

# Trading in Post-Brexit Environment

*Brexit Business Breakfast*

*Friday 6<sup>th</sup> July 2018*

***This seminar series is run in accordance with the “Chatham House Rule”***



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# Economic Update

*Trading in a Post-Brexit Environment*

*Rebecca Jones, West Midlands Economic Forum*

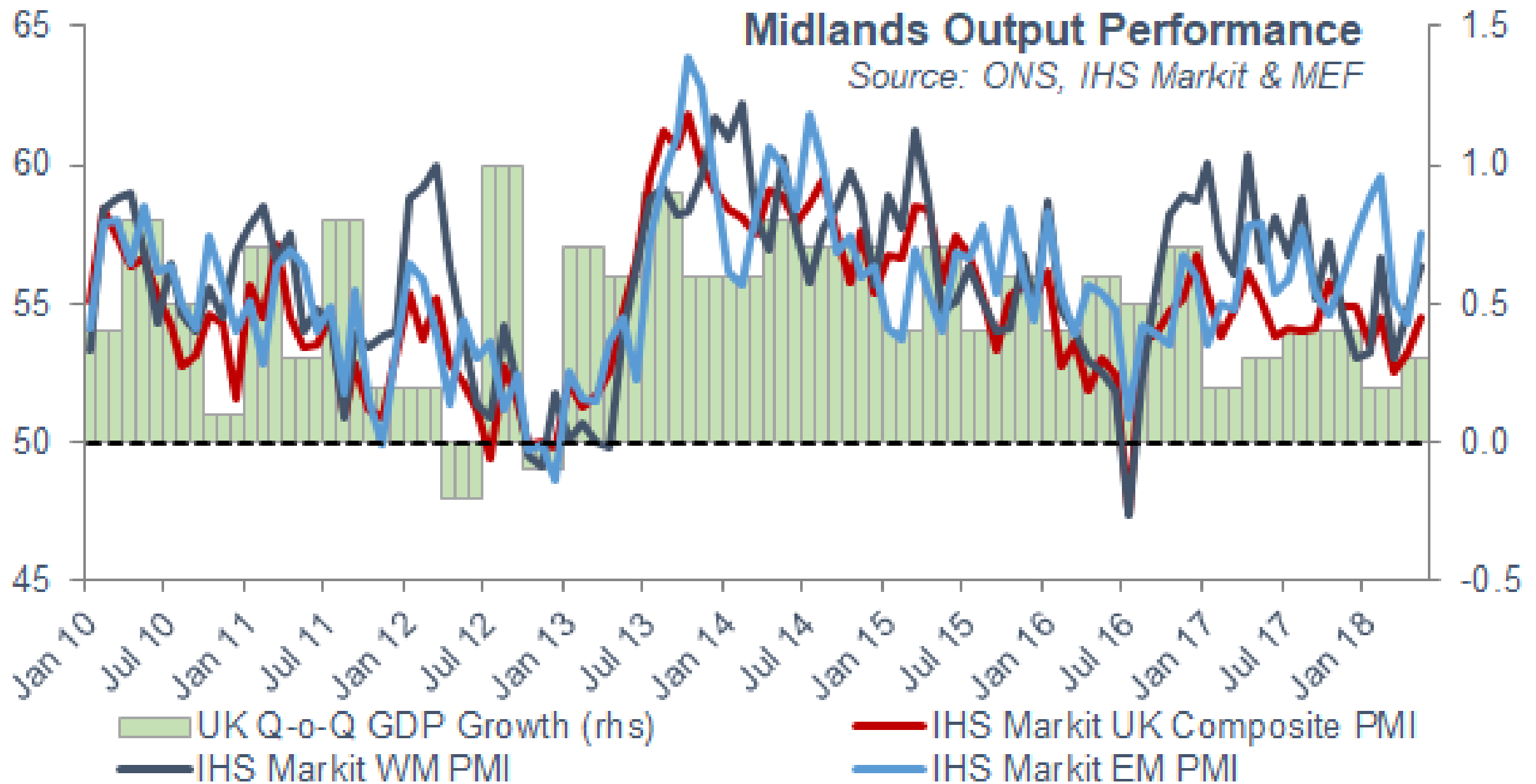


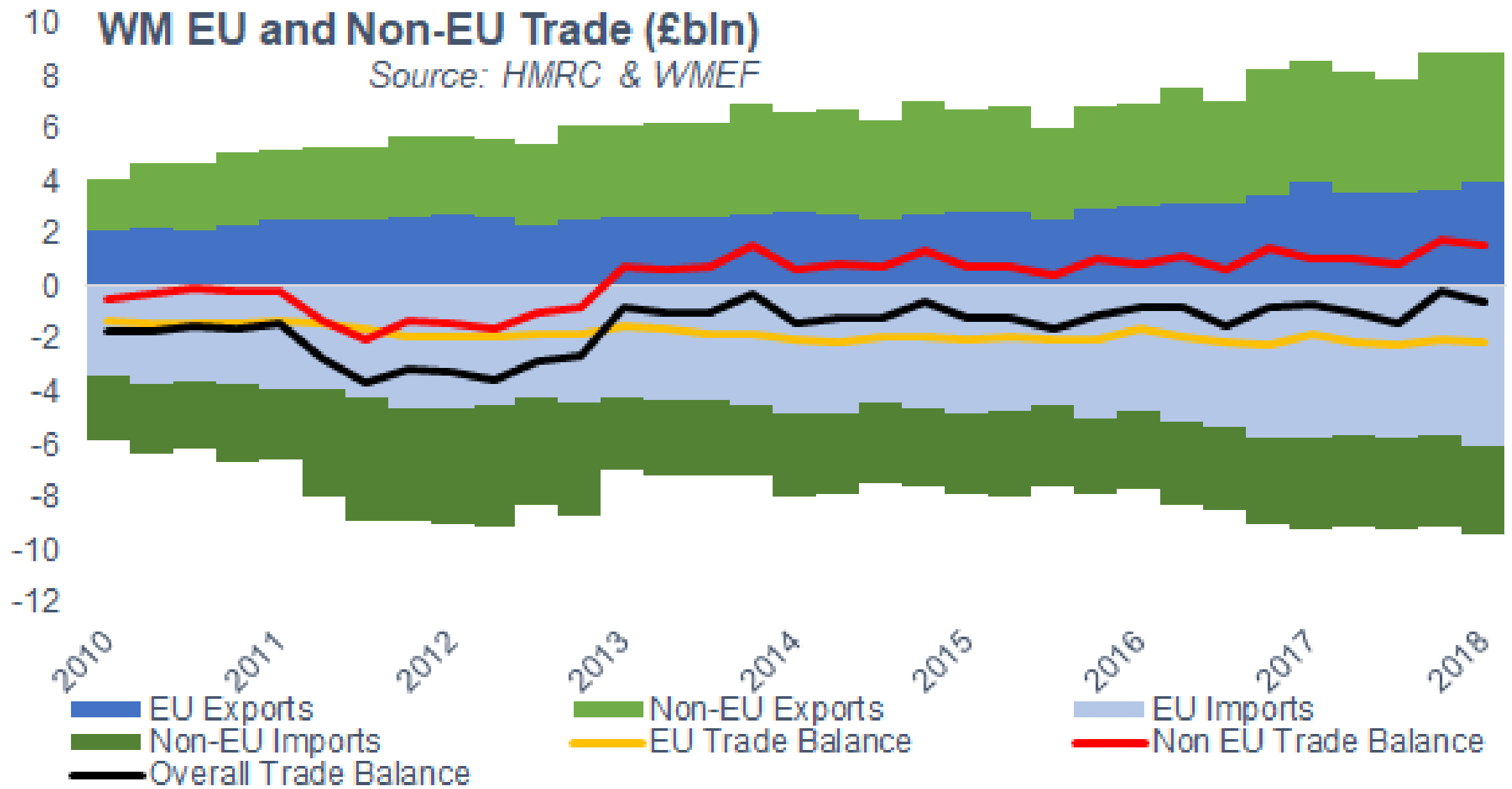
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# Recent Events

