



Department for Exiting the European Union

Importance of trade linkages between the UK and EU

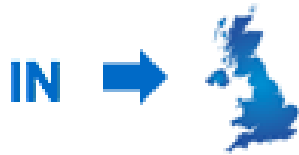
Context

- As of today, the Withdrawal Agreement has yet to pass through parliament.
- The UK government wants a smooth and orderly EU exit, with a deal, that protects our union, gives us control of our borders, laws and money, and means that we have an independent trade policy.
- The Government's proposed outcome includes as close a trading relationship for **goods** as possible and an ambitious agreement in **services**.
- A no deal exit is not the preferred outcome for many businesses, but it is also essential to be prepared for this outcome.
- The Government has published information for businesses and citizens on the gov.uk page.

Supply chain linkages between the UK and EU

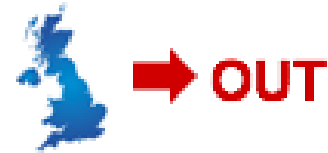
Supply chains are a central and important part of the UK - EU economic relationship.

UK and other European countries have close production linkages - **\$183 billion is traded between the UK and Big 6 alone.** There are many employees dependent on these value chains.



The **UK uses \$86 billion of input from the Big 6** to satisfy global final demand ~ 3.2% of its total input.

828,000 employees in the Big 6 (up to 3.7% of total) are involved in exports to the UK.



The **Big 6 use \$97.5 billion of UK input** in order to satisfy final demand (domestic and foreign) ~ 1% of their total input.

271,000 UK employees (9.4% of total) are involved in the country's exports to the Big 6.

Other key insights

Services are particularly important to the UK

Business services account for 27% of the production linkages between the UK and the Big 6. This increases to 44% when also considering financial services and wholesale and retail trades.

The UK is relatively more specialised in the downstream stages (final processing)

In comparison, Germany is relatively more specialised in intermediate processing.

Shipbuilding, aerospace, rail and chemical & pharmaceuticals are the most important sectors to the UK as a supplier to the Big 6.

13.2% of the Big 6's imports in shipbuilding, aerospace and rail come from the UK, 5.3% in chemicals and pharmaceuticals.

Ireland, France and Germany have the largest share of imports coming from the UK.

The Big 6 are an important supplier of the UK's imports - one third of the UK's imports come from the Big 6.

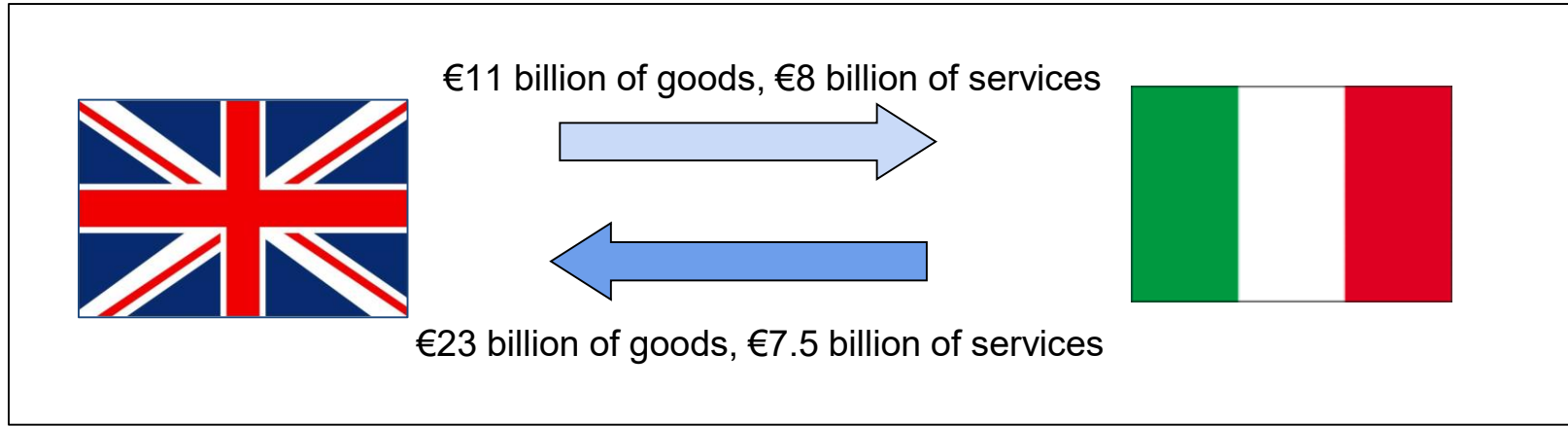
This ranges from 50% in the Automotives value chain, to 21% in fashion.

Trade between the UK and Italy

The UK and Italy are close trading partners.

Goods trade is particularly important, with machinery and mechanical appliances, and vehicles making up the largest part.

For services trade, **travel, transport and financial and businesses services** are most important.



Sector insight: Automotives

IN →



UK imports from Big 6: €44 billion

UK imports €3.2 billion from Italy - 5,600 Italian employees involved

Overall, Germany the biggest supplier

Around **50%** of the UK's imports in this sector **come from the Big 6**

Over 45,000 Big 6 employees involved



→ OUT

UK exports to Big 6: €16 billion

UK exports €2.7 billion to Italy - 4,300 UK employees involved

Overall, Germany the biggest recipient.

Around **4.5%** of the Big 6's imports in this sector **come from the UK.**

Over 34,000 UK employees involved

The Joint Political Declaration

The UK government wants a smooth and orderly Brexit, with a negotiated deal.

Goods

The UK and EU envisage having a trading relationship on goods that is **as close as possible**.

The UK and EU envisage comprehensive arrangements that will create a **free trade area**, combining deep regulatory and customs cooperation, underpinned by provisions ensuring a level playing field for open and fair competition.

The UK and EU will put in place **ambitious customs arrangements**, to this end, they intend to consider mutual recognition of trusted traders' programmes, administrative cooperation in customs matters and mutual assistance.

Services

The UK and EU should conclude **ambitious, comprehensive and balanced arrangements** on trade in services and investment in services and non-services sectors.

The UK and EU should aim at **substantial sectoral coverage, covering all modes of supply**... The arrangements should therefore cover sectors including professional and business services, telecommunications services, courier and postal services, distribution services, environmental services, financial services, transport services and other services of mutual interest.

Conclusion

- The EU is the UK's the largest trading partner.
- Supply chain links are pervasive between the UK and the EU and important to industry.
- The importance of the economic relationship between the UK and EU is recognised in the outline of the Future Economic Partnership.
- Withdrawal agreement yet to be passed, but a negotiated exit remains the Government's priority.