

Brexit: Breaking the laws of gravity?

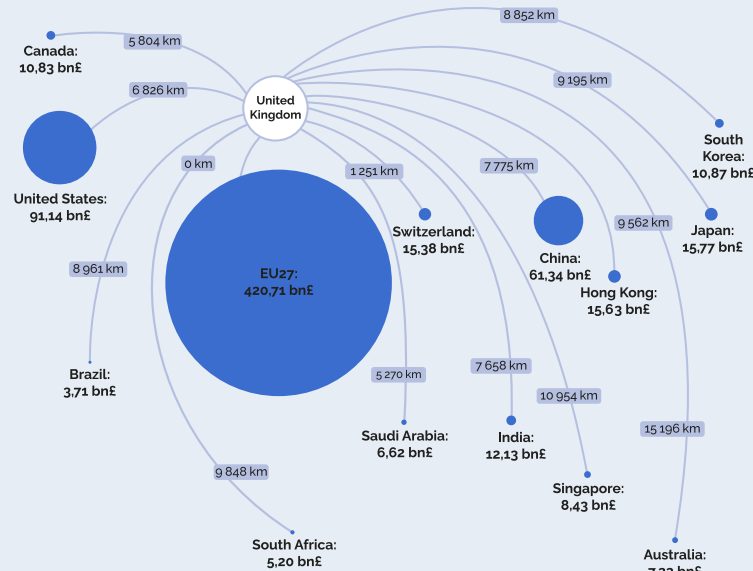
Distance has an effect on trade.

A hard Brexit – resulting from the divergence from EU regulations and the loss of preferential access to the Single Market – will require the UK to compensate its trade losses with the EU with other trading partners. To bridge this gap, the UK will have to defy the “Economic Law of Gravity” which favours regionalised trade over remote partners. In addition, the need to increase the resilience of value chains in the post-COVID era is likely to reinforce this trend of regionalisation, while regulatory discrepancies restrict the openness of service markets – a considerable challenge for the UK economy that is highly dependent (80%) on services.

1 UK Trade of Goods

Total value of exports and imports in billion pounds (2017)

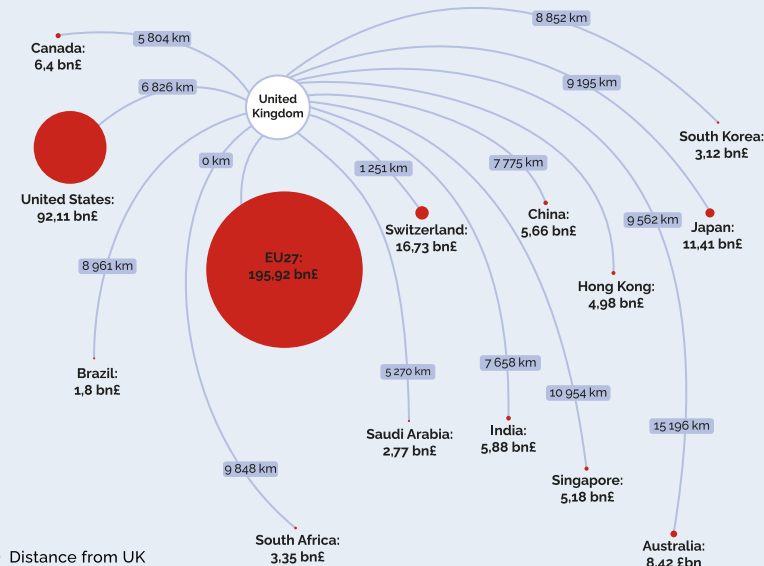
Source: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/may2018>



2 UK Trade of Services

Total value of exports and imports in billion pounds (2017)

Source: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/articles/uktradeinservicesbyindustrycountryandservicetype/2016to2017>

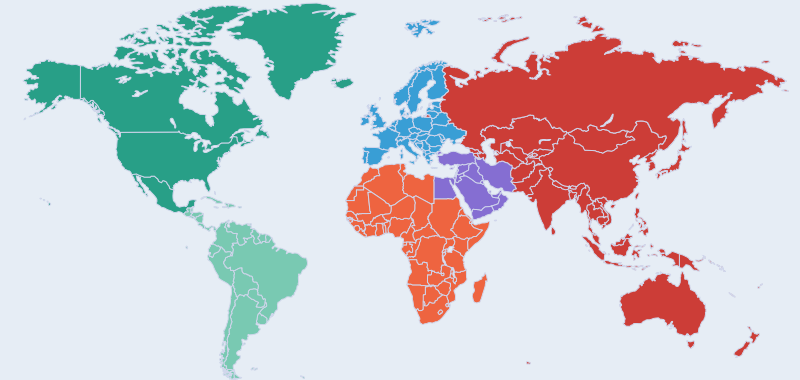
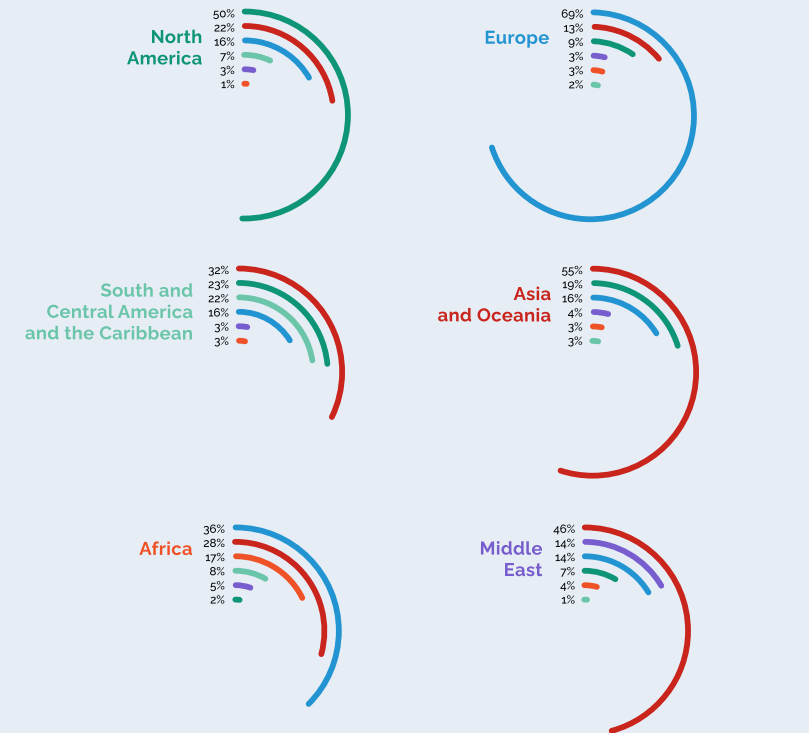


Distance from UK

3 Regionalisation of Global Trade

Destination of export of goods (2017)

Source: https://www.wto.org/english/res_e/statis_e/world_region_export_18_e.pdf



■ North America
■ Europe
■ South and Central America and the Caribbean
■ Asia and Oceania
■ Africa
■ Middle East