

# UK Trade After Brexit

Thomas Sampson

Citizens' Assembly – Manchester

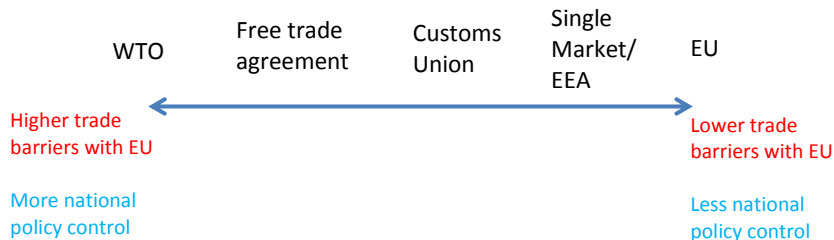
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- 1 Sovereignty vs economic integration trade-off
- 2 What does the EU want?

# Purpose of trade agreements

- Compromise
- Agree rules designed to make both partners better-off
- Compromise requires giving up some policy control
  - e.g. control over tariffs, economic regulation, immigration controls

# Sovereignty vs economic integration

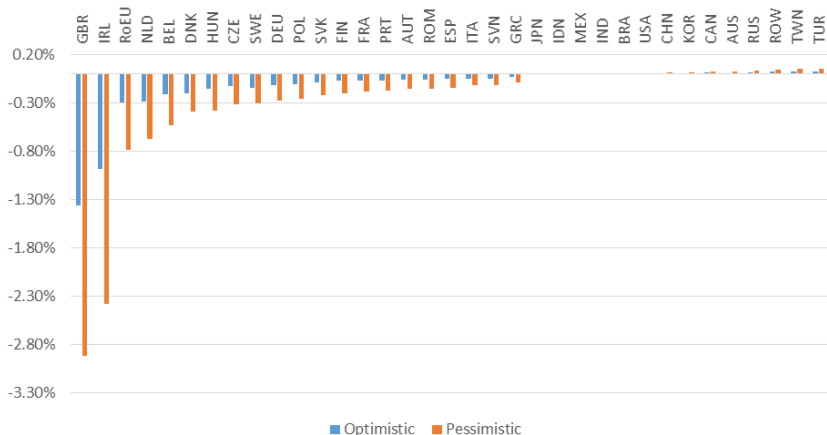


# EU's objectives

- EU can veto any Brexit deal that fails to meet its objectives
- EU's primary objective: ensure stability of EU and its institutions
- EU's secondary objective: minimise economic costs to EU members
- UK will not be able to cherry-pick favourite bits of the EU

# Aggregate economic effects of Brexit

**Figure 1: The effect of Brexit on living standards across countries**



**Source:** CEP calculations (see Dhingra et al, 2016, for technical details).

**Notes:** Same assumptions as in notes to Table 1 except net fiscal savings not included (since we do not know how Brexit would affect the budget contributions of other EU members).