



The impact of Brexit on UK imports from outside the EU

Report for Open Britain

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Cebr

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1 Introduction

The study aims to shed light on the value of the favourable access British businesses and consumers enjoy to markets outside of the EU with which the EU has trade agreements in place. In particular, we assess this value through a comparative quantitative analysis between the tariff costs that British importers currently face when trading with these countries and the tariff costs they would bear without access to the preferential treatment guaranteed through the EU agreements. The Government has said that outside of the EU the UK would lose access to these arrangements as they currently stand.¹ For the purposes of this study we assume that the UK would cease to have access to these arrangements and would instead treat and be treated by its trade partners under the ‘Most Favoured Nation’ principle of the World Trade Organisation (WTO). This counterfactual scenario is also commonly referred to as “the WTO option for the UK”.

To do so, we undertake a matching of British imports from the non-EU countries in question broken down according to the 99 product categories identified in the World Trade Organisation’s Harmonised System, and the relevant Ad Valorem Equivalent (AVE) tariffs applicable to these products for each country in the two scenarios considered under comparison.

Specifically, the study encompasses British trade in 2014² with the following 54 countries which had a free trade treaty with the EU signed and ratified prior to that year:

Albania; Algeria; Andorra; Antigua & Barbuda; Bahamas; Barbados; Belize; Ceuta; Chile; Colombia; Costa Rica; Dominica; Dominican Republic; Egypt; El Salvador; Faroe Islands; FYROM; Grenada; Guatemala; Guyana; Honduras; Iceland; Israel; Jamaica; Jordan; Lebanon; Liechtenstein; Madagascar; Mauritius; Melilla; Mexico; Monaco; Montenegro; Morocco; Nicaragua; Norway; Pakistan; Occupied Palestinian Territories; Panama; Papua New Guinea; Peru; San Marino; Serbia; Seychelles; South Africa; St Kitts and Nevis; St Lucia; St Vincent; Suriname; Switzerland; Syria; Trinidad & Tobago; Tunisia; Turkey; and Zimbabwe.

A list of the countries with which the EU currently has a trading agreement in place together with additional details around these agreements can be found in Annex II.

¹ [HMT, April 2016:](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/517415/treasury_analysis_economic_impact_of_eu_membership_web.pdf)

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² We have used 2014 data as the data for 2015 suggests that it was not complete at the time of accessing. In other words, the data did not look like they were capturing the full year.

2 Imports of goods: Static tariff analysis

This section presents the results of a static tariff analysis. This involved a matching exercise between British imports from the non-EU countries with which the EU has a Preferential Trading Agreement (PTA) in place and the relevant tariffs applicable to these products for each country under (a) the current PTA regime and (b) the 'WTO option' MFN regime. The analysis was originally undertaken at the Harmonised System 2 level for 99 product categories and was then aggregated to 22 wider product groups as given by the WTO.

The results, as given in Table 2, show that UK importers would face an additional £1.2 billion in the costs of importing from the 54 countries in question. To put this in perspective, this is roughly 2.4% of the value of these imports in 2014 and represents a 2.4% rise in the cost of goods to importers compared to the status quo. While this is in our opinion the best representative estimate of the rise in costs UK importers would have to face annually in the scenario where the UK leaves the EU and reverts to a 'MFN' trade regime given existing data, one has to note that the final numbers likely underestimate the cost given that the present study excludes analysis of the equivalent costs when it comes to countries with which the EU is currently negotiating agreements with. While these are not costs that apply at the minute, they would most likely at the point in time when Britain exits the EU. Additionally, there are further costs on the exports side of the agreement which are covered in our parallel report on exports, which would reduce demand for UK goods. Finally, it is worth noting that the exact figures would naturally vary somewhat from this estimate given changes in the volume of trade, competitiveness and productivity changes in the source countries, as well as changes in other cost factors such as transport.