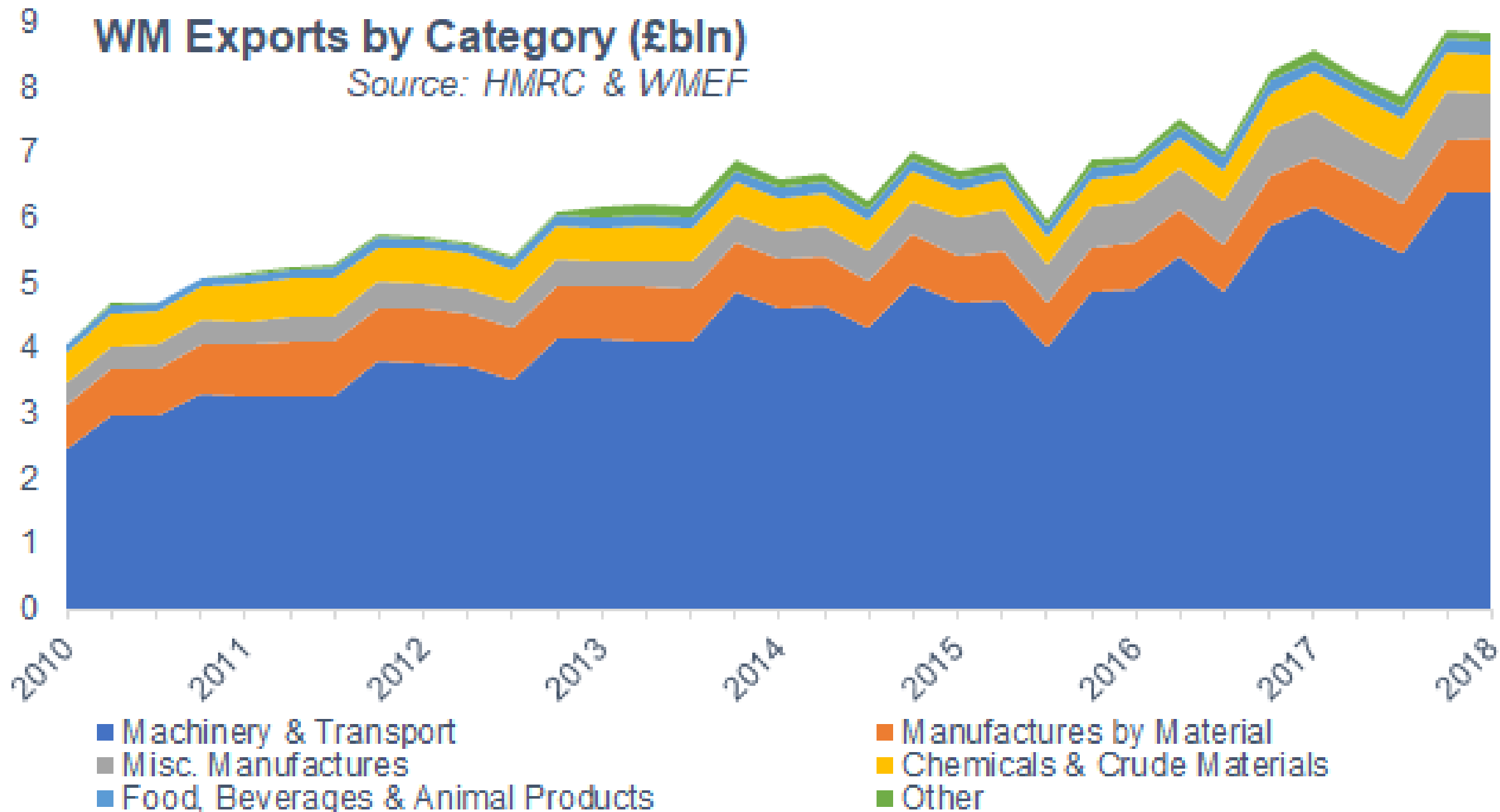
- Brexit negotiation timetable seems to be slipping with lack of clarity from government and other EU issues providing a distraction.
- Cabinet set to meet on Friday to set out the British position on Customs Arrangements.
- Prominent UK companies warn of potential implications of border frictions.
- Potential disruption of trade measures from the USA on China, as well as threats on automotive exports from Europe.
- UK sector PMIs show improvement after a more subdued first quarter.





# WM Exports by Category (£bln)

Source: HMRC & WMEF



# Impact of WTO Trading Regime on WM Merchandise Exports to the EU

*Source: WTO, HMRC & WMEF*

SITC Code	WM-EU Exports 2016	WMEF Estimated Tariff Cost		
		Average	Minimum	Maximum
Value (£'000)	12,870,909	512,794	31,526	1,693,078
% Impact		4.0	0.2	13.2



## BCU-MEF Output Model - Yearly Assumptions

	2015	2016	2017e	2018f	2019f	2020f	2021f	2022f
<i>Source: ONS, IMF &amp; MEF</i>								
UK GDP (£bln)	1,889	1,925	1,960	2,001	2,045	2,096	2,153	2,211
UK GDP Growth (%)	2.3	1.9	1.8	2.1	2.2	2.5	2.7	2.7
UK GVA (£bln)	1,685	1,748	1,828	1,930	2,031	2,132	2,233	2,337
UK GVA Growth (%)	2.8	3.7	4.6	5.6	5.2	5.0	4.7	4.7
Midlands GVA (£bln)	218.9	226.7	237.7	251.5	265.2	279.1	292.9	307.4
Midlands GVA Growth (%)	3.1	3.5	4.8	5.8	5.4	5.2	4.9	4.9



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*The West Midlands Economic Forum is a neutral, independent forum bringing together representatives of the public, private and voluntary sectors to evaluate real trends in the local economy.*

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# Current Trade Flows

*Andrea Prophet, Head of Trade Statistics, HMRC*



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# Trade Statistics Unit

**Andrea Prophet**

**July 2018**

# Agenda ...

- Background:
  - Who we are
  - Why we exist
- Producing trade in goods statistics
  - Legislation
  - Collecting
  - Assuring
  - Publishing
- Focus on
  - Regional and local statistics



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# Trade Statistics Unit ...

