



Implications of Brexit on Developing Countries



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IMPLICATIONS OF *BREXIT* ON DEVELOPING COUNTRIES

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ABSTRACT

Brexit started on March 29, 2017. Due to the strong economic, social, and legislative interconnection of the United Kingdom (UK) with the European Union (EU), Brexit opens a “Pandora’s Box”, as no Member State has ever decided to exit the EU. However, a series of effects have been already assumed. Specifically, and in addition to the future EU-UK relationship, Brexit might also modify the existing landscape of trade agreements between the UK and EU’s existing trading partners. Following this same logic, Brexit will also mean that the rest of the world will no longer have preferential market access to the fifth largest market for imports in the world.

Therefore, there are a number of risks associated with the UK’s exit from the EU, affecting not only the concerned parties, but also the rest of the world. The potential economic slowdown would have major implications for international trade flows, even though the analysis does not include risks of contagion, which would further exacerbate the results. Nevertheless, as with all changes in policy, a number of opportunities also arise for developing countries (DC).

The referendum on the future of the UK in Europe, soon known as the “*Brexit referendum*”, took place on June 23, 2016, and its result was clear: 52 percent of the voters decided that the UK should leave the EU.² Nine months later, on March 29, 2017, Theresa May’s Government notified the European Council its desire to start negotiations over *Brexit*.³

Due to the strong economic, social, and legislative interconnection of the UK with the EU, *Brexit* opens a “Pandora’s Box”, as no Member State has ever decided to exit the EU. In the absence of precedent and procedural rules for the conduct of exit negotiations under the now famous Article 50 of the Treaty on the European Union (TEU)⁴, the future of the UK-EU relations is unpredictable.

In addition to the future EU-UK relationship, *Brexit* might also modify the existing landscape of trade agreements between the UK and EU’s existing trading partners. As a result of *Brexit*, the UK will no longer be part of the world’s largest network of trade agreements: the EU currently has preferential trade agreements with 52 countries, and is negotiating new ones with another 72. After *Brexit*, if it wants to re-build its preferential trade relations, the UK would have need to re-negotiate or start new negotiations of trade agreements with 124 countries, in addition to the *Brexit* agreement itself. The renegotiation of its WTO membership terms is also very likely.

Following this same logic, *Brexit* will also mean that the rest of the world will no longer have preferential market access to the fifth largest market for imports in the world. In the specific case

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² See UK Government 2016, *EU referendum*. Available from: <https://www.gov.uk/government/topical-events/eu-referendum>

³ See Reuters, 2017, “EU’s Tusk receives Brexit notification letter from UK envoy” [online]. Available from: <http://www.reuters.com/article/us-britain-eu-notification-idUSKBN1701GK>

⁴ Consolidated version of the Treaty on the European Union, OJ C 326, 26.10.2012, p. 13–390.

of Africa, 48 Sub-Saharan countries with which the EU has signed, or is negotiating, Economic Partnership Agreements (EPAs), plus those North African Countries that benefit from the EU-Mediterranean Partnership, might lose preferential access to the UK market. In addition, the current autonomous EU Generalised Scheme of Preferences (GSP), GSP+ and Every-But-Arms (EBA) market access conditions will also not be applicable to developing and least developed countries' exports to the UK. While it is likely that the UK will adopt its own post-*Brexit* GSP scheme, the eligible countries and products and the conditions of preferences are still to be defined.

The effects of *Brexit* on trade will vary by country according to the weight of the UK in a country's total exports, which adds to the uncertainty surrounding the trade effects affecting developing countries, in addition to the fall in commodity prices, the slowdown of emerging economies such as China, and increased protectionism in G-20 countries.⁵

This article succinctly describes the framework under which the UK and developing countries (DCs) currently trade, and exposes the main options once *Brexit* is implemented. Additionally, whilst explaining the implications of the different so-called models for the future EU-UK relationship, this section also analyses the impact of those possible models in trade with DCs.

TRADE POLICY FOR THE UK AT PRESENT AND UNDER *BREXIT*

In the EU, trade policy is the exclusive competence of the Union as conferred upon it by its Member States through the Treaties. For trade in goods, the Union's exclusive has been exercised since the 1960s in the framework of the Common Commercial Policy (CCP), and as the boundaries of international trade expanded, EU competence has been conferred to trade in services, trade-related intellectual rights, and more recently to investment. However, in these areas competence is shared with Member States, as the latter retain considerable scope for national regulations.