Table 1: Applied tariffs and associated value of UK imports from the countries covered in the study in 2014, comparison of current vs MFN scenario, £ million

Industry name	Current value of imports	Value of imports with MFN tariffs applied	Difference in cost of imports in MFN scenario (absolute)	Difference in cost of imports in MFN scenario (%)
Animal products	£45.4	£46.0	£0.6	1.2%
Beverages and tobacco	£429.9	£442.2	£12.3	2.8%
Cereals and preparations	£217.3	£228.7	£11.4	5.3%
Chemicals	£4,195.2	£4,271.6	£76.4	1.8%
Clothing	£2,439.8	£2,725.1	£285.3	11.7%
Coffee, tea	£150.3	£154.0	£3.6	2.4%
Cotton	£70.0	£73.0	£3.0	4.3%
Dairy products	£19.7	£20.5	£0.8	4.2%
Electrical machinery	£1,826.3	£1,862.3	£36.0	2.0%
Fish and fish products	£854.7	£941.7	£87.0	10.2%
Fruits, vegetables, plants	£1,938.6	£2,106.5	£167.9	8.7%

Industry name	Current value of imports	Value of imports with MFN tariffs applied	Difference in cost of imports in MFN scenario (absolute)	Difference in cost of imports in MFN scenario (%)
Leather, footwear, etc.	£298.4	£313.8	£15.3	5.1%
Manufactures, n. e. s.	£2,312.6	£2,329.4	£16.8	0.7%
Minerals and metals	£8,237.1	£8,308.1	£71.0	0.9%
Non-electrical machinery	£2,499.1	£2,531.3	£32.2	1.3%
Oilseeds, fats & oils	£159.2	£169.2	£10.0	6.3%
Other agricultural products	£59.4	£61.3	£1.9	3.2%
Petroleum	£18,914.3	£18,984.3	£70.0	0.4%
Sugars and confectionary	£227.5	£271.9	£44.4	19.5%
Textiles	£816.9	£884.1	£67.2	8.2%
Transport equipment	£3,081.9	£3,255.6	£173.7	5.6%
Wood, paper, etc.	£655.4	£659.5	£4.1	0.6%
TOTAL	£49,449.2	£50,640.1	£1,190.9	2.4%

Source: International Trade Centre MacMap database, HM Treasury, Cebr analysis

What is important to note further is that the overall impact on UK imports' value as shown in Table 1 above masks the differences in the impact that individual products will face. While all UK importing sectors stand to lose through rises in the cost of imports, some will be hit significantly more than others. The importers of goods classified under the clothing and transport equipment product categories stand to lose the most, with annual imports in the sectors becoming £285 and £173 million more expensive respectively.

Further, there are significant variations in terms of the trade partners that would see the biggest impact. In particular, UK importers trading with Turkey and Norway would stand to lose the most, as the cost of imports is expected to rise by £407 and £109 million respectively. This of course reflects the fact that the level of imports from these economies is relatively high and hence the aggregate value for the UK economy is higher.

In terms of losses to individual importers, Table 3 provides details of the top-five highest tariff differentials for the combinations of trading partners and product lines analysed in this study. These imports of dairy products such as cheese, yoghurts, and ice cream from countries in Central America, the Caribbean, and Eastern and Southern Africa (for example, and also meat from the Pacific islands, among others). The differentials are given in percentage point terms, as tariff rates in their ad-valorem equivalent forms are given as a percentage of the total product value. To illustrate this with an example, the current rate of the ad-valorem equivalent (AVE) tariff on UK imports of dairy products from Jamaica is 0% but could rise to 39% in the absence of a FTA. In the case of imports of meat from Papua New Guinea, the current AVE rate is at 0% but would increase to 62%. Comparing these two gives the values of 39 percentage points and 62 percentage points for these two cases, which are the values listed in Table 2.

Table2: Difference between currently applied Ad Valorem Equivalent (AVE) tariff rates and MFN-equivalent tariff rates, top five highest differences for agreement and product combinations

Agreement	Product category	Tariff differential (percentage points)
Pacific Island Countries Agreement	Meat and edible meat	62
CARIFORUM Agreement	Dairy produce; birds eggs; honey	39
Central America Agreement	Dairy produce; birds eggs; honey	39
EU/Eastern and Southern Africa Agreement	Dairy produce; birds eggs; honey	39
EU/Jordan Agreement	Dairy produce; birds eggs; honey	39

Source: International Trade Centre MacMap database, Cebr analysis

Finally, Table 3 below details the ‘top ten’ losing industries and trading partners for UK importers.