- HM Revenue & Customs - Customs & Indirect Tax;
- Located in Southend-on-Sea, Essex;
- 100 staff, split across 4 main teams;
- Professional mix of statisticians, operational delivery, policy and communications.

# Our role ...



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- collect, compile, quality assure and publish trade statistics on goods physically entering and leaving the UK for trade purposes;
- ensure the UK complies with EU legislation regarding the quality and timeliness of its trade statistics;
- ensure the trade statistics are collected and published in accordance with the UK National Statistics Code of Practice for Official Statistics;
- our data is provided to the Office for National Statistics (ONS) as a component of the UK Balance of Payments helping inform the Bank of England, HM Treasury and the House of Commons of UK's economic performance;
- represent the UK within EU, United Nations and Office for Economic Co-operation and Development (OECD) forums addressing trade statistics issues;
- engage with users of trade statistics to better understand their needs and how we can develop to address them.



# Why collect and publish trade statistics?

- Trade statistics are compiled to serve the needs of many users, including governments, business community, compilers of other economic statistics such as balance of payments and national accounts, various regional and international organisations, researchers and the public at large.
- They are used to identify new trade opportunities for products across the world, to measure market share, to identify growth areas, to forecast trade and to analyse patterns.
- One of the key uses of the OTS is as a component to the UK's Balance of Payments (BoP). Trade statistics are regarded as an important economic indicator of the performance of the UK. Export data in particular is used as an indicator of the state of health of the UK manufacturing industry.
- Data also sent to Eurostat, UN and OECD, for global monitoring of world trade and trading relationships.
- Government departments have specific needs, e.g. developing trade policy and supporting exporters (DIT and BEIS), infrastructure planning (DfT), monitoring specific trade flows (BEIS – energy products, DEFRA – agricultural products)
- Businesses and trade associations monitor markets and performance.



# Legislative framework



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- European legislation provides the framework for:
  - What we need to collect;
  - When we need to collect; and
  - When we need to release / publish the trade data
- UK system for producing 'Official Statistics' is governed by the Statistics and Registration Service Act 2007.

# UK Statistics Authority & GSS Code of Practice



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- The UK Statistics Authority was established on 1 April 2008 as an independent body directly accountable to Parliament.
- The UK Statistics Authority has two main functions:
  - Oversight of the Office of National Statistics (National Statistical Institute)
  - Independent scrutiny (monitoring and assessment) of all UK official statistics
- GSS staff are professionally accountable to the National Statistician through their own departmental Head of Profession for Statistics;
- Many of the official statistics produced by the GSS are designated as '**National Statistics**' which means they are deemed compliant with the **Code of Practice** for Official Statistics.
- Refreshed Code of Practice published in February:
  - Trustworthiness: Confidence in the people and organisations that produce statistics and data
  - Quality: Data and methods that produce assured statistics
  - Value: Statistics that support society's needs for information

# Where does our data come from?



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## Non-EU

- Businesses are required to submit a declaration if they import to or export from non-EU countries.
- Businesses submit declarations through CHIEF (Customs Handling of Import Export Freight), will be CDS (Customs Declaration Service)
- Over 50 boxes are completed on the Customs declaration (although not all need completing depending on the import/export regime).
- Data feed from CHIEF into our systems of 20 data elements daily:
  - Entry Type
  - Consignor / Consignee
  - Reference
  - Declarant (agent)
  - Country of Dispatch
  - Country of Destination
  - Nationality of Means of Transport
  - Currency
  - Mode of Transport at border
  - Inland Mode of Transport
  - Location of Goods
  - Container
  - Commodity Code
  - Country of Origin (Imports only)
  - Preference
  - CPC
  - Net Mass
  - Supplementary Unit
  - Statistical Value
- Additional sources, e.g. data on gas from Norway comes direct from pipeline operators

# Where does our data come from?



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## EU

### 1. VAT declarations:

- All VAT registered businesses must declare total trade with Member States in boxes 8&9 on VAT return
- Creates a sampling frame; and identifies those businesses liable for the more detailed Intrastat declaration

### 2. Intrastat survey:

- Simplified system to reduce burdens on business, operated by all Member States
- Businesses legally required to submit declarations if their annual trade is above set thresholds:
  - £250,000 for EU exports (dispatches – covers 97% value)
  - £1.5m for EU imports (arrivals – covers 93% value)
- Monthly return, with declarations submitted electronically by 'Due Date'. DD is the 21<sup>st</sup> day of the month following the month the trade took place
- Separate declarations for dispatches and arrivals
- Return only has 9 boxes (basic statistical elements)
  - VAT number
  - Reference period
  - Dispatch / Arrival
  - Commodity Code (8 digits)
  - Invoice value
  - Nature of Transaction Code
  - Net mass or Supplementary Unit
  - Partner Country
  - Delivery Terms
- Add in below threshold estimations to capture the 'missing' 3% of dispatches and 7% of arrivals. These estimates are based on the VAT data for value, and at the aggregated product level and partner country those traders and trade just above the threshold.

