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BREXIT: WHAT DOES IT MEAN FOR TRADE?

Brexit is the most debated situation, not only in politics, but in the whole world. Because of Brexit, there are many questions people want to get the answers to: how much money the UK (the United Kingdom) will have to pay the EU (the European Union) in order to leave the Union, what will happen to the UK citizens living in the EU countries, what will happen to the EU citizens living in the UK and etc. But we have to answer the question: how Brexit might affect the international trade?

To see what Brexit might change for Britain's trade, firstly, we have to take a look at the UK's trade statistics and to find the key trading partners.

Total merchandise trade of the UK was \$484 billion in 2018 according to the statistics from the International Trade Centre. 54.2% of exports were delivered to Europe (EU and other European countries), 23.1% exported to Asia, 15.2% shipped to North America.

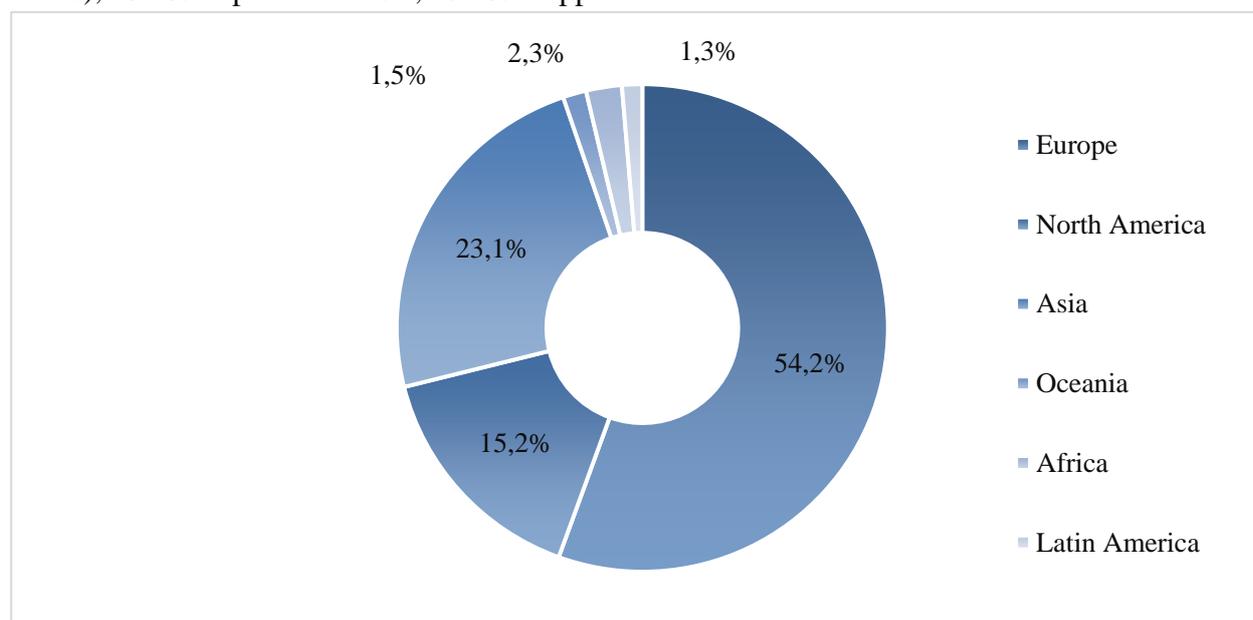


Figure 1. Export of the UK

The EU is the UK's largest trading partner. 46.6% of the UK exports were shipped to the EU. Exports to the US covers 13.3% of total export. The same share of exports for China is 5.7%.

Being the EU member, the UK is a part of FTA, customs union and the single market. If the United Kingdom is out of the EU, it will make impossible to get the benefits of free trade and will lead to providing new procedures for trading goods and services, such as import duties, taxes, custom clearance. For SMEs with complex supply chains trading might involve a lot more paperwork, barriers and export procedures making it aggravating for business.

If the UK leaves the EU with “no deal”, trade with European Union will be on non-preferential, WTO terms. World Trade Organization terms mean the appliance of MFN tariffs and non-preferential rules of origin. For example, the average EU tariff is low for non-agricultural products (about 2.8%), but for other sectors tariffs are quite high (average tariff for dairy products is 35.9%), so it’s more likely to change prices for different types of goods.

Trading with non-EU countries might increase imports from the US, China, Japan, India. The United Kingdom is likely to consider a bilateral agreement, such as becoming a member of EFTA or EEA, to make trade easier. It will make the exporting and importing of goods simpler.

The United Kingdom is in the process of choosing the next step to transform its disintegrative policy. Britain has postponed their withdrawal from the EU, making people question the need in Brexit. It’s clear that exiting the EU will affect not only the economic sphere in the UK, but all spheres of human being in Britain and worldwide. In conclusion, Brexit will change the structure of the UK’s trade with the world, and, firstly, with the EU, burdening the bilateral trade by different barriers and limits.

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