After leaving the EU, the UK will be free again to legislate in all areas of trade policy. Specifically, this means that the UK will be able to adopt its preferred trade policy, establishing its own market access regulations, technical barriers to trade, customs procedures, competition law, and adopt their specific anti-dumping and countervailing measures, among others. More importantly, the ability to execute an independent trade policy means that the UK will be able to sign trade agreements with other countries.

Process of *Brexit*

According to TEU's Article 50(1), any Member State may decide to withdraw from the EU in accordance with its own constitutional requirements. Unlike the Vienna Convention on the Law of the Treaties (VCLT), which allows for the unilateral withdrawal from a treaty when a fundamental change in circumstances have occurred (Article 62), the EU Law does not require any substantial requirement, *allowing* the Member States to remain as "*Masters of the Treaty*", and thus able to depart from the Union at any time, subject only to their internal requirements.⁶

⁵ Mendez-Parra, M., Papadavid, P., & D. W. te Velde 2016, "*Brexit* and development: how will developing countries be affected?" *Overseas Development Institute Briefing*, July, p. 5.

⁶ See Hofmeister, H. 2010, "Should I Stay or Should I Go? – A Critical Analysis of the Right to Withdraw from the EU", *European Law Journal*, Vol. 16, No. 5, September, p. 592.

Procedure

The withdrawal process starts with the notification of the intention to leave the Union to the European Council by the withdrawing State.⁷ As mentioned above, the UK satisfied this requirement on March 29, 2017. On the basis of the guidelines provided by the Council, and in accordance with Article 218(3) TFEU, the Union will negotiate the withdrawing agreement with the UK. This agreement will specify the details of the departure and the “framework” of the future relationship between the Union and the UK. Therefore, this means that a future agreement, in addition to the withdrawing one, will need to be concluded, regulating in detail the future EU-UK relationship.

The Council will conclude the agreement with a “super-qualified majority”, defined by Article 238(3)b TFEU as at least 72 percent of the members of the Council representing the participating Member States, and comprising at least 65 percent of the population of these States.⁸

The EU treaties will cease to apply to the withdrawing state once the negotiated agreement enters into force, or two years after the submission of the withdrawal notification, if an agreement has not been reached, although the period can be extended through a consensual agreement by the remaining Member States.

Legal effects

This will be the most immediate effect once *Brexit* is effectively implemented: according to Article 50(3) TEU, the UK will no longer be subject to EU Law: a) from the date of entry into force of the withdrawing agreement; or b) after the aforementioned two-year period, if no agreement on the extension of the period has been achieved.

In the case of those EU rules transposed into British legislation, such as Directives, the UK will have to decide whether they remain applicable, need to be modified, or should be abolished. Similar decisions will need to be taken with regard to those areas where the EU currently has exclusive competences, such as anti-dumping and anti-subsidy rules: the UK would have to decide whether it mimics EU legislation or adopts a different model. Overall, it has been estimated that 20,833 EU laws and rules would have to be scrutinized by the negotiators, covering topics like external relations, agriculture, consumer and health protection, fisheries, industrial policy, customs, among many others.⁹

THE MODELS AND THEIR IMPACTS ON DEVELOPING COUNTRIES

Despite the existing uncertainty surrounding *Brexit* and the posterior EU-UK relationships, there are a series of models and alternatives already in place that could be inspiration for negotiators on the post-*Brexit* framework of EU-UK trade. The literature on this topic is extensive and no one can simply predict which path will the negotiations take. However, there seems to be an agreement on the fact that there five main *models* or examples to which the UK could adhere to, namely: 1) Norwegian model; 2) Swiss model; 3) Turkish model; 4) Canadian model; and 5) WTO

⁷ Article 50(2) TEU.

⁸ Poptcheva, E. M., 2016, “Article 50 TEU: Withdrawal of a Member State from the EU”, *European Parliamentary Research Service*, Briefing, February, PE 577.971

⁹ See De la Baume, M., Heath, and Aries, Q., 2017, “13 things you didn’t know about Brexit”, *Politico* [online]. Available from: http://www.politico.eu/article/brexit-negotiation-issues-worrying-the-european-parliament/?utm_source=POLITICO.EU&utm_campaign=6d31b8216f-EMAIL_CAMPAIGN_2017_02_15&utm_medium=email&utm_term=0_10959edeb5-6d31b8216f-189826045

model. Each model has its own characteristics, and therefore its own specific effects on the trade between the UK and developing countries.