Table 1: Difference between cost of UK imports from the countries covered in the study in 2014, comparison of current vs MFN scenario, £ million, for the top ten countries and the top ten industries as ranked by the value of the difference

Country name	Difference	Industry	Difference
Turkey	£407.32	Clothing	£285.32
Norway	£108.54	Transport equipment	£173.70
Pakistan	£88.48	Fruits, vegetables, plants	£167.88
South Africa	£81.10	Fish and fish products	£86.95
Switzerland	£76.22	Chemicals	£76.37
Morocco	£43.87	Minerals and metals	£70.99
Mauritius	£40.54	Petroleum	£69.99
Egypt	£34.80	Textiles	£67.18
Israel	£31.94	Sugars and confectionary	£44.44
Mexico	£29.09	Electrical machinery	£35.97

Source: International Trade Centre MacMap database, HM Treasury, Cebr analysis

Annex I: The product types covered by the study

Data on goods imports from HM Treasury were divided per the WTO Classification system as follows:

Table 4: List of product categories at HS 2-digit level

Code	Product Description	Product group
01'	Live animals	Animal products
02'	Meat and edible meat offal	Animal products
03'	Fish and crustaceans, molluscs and other aquatic invertebrates	Fish and fish products
04'	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	Dairy products
05'	Products of animal origin not elsewhere specified or included	Other agricultural products
06'	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	Fruits, vegetables, plants
07'	Edible vegetables and certain roots and tubers	Fruits, vegetables, plants
08'	Edible fruit and nuts; peel of citrus fruits or melons	Fruits, vegetables, plants
09'	Coffee, tea, mate and spices	Coffee, tea
10'	Cereals	Cereals and preparations
11'	Products of the milling industry; malt; starches; inulin; wheat gluten	Cereals and preparations
12'	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medical plants; straw and fodder	Oilseeds, fats & oils
13'	Lacs; gums, resins and other vegetable saps and extracts	Fruits, vegetables, plants
14'	Vegetable plaiting materials; vegetable products not elsewhere specified or included	Fruits, vegetables, plants
15'	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	Oilseeds, fats & oils
16'	Preparations of meat, fish or crustaceans, molluscs or other aquatic invertebrates	Fish and fish products
17'	Sugars and sugar confectionery	Sugars and confectionary
18'	Cocoa and cocoa preparations	Coffee, tea
19'	Preparations of cereals, flour, starch or milk; pastrycooks' products	Cereals and preparations
20'	Preparations of vegetables, fruit, nuts or other parts of plants	Fruits, vegetables, plants
21'	Miscellaneous edible preparations	Cereals and preparations
22'	Beverages, spirits and vinegar	Beverages and tobacco

Code	Product Description	Product group
23'	Residues and waste from the food industries; prepared animal fodder	Other agricultural products
24'	Tobacco and manufactured tobacco substitutes	Beverages and tobacco
25'	Salt; sulphur; earths and stone; plastering material, lime and cement	Minerals and metals
26'	Ores, slag and ash	Minerals and metals
27'	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	Petroleum
28'	Inorganic chemicals: organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	Chemicals
29'	Organic chemicals	Chemicals
30'	Pharmaceutical products	Chemicals
31'	Fertilizers	Minerals and metals
32'	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	Chemicals
33'	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	Chemicals
34'	Soaps, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, shoe polish, scouring powder and the like, candles and similar products, modelling pastes, dental wax and plaster-based dental preparations	Chemicals
35'	Albuminous substances; modified starches; glues; enzymes	Other agricultural products
36'	Explosives; pyrotechnic products; matches; pyrophoric alloys; combustible materials	Chemicals
37'	Photographic or cinematographic products	Chemicals
38'	Miscellaneous chemical products	Chemicals
39'	Plastics and plastic products	Chemicals
40'	Rubber and articles thereof	Leather, footwear, etc.
41'	Hides and skins (other than furskins) and leather	Leather, footwear, etc.
42'	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	Leather, footwear, etc.
43'	Furskins and artificial fur; articles thereof	Leather, footwear, etc.
44'	Wood and articles of wood; wood charcoal	Wood, paper, etc.
45'	Cork and articles of cork	Wood, paper, etc.

