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UK negotiators have failed to understand the true importance of EU Passports for the future prosperity of British Services

The Federal Trust is today publishing a new study by Dr Andrew Black on the impact of a Hard Brexit on the UK's services industry: "**Hard Brexit: Passport to Nowhere for British Services**". In his report, Dr Black raises the scenario of a "Services Slump" if the UK loses its passporting rights with the EU in the services sector, with devastating consequences for the British services industry.

The report looks in detail at the likely effects of no EU passports on the land, and air transport sectors, and on financial services. Using a sectoral Input-Output approach, losses in national output of around 6% could follow from the loss/serious reduction in the volume of EU business for these affected sectors alone. This is before including any other likely negative effects following the introduction of tariffs on the trade in goods.

The paper concludes that an emigration of banks and financial intermediaries from London is already taking place. The potential "value at risk" in financial services could be up to a third of current revenues, reflecting the importance of the EU as a market for UK service industries. This in turn would have a knock on effect in reducing tax revenues from this source. Land, sea and air transportation are likely to be badly affected by a Hard Brexit, with the prospect of substantial delays and border difficulties. This may lead to a permanent shrinking in scale of these activities in the UK.

The regional impact of the loss of service sector passporting will be most strongly felt in London and the South East. A Hard Brexit will lead to changes in government revenues and expenditures. When considering the current promises made by the government to various UK economic sectors to make good any losses of EU funding, the likelihood of obtaining a Brexit fiscal "bonanza" is vanishingly small.

For further information please ring Dr Andrew Black on 07500 742 206 or email him at a.black@gpilondon.com .

The report is available online and in pdf format on the Federal Trust's website: <http://fedtrust.co.uk/our-work-on-europe/hard-brexit-passport-to-nowhere-for-british-services/>

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Notes for editors:

1. The study is published by The Federal Trust for Education & Research, China Works, 100 Black Prince Road, London SE1 7SJ. www.fedtrust.co.uk

2. Dr Andrew Black, of Digit Ltd, is a Senior Research Fellow at the Global Policy Institute, London; and Visiting Research Fellow at the Brunel Business School, Brunel University.

3. Service industries form the most important part of the British economy. It is also an area of specialization and success. Britain has a comparative advantage in many service sectors. This is underpinned by the use of various kinds of passports that permit all member states to operate in a single market subject to one set of rules and regulations – the common rule book referred to in the Chequers Document.

This has been one of the great innovations introduced by the EU, and represents some of the deeper fabric of cooperation and competition within the EU, which has worked to the advantage of the UK. The lackadaisical manner in which these advantages have been set to nought in the Brexit negotiations is, in the view of the author, likely to cause serious disruption to a series of service sectors. And in so doing it will upset the government's budget arithmetic making an end to austerity incredible.

4. This is the third “Hard Brexit” study by the author, published by the Federal Trust. The two previous studies are available on the Trust's website:

Hard Brexit and the regions (October 2017)

<http://fedtrust.co.uk/our-work-on-europe/hard-brex-it-and-the-regions/>

“Hard Brexit”, International Trade and the WTO Scenario (May 2017)

<http://fedtrust.co.uk/our-work-on-europe/hard-brex-it-international-trade-and-the-wto-scenario/>