These models have been subject to extensive scrutiny, from the media to public governments, with statements being issued by both the UK and EU on the likelihood of adopting one of these models. Both Norwegian and Swiss models have been somehow disregarded by both parties:

- Under the Norwegian model, the UK would join the European Free Trade Area (EFTA)¹⁰ and request access to the European Economic Area (EEA). This option would require the granting of a reciprocal free movement of goods, persons, services, and capital. This option is unlikely to be followed, as it does not resolve the political issues that led to Brexit in the first place, as it includes, among others, the free movement of people and the UK's financial contribution to the EU budget.
- The Swiss model consists in the adoption of a series of bilateral agreements tackling different aspects. The EU-Switzerland relationship is governed by a complex set of approximately 120 specific agreements, representing the EU's most developed bilateral relationship.¹¹ This model unlikely to be adopted, as the EU considered the arrangement as temporary, in addition to their persistence in adopting a more institutionalised framework, leads to the conclusion that this scenario is likely to also be discarded.

The following section provides an overview of the characteristics of the Turkish, Canadian, and WTO models, and their implications for developing countries.

Customs Union – Turkish model

A “Turkish model” would consist in the creation of a customs union (CU) between the EU and the UK. The current EU-Turkey CU covers trade in industrial goods (including the industrial components of processed agricultural products) and excludes primary agriculture, services and public procurement.¹² A CU between the EU and the UK would provide free movement of goods between the parties, for goods either wholly produced or put in free circulation after their importation from third countries in either Turkey or the EU.¹³ Additionally, no customs checks would be applied to those products covered by the CU, reducing significantly both administrative costs and time to trade.

Impact on Developing Countries

Impact on Tariffs: If a “complete” CU is established, the customs duties of the EU Common External Tariff will need to be maintained across the whole EU+UK customs territory for all imports. In principle, this requirement would cover both MFN and preferential customs duties, including EPA, GSP, GSP+, and EBA, among others. This would be the most advantageous scenario

¹⁰ Norway, Iceland, and Liechtenstein, together with Switzerland, form the European Free Trade Area (EFTA). Nevertheless, Switzerland is not part of the European Economic Area. Norway, Iceland, and Liechtenstein normally negotiate trade agreement as a block.

¹¹ HM Government 2016, “HM Treasury analysis: the long-term economic impact of EU membership and the alternatives”, Cm 9250, April, p. 90.

¹² World Bank, 2014, “Evaluation of the EU-Turkey Customs Union”, Report No. 85830-TR, p. 1.

¹³ European Commission, *Turkey: Customs Unions and preferential arrangements*. Available from: http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/customs_unions/article_414_en.htm

for DC, as it would automatically extend to the UK the EU tariff commitments contained in their different preferential initiatives.

However, should the UK follow the Turkish model, DC with preferential arrangements with the EU would lose preferential tariffs on a considerable part of their direct exports to the UK, as the scope of this CU is limited to industrial products and processed agricultural products, excluding agricultural products and coal and steel products. For products that are not covered by the CU, the UK would determine its own tariffs for the imports coming from the EU and third countries.

Customs and Trade Facilitation: Under a CU between the EU and the UK, there would not exist customs border and customs control between the two parties. In addition, the UK will necessarily adopt EU's Union Customs Code (UCC). Consequently, goods originated in DC entering the CU would face the same, uniformly applied customs rules and procedures as before.

Rules of Origin: In the case of a CU, the Rules of Origin (RoO) applied by the contracting parties must, by definition be the same, meaning that the RoO foreseen in the different preferential arrangements with developing countries would continue to be applicable.

Canadian model of Free Trade Agreement with the EU

The fourth model would consist of the negotiation and ratification of a FTA between the EU and the UK. If such an agreement is reached, this model would entail the *liberalisation* of trade in goods and trade in services and investment. Nevertheless, a FTA does not necessarily eliminate all tariffs, as exceptions apply, plus non-tariff measures, such as technical barriers to trade and customs procedures still apply.