Code	Product Description	Product group
46'	Wickerwork and basketwork	Manufactures, n. e. s.
47'	Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard	Wood, paper, etc.
48'	Paper and paperboard; articles of paper pulp, paper or paperboard	Wood, paper, etc.
49'	Books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	Wood, paper, etc.
50'	Silk	Textiles
51'	Wool, fine and coarse animal hair; yarn and fabrics of horsehair	Textiles
52'	Cotton	Cotton
53'	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	Textiles
54'	Man-made filaments	Textiles
55'	Man-made staple fibres	Textiles
56'	Wadding, felt and nonwovens; special yarns; twine, cordage, rope and cable and articles thereof	Textiles
57'	Carpets and other textile floor coverings	Textiles
58'	Special woven fabrics; tufted textile products; lace; tapestries; trimmings; embroidery	Textiles
59'	Impregnated, coated, covered or laminated textile fabrics; articles for technical use, of textile materials	Textiles
60'	Knitted or crocheted fabrics	Textiles
61'	Articles of apparel and clothing accessories, knitted or crocheted	Clothing
62'	Articles of apparel and clothing accessories, not knitted or crocheted	Clothing
63'	Other made up textile articles; sets; worn clothing and worn textile articles; rags	Textiles
64'	Footwear, gaiters and the like; parts of such articles	Leather, footwear, etc.
65'	Headgear and parts thereof	Textiles
66'	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof	Manufactures, n. e. s.
67'	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	Manufactures, n. e. s.
68'	Articles of stone, plaster, cement, asbestos, mica or similar materials	Minerals and metals
69'	Ceramic products	Minerals and metals

Code	Product Description	Product group
70'	Glass and glassware	Minerals and metals
71'	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	Minerals and metals
72'	Iron and steel	Minerals and metals
73'	Articles of iron or steel	Minerals and metals
74'	Copper and articles thereof	Minerals and metals
75'	Nickel and articles thereof	Minerals and metals
76'	Aluminium and articles thereof	Minerals and metals
78'	Lead and articles thereof	Minerals and metals
79'	Zinc and articles thereof	Minerals and metals
80'	Tin and articles thereof	Minerals and metals
81'	Other base metals; cermets; articles thereof	Minerals and metals
82'	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	Minerals and metals
83'	Miscellaneous articles of base metal	Minerals and metals
84'	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	Non-electrical machinery
85'	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	Electrical machinery
86'	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical, including electro-mechanical, traffic signalling equipment of all kinds	Transport equipment
87'	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	Transport equipment
88'	Aircraft, spacecraft, and parts thereof	Transport equipment
89'	Ships, boats and floating structures	Transport equipment
90'	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	Manufactures, n. e. s.
91'	Clocks and watches and parts thereof	Manufactures, n. e. s.
92'	Musical instruments; parts and accessories for such	Manufactures, n. e. s.

Code	Product Description	Product group
93'	Arms and ammunition; parts and accessories thereof	Manufactures, n. e. s.
94'	Furniture; medical and surgical furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified; illuminated signs, illuminated name-plates and the like; prefabricated buildings	Wood, paper, etc.
95'	Toys, games and sports requisites; parts and accessories thereof	Manufactures, n. e. s.
96'	Miscellaneous manufactured articles	Manufactures, n. e. s.
97'	Works of art, collectors' pieces and antiques	Manufactures, n. e. s.
98'	Complete Industrial Plant	Manufactures, n. e. s.
99'	Other products	Manufactures, n. e. s.

Source: WTO, Cebr Analysis

Categories 77, 98, and 99 were excluded from the analysis conducted in this study: Product category 77 does not actually exist per se and is labelled as 'reserved possible future use in the Harmonised System'. Data on ad valorem equivalent tariffs for categories 98 and 99 were unavailable in the ITC MacMap database used in this study.

