anticipate some limited cooperation on rules, but clarity on what that means will come in the next phase. Three UK sectors would be able to influence the rules they would have to trade under but most others would not be able to. | <p>Highest possibility of access to current and future EU trade deals.</p> <ul style="list-style-type: none"> The UK would stand its best chance of being able to maintain access to 60+ trade deals it has with third countries outside the EU. This is important for businesses that trade across the globe. | <p>Movement of staff and hiring EU workers likely to become harder, but manageable.</p> <ul style="list-style-type: none"> Free movement would come to an end, and the UK would have control over movement of people. UK government would have responsibility for devising a new immigration system that allows firms to access people and skills required to grow. | <p>Commitment to collaborate on EU programmes.</p> <ul style="list-style-type: none"> Firms and institutions involved in science, innovation, culture, education, overseas development assistance, defence research and capability development and space will be able to continue to collaborate. |
| <p>3. EEA</p> | <p>Relatively smooth but by no means completely frictionless trade.</p> <ul style="list-style-type: none"> Trade in goods would have costs and delays from customs procedures, including import/export declarations, rules of origin, payments of VAT and export licenses. | <p>Close to continued automatic alignment with EU rules, but less influence than today.</p> <ul style="list-style-type: none"> The UK would share almost all EU rules including employment, consumer protection, environmental, state aid, intellectual property and competition policy. | <p>Risks to existing trade deals but ways to increase leverage for future ones.</p> <ul style="list-style-type: none"> The UK would have freedom to do trade deals independently or as part of a block with Switzerland, Lichtenstein, Iceland and Norway – creating extra negotiating power. | <p>Continued access to people and options for greater control than today.</p> <ul style="list-style-type: none"> Firms would be able to access the people they need. Staff would be able to travel to and from the EU easily for business. Ability to introduce controls on immigration | <p>Continued access to and participation in a wide variety of EU programmes.</p> <ul style="list-style-type: none"> Science and research institutions, innovative businesses and creative industries would be able to participate in EU programmes that allow valuable international collaboration. |
| | <ul style="list-style-type: none"> Trade in services from broadcasting to technology would flow smoothly. Most trade in goods would be tariff-free. | <ul style="list-style-type: none"> The UK would have a voice in almost all EU agencies that set rules, retaining a form of say. | <ul style="list-style-type: none"> It is likely many of the UK's current 60+ trade deals would fall away and have to be re-negotiated, requiring a lot of effort to secure the status quo for 16% of UK trade. | <p>The UK would likely want to negotiate additional controls on movement of people. For example a new test linked to local labour market conditions, like Switzerland, and reinstating agreed controls on access to in-work benefits.</p> | <ul style="list-style-type: none"> The UK would continue being part of Erasmus+, which allowed 128,000 people to study abroad in the last 4 years. |
| | | <p>The UK would have to negotiate and invest in having a bigger voice over EU rules than the EEA has, particularly for financial services.</p> | | | <ul style="list-style-type: none"> Budgetary contributions would be required, but the UK is currently a net recipient of innovation funds from the EU. |

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| 4. Negotiated Agreement | <p>Uncertainty about how the trading relationship would work, but additional friction anticipated.</p> <ul style="list-style-type: none"> A “free trade area” combining a regulatory and customs relationship would be created. An ‘ambitious and balanced arrangement’ in services trade is proposed, However, establishing what these means in practice is left for the next phase, which firms are keen to move on to. | <p>Uncertainty about how the regulatory relationship and services trade would work.</p> <ul style="list-style-type: none"> Firms would anticipate some limited cooperation on rules, but clarity on what that means will come in the next phase. Three UK sectors would be able to influence the rules they would have to trade under – but most do not have that route. | <p>Risks to existing trade deals but independence in the long-term.</p> <ul style="list-style-type: none"> The UK would have freedom to do trade deals independently. It is likely many of the UK’s current 40+ trade deals would fall away and have to be re-negotiated, requiring a lot of effort to secure the status quo for 16% of UK trade. | <p>Movement of staff and hiring EU workers likely to become harder, but manageable.</p> <ul style="list-style-type: none"> Free movement would come to an end and the UK would have control over movement of people. UK government would need to devise a new immigration system that allows firms to access people and skills required to grow. The detail on ability of staff to travel for business will be agreed in next phase of negotiations. | <p>Commitment to collaborate on EU programmes.</p> <ul style="list-style-type: none"> Firms and institutions involved in science, innovation, culture, education, overseas development assistance, defence research and capability development and space will be able to continue to collaborate across borders. |
| | <ul style="list-style-type: none"> All trade in goods will be tariff-free. | <ul style="list-style-type: none"> There is no reference to some sectors at all, such as broadcasting. | | | <ul style="list-style-type: none"> The detail on how this is to be achieved is to be discussed in the next phase, which firms are keen to move on to. |