The time aspect is an important consideration: as raised by PwC, the EU-South Korea FTA took four years to conclude, and the EU's negotiations with Canada was concluded in 2014 after seven years of talks.¹⁴

Impact on Developing Countries

Impact on Tariffs: Under all *FTA* scenarios, i.e. Norwegian, Swiss and Canadian models, the UK would be free to decide on its trade policies vis-à-vis third countries, and in particular to set the level of its MFN duties and preferential arrangements with developing countries, and could negotiate FTAs with them. The crucial question from a developing country point of view is whether the UK would wish to maintain the existing market access conditions contained in the EPAs in the framework of an FTA with the different signatories, and the current level of unilateral preferences granted to a multitude of developing countries.

Customs and Trade Facilitation: In the case of a FTA between the EU and the UK, customs procedures would be necessary between the two parties to ensure that the RoO (see below) are properly implemented. The introduction of new customs procedures would mean additional administrative barriers, applicable to both UK originating goods and DCs' ones entering the EU via the UK. The new procedures could result in additional paperwork and transport delays at cross-channel ports and the Irish border, potentially creating additional costs.

¹⁴ PwC, 2016, "Leaving the EU: Implications for the UK economy", United Kingdom p. 17. Available from: <http://www.pwc.co.uk/services/economics-policy/insights/implications-of-an-eu-exit-for-the-uk-economy.html>

For DCs' goods entering the EU via the UK, an additional cost element would be implied by transit customs procedures between the two FTA parties. Such costs would be likely to arise even if UK Customs processes the goods in transit, in the most streamlined manner.

While the UK may adopt a different customs code from that of the EU, the substantial additional costs for UK traders would be a significant deterrent in doing so. Such a move would be counterproductive in dealing with the EU. With EFTA partners, the trend is convergence to the EU UCC,¹⁵ not the opposite.

Rules of Origin: if the UK concludes a FTA with the EU, RoO, alongside customs procedures, would be required in mutual trade. For example, the EU applies RoO to its trade with Norway to prevent exporters from outside the free trade area getting into the EU market without paying customs duties, via a possible Norwegian "back door". If a Norwegian firm exports goods to the EU with a significant content from non-EU countries, the good does not qualify for preferential treatment and therefore customs duties are applied.

No agreement with the EU – WTO model

The final scenario, known as the "WTO model", is considered as the final scenario in which no agreement is achieved, and it would imply that the future EU-UK trade relations would be governed by the WTO Rules as they apply to all WTO Members, without any kind of preferential trade arrangement.

Box 1. The WTO Challenge

All EU Member States and the EU itself are Members of the WTO, with the rights and obligations contracted by the EU applying to the EU and to all its Member States. By means of *Brexit*, the UK will have to detach itself from those rights and obligations, instead obtaining its own. This will have to be negotiated by the UK and the EU with each other, and with those Members of the WTO that considers its interests affected, which is a situation likely to happen, considering that the UK is the world's fifth biggest economy, the ninth major exporter and the fifth biggest importer, with trade accounting for USD 1.1 trillion.

Negotiations at the WTO are likely to extend over several years after *Brexit*. For more than 12 years the WTO Members have been unable to agree on the commitments of the EU after its three enlargements.

See: Ungphakorn, P. 2016, "Nothing simple about UK regaining WTO status post-*Brexit*", International Centre for Trade and Sustainable Development, June 27. Available at: <http://www.ictsd.org/opinion/nothing-simple-about-uk-regaining-wto-status-post-Brexit>

Impact on Developing Countries

Impact on Tariffs: If the UK and EU are unable to agree within the set time (see above Art. 50 TEU), trade between them would be subject to their respective Schedules on Goods. The UK currently does not have a Schedule in the WTO, and no one knows what kind of Schedule will result from its negotiations on the terms and conditions of its WTO membership.

Whilst it is most likely that the UK will offer to other interested WTO Members the same tariffs as currently contained in the EU Schedule, the acceptance of such an offer is not guaranteed, not least because the agricultural market access will likely need serious renegotiation both for the UK

¹⁵ See e.g. the implementation of common customs security measures by Norway pursuant to Protocol 10 of the EEA Agreement and the implementing provisions of the Customs Code of the EU (Regulation (EC) No. 648/2005. See WTO Trade Policy Review, "Norway", WT/TPR/S/269/Rev.1

and the EU. In particular, all quantitatively defined EU commitments, such as tariff-rate quotas (TRQs) and Aggregate Measures of Support (AMS), will need to take account of the UK parts.