# Data quality: Compliance



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- EU trade only, as survey based;
- Compliance action to ensure submission of timely and accurate trade declaration:
  - Education: Upfront engagement with traders, for example information on website, education of new traders;
  - Short term: Direct chasing of traders between 'Due Date' and 'EU run', this ensures we collect as much as possible for first run of data;
  - Longer term: Driving up underlying compliance rates through penalty regime for persistent late or non-responders. Ability to fine traders, and even take to court;
  - Outfield resource: Locally based HMRC Officers, who support our work here, ranging from education, assurance and compliance activities.

# Data quality: Validation



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- Validity failures on submission:
  - Mandatory data fields must be completed;
  - Wrong combination of alpha or numeric characters;
  - Inconsistencies between data in different fields.
- For example:
  - Commodity code – must be 8 digits;
  - Weight (kg) – must not exceed 500m;
  - Value (£) – zero is not valid, must not exceed £220m;
  - Country of dispatch 2 alpha characters.



# Data quality: Credibility

- Quality assure all declared trade (EU and non-EU);
- Use credibility system:
  - Use 3 credibility checks: stat value vs net mass; stat value vs supp unit; net mass vs supp unit
  - Log-linear regression model, that plots value and quantity, creating regression line plus upper and lower confidence limit
  - Data falling outside these limits are considered outliers. The further from the confidence limits they are the greater the Magnitude of Failure and hence greater risk to data quality, so each incredible line is then 'risked'
  - This regression analysis is performed for every flow; every 8 digit code – and sometimes business or country specific; based on last 12 months of data.
  - Operational staff will check risked lines directly with traders, and correct data where appropriate
  - Information collected is fed back into the system, e.g. splitting 8 digit code, or widening parameters
- Specific targeting and monitoring of high-value, critical goods, e.g. oil, gold, motor cars.
- Statistical & Analytical expertise
  - Macro-level quality assurance;
  - Trade challenges and other post-compilation quality work.



# Publishing our data: Statistical releases (1)



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- **The Overseas Trade in Goods Statistics (OTS):**

- UK trade with other countries;
- Flow (import/export), Value, Product (8-digit commodity code – 9,000 products), Partner Country (over 230);
- Monthly release.

- **Regional Trade in Goods Statistics (RTS):**

- International trade by the devolved countries and the 9 UK Government Office regions;
- Value, Product (2-digit), Number of businesses, Partner Country;
- Quarterly release;
- Allocation methodology: merges our data with ONS' Interdepartmental Business Register; allocate trade to a region based on the employee distribution of the business.



- **Regional Trade in Goods Statistics disaggregated by smaller geographical areas:**

- New publication, released in March;
- Based on RTS methodology, to lower level of geography;
- Responding to requests from growth hubs, city networks;
- Balance between publishing useful data and protecting confidentiality is key consideration;



# Publishing our data: Statistical releases (2)



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- **Trade in Goods by Business Characteristics:**

- How many people are employed by businesses engaged in international trade in goods? What share of exports/imports is carried out by particular industry groups? How many new businesses involved in international trade in goods are trading with specific partner countries?
- Annual publication (November).

- **VAT registered importers and exporters:**

- Number of VAT registered businesses involved in international trade
- Annual publication (September).

- **Trade Asymmetries:**

- Differences between the published trade statistics of the reporting country and its partner countries;
- Growing interest in asymmetries, ONS has published a number of papers on the subject particular on trade in services; whilst we've expanded analysis presented on asymmetries with Member States (November), and currently working on report for Rest of World (May).


- **Currency of Invoicing:**

- Non-EU trade only: currencies used on import and export invoices
- Annual publication (April).

# Publishing our data: UKtradeinfo



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uktradeinfo

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WELCOME TO UKTRADEINFO

This web site is managed by HM Revenue & Customs (HMRC) Trade Statistics unit, and operates alongside the main HMRC website for the purpose of publishing and hosting UK trade statistics data.

These statistics record the movement - for trade purposes - of goods between the UK and both EU and non-EU countries.

They are collected from the EU-wide Intrastat survey and from Customs import and export entries, both administered by HMRC.