Annex II: The countries covered by the study

The countries with which the EU currently has a trading agreement are listed below in alphabetical order, together with the name of the agreement and the year in which this came into force. This coincides with the list of countries covered by the study with the deliberate exception of the following highlighted countries with which agreements were signed during or after 2014, the benchmark year of the study: Bosnia & Herzegovina; Cameroon; Ecuador; Fiji; Georgia; Moldova; South Korea; and Ukraine. Moreover, the following countries have also been excluded from the study due to lack of data availability on Ad Valorem Equivalent tariffs as given in the ITC MacMap database used in this study: Ceuta, Melilla, Monaco.

Table 5: List of countries with which the EU currently has a trading agreement

Country name	Agreement name	In Force since
Albania	EU/Albania agreement	2009
Algeria	EU/Algeria agreement	2005
Andorra	EU/Andorra agreement	1991
Antigua & Barbuda	Economic Partnership Agreements CARIFORUM	2008
Bahamas	Economic Partnership Agreements CARIFORUM	2008
Barbados	Economic Partnership Agreements CARIFORUM	2008
Belize	Central America Agreement	2008
Bosnia & Herzegovina	EU/Bosnia and Herzegovina agreement	2015
Cameroon	EU/Cameroon agreement	2014
Ceuta	EU/Ceuta-Melilla agreement	2003
Chile	EU/Chile agreement	2005
Colombia	Andean Community	2013
Costa Rica	Central America Agreement	2013
Dominica	Economic Partnership Agreements CARIFORUM	2008
Dominican Rep	Economic Partnership Agreements CARIFORUM	2008
Ecuador	Andean Community	2014
Egypt	EU/Egypt agreement	2004
El Salvador	Central America Agreement	2013
Faroe Islands	EU/Faroe Islands agreement	1997
Fiji	Pacific Island Countries Agreement	2014
FYROM Macedonia	EU/Former Yugoslav Republic of Macedonia agreement	2004
Georgia	EU/Georgia agreement	2014
Grenada	Economic Partnership Agreements CARIFORUM	2008
Guatemala	Central America Agreement	2013
Guyana	Economic Partnership Agreements CARIFORUM	2008
Honduras	Central America Agreement	2013
Iceland	EU/Iceland agreement	1994
Israel	EU/Israel agreement	2000
Jamaica	Economic Partnership Agreements CARIFORUM	2008
Jordan	EU/Jordan agreement	2002
Lebanon	EU/Lebanon agreement	2006

Country name	Agreement name	In Force since
Liechtenstein	EU/Liechtenstein agreement	1995
Madagascar	EU-Eastern and Southern Africa States agreement	2012
Mauritius	EU-Eastern and Southern Africa States agreement	2012
Melilla	EU/Ceuta-Melilla agreement	2003
Mexico	EU/Mexico agreement	2000
Moldova	EU/Republic of Moldova agreement	2014
Monaco	EU/Republic of Monaco agreement	1958
Montenegro	EU/Montenegro agreement	2010
Morocco	EU/Morocco agreement	2000
Nicaragua	Central America Agreement	2013
Norway	EU/Norway agreement	1994
Pakistan	EU/Pakistan agreement	2004
Palestinian Authority	EU/Occupied Palestinian Territory agreement	1997
Panama	Central America Agreement	2013
Papua New Guinea	Pacific Island Countries Agreement	2011
Peru	Andean Community	2013
San Marino	EU/San Marino	2002
Serbia	EU/Serbia agreement	2013
Seychelles	EU-Eastern and Southern Africa States agreement	2012
South Africa	EU/South Africa agreement	2004
South Korea	EU/Korea agreement	2015
St Kitts & Nevis	Economic Partnership Agreements CARIFORUM	2008
St Lucia	Economic Partnership Agreements CARIFORUM	2008
St Vincent	Economic Partnership Agreements CARIFORUM	2008
Surinam	Economic Partnership Agreements CARIFORUM	2008
Switzerland	EU/Switzerland agreement	2002
Syria	EU/Syrian Arab Republic agreement	1978
Trinidad & Tobago	Economic Partnership Agreements CARIFORUM	2008
Tunisia	EU/Tunisia agreement	1998
Turkey	EU/Turkey agreement	1995
Ukraine	EU/Ukraine agreement	2014
Zimbabwe	EU-Eastern and Southern Africa States agreement	2012

Source: European Commission, Cebr Analysis