As suggested by some proponents of *Brexit*, the UK may also opt for a radical reduction or even elimination of its customs duties.

For DCs, the implications of the WTO scenario appear to be the following:

1. In the absence of a FTA between them and the UK, they would have a direct stake in the WTO membership renegotiation of the UK that needs thorough, line-by-line analysis of their trade positions in the UK market and identification of their offensive interests. This seems particularly important for agricultural products where renegotiation would also concern the EU, although their market access conditions with the EU for agricultural products under the EPAs would remain intact.
2. Even if the UK signs an EPA-like FTA with the EPA States and grants similar unilateral preferences to other DCs, the membership renegotiation might directly (and negatively) impact DCs' market access opportunities in the UK, especially if the UK decides to unilaterally decide to remove part or all of its tariffs. Indeed, the more concessions the UK might be willing to offer to its trading partners at the WTO, the more the preferential margins enjoyed by DCs will diminish.
3. The above applies *mutatis mutandis* to the "adaptation" negotiations on the agricultural section of the EU Schedule.

Impact of Non-Tariff Measures on Developing Countries

Technical Barriers to Trade: Since its accession to the EU, the UK has become highly embedded in the European economy, which is reflected not only in trade flows, but also more importantly in its participation in EU production chains. Therefore, complying with European technical barriers to trade (TBT) is crucial for the British industries if they want to maintain or even increase their trade with the EU and other countries that follow European norms. In addition, the UK, as EU Member, has influenced the adoption of TBT, such that there is little reason to discontinue its adoption of such policies on the whole, even if the UK may wish to simplify and re-evaluate some of the rules that it considers unnecessarily burdensome.

Therefore, it is predicted that in the area of TBT, *Brexit* would not result in substantive changes for ESA products to be sold on the UK market.

As mentioned above, under a CU, should the UK want preferential market access to the EU, the UK would be required to continue adopting TBT affecting those products covered by the CU. The same applies to the Norwegian and Swiss models. Under the Canada or the WTO model, the UK would not be required to harmonise any legislation, although any product exported to the EU would have to comply with its market access regulations, including TBT.¹⁶

For DC businesses exporting to both the UK and the EU, the prospect of the UK continuing to apply EU TBT standards in the context of a FTA or CU with the EU, would be a welcome development as it would help avoid additional costs of complying with two diverging sets of TBT.

¹⁶ Although some FTAs advocate for further harmonisation of TBT and SPS measures, they are not mandatory, as the provisions are usually written in a vague and non-binding language.

Sanitary and Phyto-Sanitary measures: One of the justifications advanced by proponents of the UK leaving the EU is that the single market rules impose high costs on British firms, in areas such as food labelling, food composition, food additives and novel foods, among others. Therefore, after the UK has left the EU, there is a fair chance for interest groups to exercise pressure for lowering Sanitary and Phyto-Sanitary (SPS) regulations.

Whilst in theory, it would be feasible for the UK to adopt more relaxed or different SPS, such a development would not apply to those agri-food products manufactured in the UK with the intention to be exported to the EU, as they would have to comply with the EU SPS requirements. Even veterinary checks at the farms producing for EU exports, and not just the export products themselves, would need to comply with relevant EU SPS norms. The compliance with two sets of SPS requirements would impose additional costs on UK farmers and agri-food producers. From an economic point of view, there seems to be little sense in abandoning the EU SPS regulations, unless, with time, the UK is detached from European agri-trade.

For DCs the risk might be that, with respect to tropical products, the UK and EU regulations diverge over time. If this were to happen, additional compliance costs would be especially burdensome for products to be re-exported by international distributors (e.g. the British company, Tesco which has a number of wholesale and retail business across the EU) from one customs territory to the other.

SCENARIOS FOR UK-DCS TRADE RELATIONS

The EU has exclusive competence over the customs union and the common trade policy. The invocation of Article 50 TEU means that all EU treaties will cease to apply to the UK, as well as trade agreements (See Box 2). Specifically, the most immediate consequence for EPA signatories will be that EPAs will, on the day after *Brexit*, be terminated with respect to the UK.