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<a href="#">Overseas Trade Statistics - Non EU</a>	Jul 2013	06 Sep 2013	 	<a href="#">View</a>
<a href="#">Regional Trade Statistics</a>	Quarter 2-2013	05 Sep 2013	 	<a href="#">View</a>
<a href="#">Alcohol Duty</a>	Aug 2013	30 Sep 2013	 	<a href="#">View</a>
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UK WORLD TRADE DATA

UK World Trade Data (July, 2013)

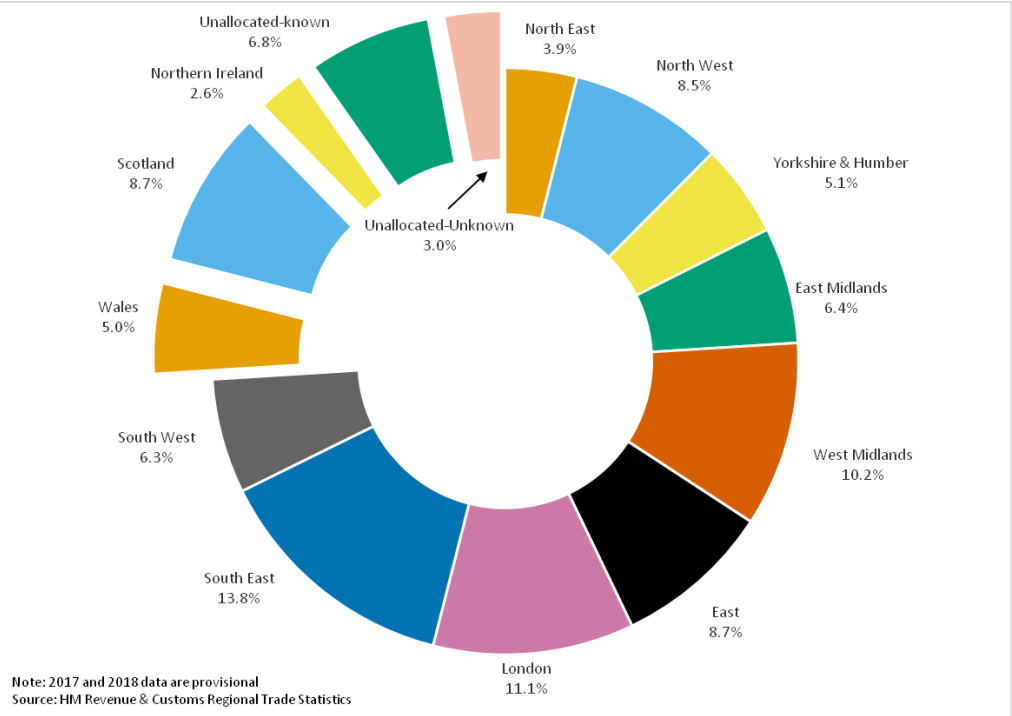
- Statistical commentary reports, associated (static) data tables and infographics.
- Interactive data tables:
  - Enables users to self-serve;
  - Build bespoke tables, by products and country;
  - Suppressions automatically applied.
- Importers and Exporters Details:
  - Names and addresses of businesses that import and export goods outside the EU;
  - Search facility by location and products.
- Methodology documents and user guides.