UNACCEPTABLE OPTIONS FOR BUSINESS

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| 5. CETA | <p>High barriers to trade</p> <ul style="list-style-type: none"> Trade in goods would require customs procedures, including declarations estimated to cost £20bn a year. Checks would be required to ensure goods meet safety standards. There would be severe delays and disruption to supply chains. | <p>Red tape would multiply and access for services would face a cliff-edge.</p> <ul style="list-style-type: none"> Limited regulatory and standards cooperation for conformity assessments and some technical rules for goods. Services firms would face huge barriers to trade, including those in broadcasting, transport, energy, and financial services. Trading firms would have to comply with EU rules with no say. | <p>Risks to existing trade deals but independence in the long-term.</p> <ul style="list-style-type: none"> The UK would have freedom to do trade deals independently. It is likely many of the UK’s current 40+ trade deals would fall away and have to be re-negotiated, requiring a lot of effort to secure the status quo for 16% of UK trade. | <p>Restricted ability to move staff and hiring EU workers to become harder, but manageable.</p> <ul style="list-style-type: none"> Free movement would come to an end, and the UK would have control over movement of people. If mismanaged and firms cannot access the skills they need, this would reduce the ability of firms to grow. | <p>No automatic right to participate in EU programmes.</p> <ul style="list-style-type: none"> Innovative and creative businesses and organisations would not have automatic access to collaborative international projects like Horizon2020. People would not have automatic access to the benefits of Erasmus+. |
| | <ul style="list-style-type: none"> The backstop would be required to avoid a border in Ireland. | | | <ul style="list-style-type: none"> Employees would not be able to travel to and from the EU easily for business, secondments and training. | <p>The UK could try to negotiate involvement in specific programmes as a third country, but would have less influence over the direction those programmes took.</p> |
| | <ul style="list-style-type: none"> Trade in most goods would be tariff-free. | | | | |

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| 6. No Deal | Severe friction and disruption for trade. High barriers to trade <ul style="list-style-type: none"> • Tariffs would hit a range of goods exports – around 10% on cars, 12% on clothing and an average 22% on food. • Trade in goods would require customs procedures, including declarations estimated to cost £20bn a year when fully in place. • Checks would be required to ensure goods exports meet safety standards. These would particularly focus on the 29% of food products the UK eats, which are imported from the EU. | Red tape would multiply and access for services would face a cliff-edge. <ul style="list-style-type: none"> • Services firms – which account for 80% of the UK economy would face huge barriers to trade, with many being unable to provide their services in the EU at all. • UK firms would face multiple burdensome tests to trade with the EU – adding major expense and damaging their competitiveness. • Trading firms would have to comply with EU rules with no say. | Risks to existing trade deals but independence in the long-term. <ul style="list-style-type: none"> • The UK would have freedom to do trade deals independently. • It is likely many of the UK's current 40+ trade deals would fall away and have to be re-negotiated, requiring a lot of effort to secure the status quo for 16% of UK trade. | Transitional period allowing EU nationals to continue come to work in the UK. <ul style="list-style-type: none"> • Free movement would come to an end, and EEA nationals would be able to visit, work, study for up to 3 months. • To stay longer, must apply for a 3 year visa and can only stay beyond this if eligible under new immigration system from 2021. | No right to participate in EU programmes. <ul style="list-style-type: none"> • Innovative and creative businesses and organisations would not have access to collaborative international projects like Horizon2020. • People would not have access to the benefits of Erasmus+. |
| | <ul style="list-style-type: none"> • If right to work checks don't change until 2021 (as understood) unclear how firms are meant to know if they're illegally employing EU nationals. • Employees would not be able to travel easily for business, secondments and training. | <p>The UK could try to negotiate involvement in specific programmes as a third country, but would have less influence over the direction those programmes took.</p> | | | |

CONCLUSION

The current negotiated agreement would provide a baseline for the UK's relationship with the EU that business would accept, but anything short of that would be unacceptable for business. There is no perfect relationship between the UK and the EU. There are challenges with every potential deal – whether to do with mechanisms for controlling immigration, mechanisms for influencing the rules that affect UK firms, or barriers to trade, particularly for Northern Ireland where barrier-free trade is about much more than supply chains.

- The Government's current negotiated agreement, while imperfect, would be an acceptable starting point.
- Adding a customs union to the current negotiated agreement would greatly improve it, and relationships involving EEA membership would provide more access to the EU for trade but also come with their own challenges that politicians must be clear about.
- A CETA deal – where provisions for services are not comprehensive enough for the UK – or a No Deal – which would make the UK economy less competitive – do not work for business and so should be ruled out.