Box 2. Territoriality Clause

By means of *Brexit* all the trade agreements signed by the EU will cease to apply to the UK. Despite the fact that the EPAs were also signed by the UK, this will necessarily occur because the EPAs' Territorial Application clause provides that, as far as the EU is concerned, "[this] Agreement shall apply [...] to the territories in which the Treaty establishing the European Community is applied and under the conditions laid down in that Treaty".

See, for example, Article 63 EU-ESA iEPA. Although such a case is not foreseen in the iEPA, the UK withdrawal will have to be notified by the EU Party to the EPA States similarly to the case of accession of a new Member State to the EU. (Article 67 of the iEPA).

After *Brexit*, the UK will be able to establish its own trade policy agenda, and DCs might be willing to negotiate, as a group or individually, a trade arrangement that accommodates the needs of each contracting party. In any case, the authors argue that DCs would have more negotiating power before the UK if they negotiate as a group under the existing structure, than if they negotiate individually. In this sense, we have foreseen three different scenarios of possible UK-DCs' trade relationships:

- a) A series of **Free Trade Agreements** are agreed between DCs and the UK, following the example of the existing iEPAs/EPAs, whilst trying to apply certain changes to key sectors, such as fish products, sugar, textiles, and Rules of Origin (RoO). Under the "EPA model", the UK would liberalise immediately the totality of its tariff lines, whilst DCs, following the

example of the EPA Signatories, would adopt specific and gradual tariff schedules for each country.

b) The UK might opt to establish its own **Generalised Scheme of Preferences (GSP)** for developing countries, which, if it follows the existing EU GSP example, would exclude upper-middle and high-income countries from it, such as Mauritius and Seychelles.¹⁷ Following the example of the EU, the UK would eliminate tariffs on more than 5,000 tariff lines, whilst the average customs duty would be 2.4 percent, in comparison with the current 4.8 percent for the MFN.

c) The UK and DCs might not reach an agreement, and therefore trade between those countries would be subject to the **WTO Most-Favoured Nation (MFN)** principle.

CONCLUSION AND POLICY RECOMMENDATIONS

A number of risks associated with the UK's exit from the EU have been highlighted, for both the UK and EU economies, but also for the global economy. The potential economic slowdown would have major implications for international trade flows, even though the analysis does not include risks of contagion, which would further exacerbate the results. Nevertheless, as with all changes in policy, a number of opportunities also arise for DCs, in terms of revisiting the current trade relationships they have and the options for concluding a new preferential agreement with the UK, and possibly the EU.

In light of significant changes that will occur due to *Brexit*, DCs, and EPA Signatories specially, need to initiate discussions with the UK as soon as possible. As noted elsewhere, “[waiting] *until UK-EU negotiations are underway, or even concluded, is not only unnecessary, but potentially detrimental to ACP interests.*”¹⁸ By starting negotiations with the UK on the future trade agreement as early as possible before the withdrawal agreement takes effect, even though the UK cannot legally conclude an agreement before it leaves the EU, DCs would minimise the risk of losing their preferential access to the UK market.

Two options are worth exploring during these discussions:

1. An agreement that takes over all the provisions of the present EPAs with improvements wherever needed by EPA States / DCs in light of experiences with the present agreements, e.g. in the area of RoO.
2. Tripartite EU-UK-ACP EPAs, the advantage of which would be that minimal adjustment would be needed to the respective texts, although it would need to be submitted again to domestic ratifications procedures in all constituent parties.
3. Thoughts over the creation of a FTA covering the whole Commonwealth have also been heard. The Commonwealth accounts for 15 percent of the world's gross national income, represents a market of over 2 billion people, and spans over five continents, containing an extremely heterogenic group of countries, including some of the largest economies and some of the smallest. However, there are some views arguing that Finally, the benefits of

¹⁷ See Regulation (EU) No 978/2012, applying a scheme of generalised tariff preferences and repealing Council Regulation, 31.10.2012, L 303/1.

