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.