# Regional Trade in Goods Statistics

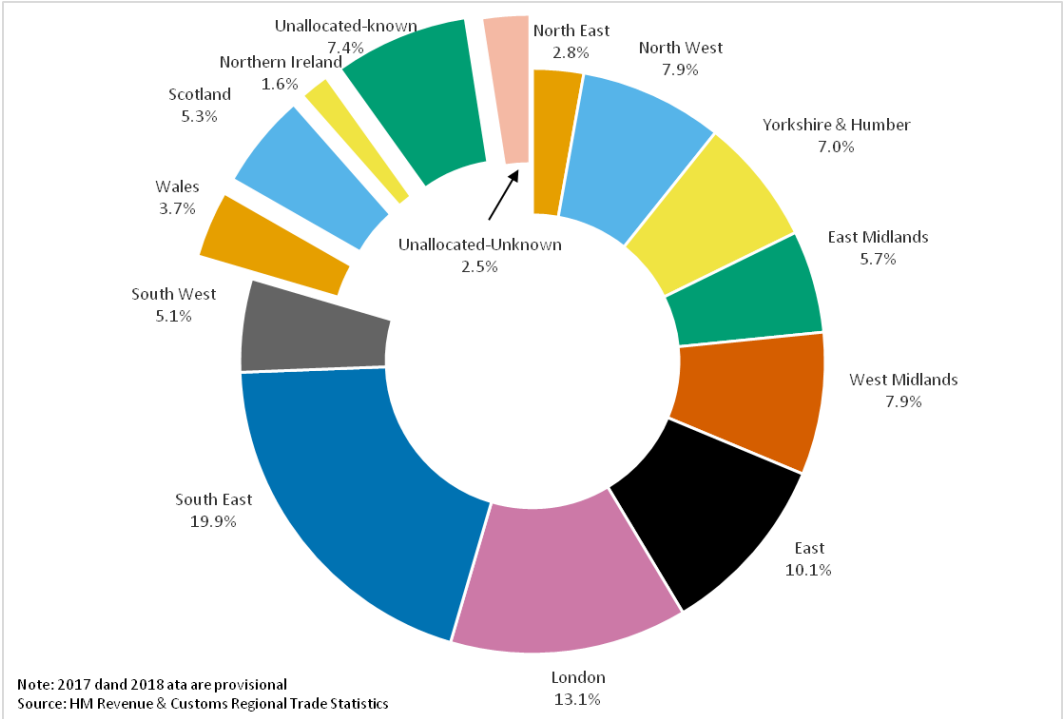


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UK exports by country/region, year ending Q1 2018,  
% by value



UK imports by country/region, year ending Q1 2018,  
% by value



# Regional Trade in Goods Statistics: West Midlands



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Regional Trade Statistics, HMRC