¹⁸ Bartels, L., 2016, “Implications of *Brexit* for ACP countries”. Paper presented at the Ramphal Institute Conference: *Brexit* and EPAs: exploring the implications for the trade of Commonwealth developing countries. July 15.

improved preferential access to all Commonwealth States within a FTA would be exploited by the developed and major emerging economies, leaving the other Commonwealth's 36 small state without "*much of a look-in*".¹⁹

The authors would encourage DCs' governments having signed EPAs to start informal talks over a future trade agreement with the UK immediately, as the failure to pre-negotiate²⁰ a "replacement" agreement providing for a smooth transition once *Brexit* is implemented would mean that both sides will have to trade with each other on MFN terms until a new FTA or other preferential agreement is concluded between the parties. This MFN rate, following the case of the EU, would represent an average customs duty of 4.8 percent.

ABBREVIATIONS

ACP	African, Caribbean and Pacific Group of States	iEPA	interim Economic Partnership Agreement
AMS	Aggregate Measures of Support	MFN	Most-Favoured Nation
CCP	Common Commercial Policy	RoO	Rules of Origin
CU	Customs Union	SPS	Sanitary and Phyto-Sanitary
DC	Developing Country	TBT	Technical Barriers to Trade
EBA	Every-But-Arms	TEU	Treaty on the European Union
EEA	European Economic Area	TFEU	Treaty on the Functioning of the European Union
EFTA	European Free Trade Area	TRQs	Tariff Rate Quotas
EPA	Economic Partnership Agreement	UCC	Union Customs Code
ESA	Eastern and Southern Africa	UK	United Kingdom
EU	European Union	VCLT	Vienna Convention on the Law of the Treaties
FTA	Free Trade Agreement	WTO	World Trade Organisation
GSP	Generalised Scheme of Preferences		

¹⁹ See Sanders, R. 2012, "A Commonwealth Free Trade Area is neither likely nor desirable". *Commonwealth Advisory Bureau*.

²⁰ "Pre-negotiation" makes reference to informal discussions between the UK and any third country before the EU Treaties cease to apply to the UK, as no Member State is allowed to conduct trade negotiations as they fall within the exclusive competences of the EU.

HOW CAN WE HELP?

Support C-level executives and boards to prepare for Brexit

International Economics can help facilitate internal discussions on strategy by providing technical insights, developing dashboards of key performance measurements, and giving advice to executive boards on building resilience to possible disruptions related to exogenous trade shocks, such as Brexit. We work closely with our clients to brainstorm and identify challenges and opportunities based on our professional experience.

Map market access

In order to quantify the potential costs to your business in engaging in trade, including tariffs, standards, and customs procedures, among many others, we (i) undertake a mapping of which terms are most at risk of changing and by how much, depending on the type of agreement; and (ii) quantify and forecast the potential effect on your business using predictive analytics to generate insights into future outcomes.

Navigate through trade and investment agreements

With more than 400 trade agreements and 2,400 investment agreements already in place, *International Economics'* team is able to navigate through them, guiding and identifying which specific agreement will better suit the interests of our client. Additionally, we have developed optimisation techniques, through the use of sophisticated rules and algorithms, to analyse the Free Trade Agreements (FTAs), which are growing in scope, depth and complexity, in order to offer insights into investment and trade decisions. With increasing fragmentation of global production networks and the need for careful evaluation of supply chain risks, the tools developed by *International Economics* offer a solid foundation for the adoption of critical decisions by businesses.

Prepare briefings and strategic papers

Our clients need to prepare strategic position papers to assess the issues and prepare responses, whether it be internal restructuring, supply chain re-engineering or addressing policy risks. We assist our clients with short, impactful, and relevant position papers, including setting out the possible impacts of risks at different business levels (policy, financial, structural, etc.) and provide the latest thinking on the issues to date, based on a holistic economic framework.

Undertake a full economic and legal review of the trade and investment exposures to Brexit

We conduct independent and objective reviews of the impact of Brexit on your business and industry. We use deep learning tools, large multi-country macro models and the latest unstructured data to offer insights into the risks, exposure assessments and likelihood of disruptions to supply chains. This provides our clients with a competitive advantage as they prepare mitigation strategies and leverage identified opportunities. We work with our clients to develop the right strategies and make breakthrough decisions.

Help the private sector position itself during the UK's trade negotiations

Brexit will affect our clients' business strategies, supply chains, funding, tax positions, regulations, growth and opportunities. *International Economics* works with public affairs companies and specialised firms to offer the full range of trade-related technical support and advice to help companies position themselves and ensure that their interests are addressed in the negotiations.

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