Press Release

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German study shows grave EU trade consequences for Brexit Britain

Exports to the EU and service industries set to take a hit

Berlin (GTAI) - A study from German federal economic development agency Germany Trade & Invest (GTAI) has painted a grim post-Brexit picture for Britain's foreign trade.
The study, entitled 'Brexit and its Consequences,' looked at how the share of Britain's exports to the EU – currently worth around €189bn, about half of the UK's entire export volume – might be affected. In 2017, four of the top five of Britain's export markets are EU countries: behind the USA are Germany, France, the Netherlands and Ireland.

A 'Hard Brexit' will instantly nullify any chance of free goods movement between the UK and the EU, with long waiting times and customs inevitable. Even in the case of a free trade agreement, only goods produced in part from both sides of the new border will be able to move more freely.

This will create opportunities for countries within the EU to gain competitive advantage, with the study citing the automobile, chemical, electronics and machine industries as particular targets.

Services will also be affected – an industry responsible for 80 per cent of Britain's gross value added. More than a third of Britain's service exports go to the EU as well, according to statistics from 2016. It remains highly questionable how, or indeed if, service industries could be integrated into a free trade agreement.

"The study shows the extent of the potential disruption to the UK trade balance that Brexit could cause," said study co-author, GTAI's Oliver Döhne.

"It's not to say all of these consequences could happen, there are strategies companies can use to avoid the worst-case scenarios. But it does show an increased level of risk now attached to having an exporting business based exclusively in the UK, and outlines opportunities for European-based companies."

In the light of the study, it is little wonder that there has been a spike in the number of UK companies acquiring shares in, or moving offices to, the EU. GTAI reported last week that foreign direct investment from the UK across Europe had risen 33%, with Germany alone seeing the number of UK investment projects inside its borders jumping 21%.

Financial services and ICT are the main recipient industries of the investments, but the shareholding acquisition of British companies and investors in German companies has also increased sharply, which adds to the impression that this is a strategy to deal with Brexit. Germany is, with 18% of all British FDI in Europe, the most popular investment destination.
"Only now, as the statistics become more recent and the moment of any form of Brexit moves nearer, can we begin to see the potential effects of the Brexit decision," said Dr. Robert Hermann, CEO of GTAI.

"All the EU countries are stakeholders in this situation, not only the UK, so it is crucial for all stakeholders to know what is at stake and for all business opportunities to be recognized.

"We regret the decision of the UK to leave the EU, but business continues as usual and while this study shows that there will be an undeniable effect on the UK's industry, it also shows that there will be strategic opportunities for all companies within the EU as a result."

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