2018 Q1  
Issued 07 June 2018

Table 5: SITC Section and Country Group Analysis<sup>1</sup>

## West Midlands

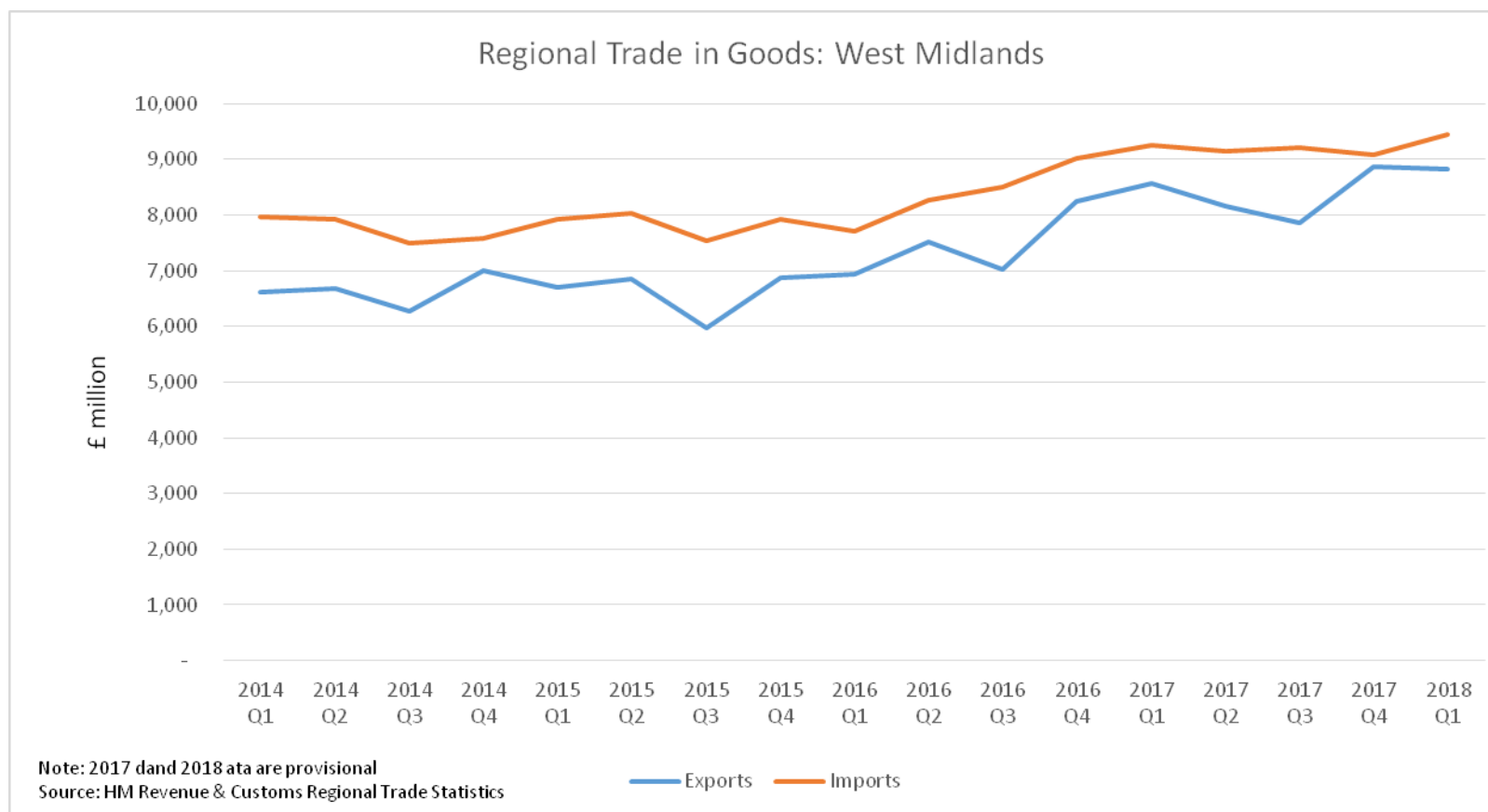
Figures in £ million	2015 Q1				2015				2016				Provisional Data - subject to update				2017				2018			
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2015	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018	2018 Q1	2018 Q2	2018 Q3	2018 Q4
<b>Exports by SITC Section</b>																								
0 Food and Live Animals	136	135	130	140	541	137	142	150	166	595	159	168	167	183	677	181	-	-	-	-	181	-	-	-
1 Beverages and Tobacco	17	20	20	17	74	14	19	19	17	68	16	16	17	15	65	14	-	-	-	-	14	-	-	-
2 Crude Materials	134	151	131	119	536	126	152	160	174	612	177	187	195	197	755	193	-	-	-	-	193	-	-	-
3 Mineral Fuels	88	70	79	82	320	64	80	84	103	331	112	92	115	104	423	94	-	-	-	-	94	-	-	-
4 Animal and Vegetable Oils	8	8	11	7	34	8	7	8	10	33	12	8	7	10	37	13	-	-	-	-	13	-	-	-
5 Chemicals	295	297	276	293	1,162	327	343	342	367	1,380	407	419	440	409	1,675	426	-	-	-	-	426	-	-	-
6 Manufactured Goods	742	743	669	647	2,801	691	713	707	761	2,872	791	808	787	810	3,196	829	-	-	-	-	829	-	-	-
7 Machinery and Transport	4,630	4,743	4,017	4,878	18,318	4,929	5,406	4,887	5,875	21,097	6,156	5,785	5,437	6,401	23,779	6,396	-	-	-	-	6,396	-	-	-
8 Miscellaneous Manufactures	503	645	616	660	2,505	623	635	650	741	2,648	707	657	668	728	2,759	668	-	-	-	-	668	-	-	-
9 Other commodities not	23	29	24	33	110	22	22	23	28	96	29	23	18	19	89	20	-	-	-	-	20	-	-	-
<b>Total Exports</b>	<b>6,705</b>	<b>6,843</b>	<b>5,974</b>	<b>6,877</b>	<b>26,400</b>	<b>6,943</b>	<b>7,519</b>	<b>7,031</b>	<b>8,241</b>	<b>29,733</b>	<b>8,565</b>	<b>8,163</b>	<b>7,852</b>	<b>8,876</b>	<b>33,455</b>	<b>8,834</b>	-	-	-	-	<b>8,834</b>	-	-	-
<b>Imports by SITC Section</b>																								
0 Food and Live Animals	582	599	591	594	2,365	592	615	651	733	2,591	688	714	686	731	2,819	705	-	-	-	-	705	-	-	-
1 Beverages and Tobacco	36	45	50	62	193	43	54	57	72	226	47	60	60	63	229	43	-	-	-	-	43	-	-	-
2 Crude Materials	144	167	118	125	554	128	139	142	131	542	177	176	151	136	639	145	-	-	-	-	145	-	-	-
3 Mineral Fuels	680	813	572	518	2,593	231	238	288	245	1,001	290	228	229	257	1,004	204	-	-	-	-	204	-	-	-
4 Animal and Vegetable Oils	23	25	26	30	104	27	29	31	27	113	34	42	45	37	158	30	-	-	-	-	30	-	-	-
5 Chemicals	471	484	507	485	1,947	507	530	547	551	2,135	588	601	592	562	2,342	596	-	-	-	-	596	-	-	-
6 Manufactured Goods	1,489	1,439	1,426	1,417	5,771	1,504	1,577	1,756	1,751	6,588	1,900	1,950	1,918	1,863	7,631	1,925	-	-	-	-	1,925	-	-	-
7 Machinery and Transport	3,282	3,274	3,028	3,401	12,985	3,453	3,771	3,661	4,053	14,939	4,065	3,942	3,994	3,890	15,892	4,347	-	-	-	-	4,347	-	-	-
8 Miscellaneous Manufactures	1,217	1,165	1,219	1,236	4,886	1,225	1,300	1,362	1,447	5,335	1,448	1,432	1,522	1,536	5,938	1,448	-	-	-	-	1,448	-	-	-
9 Other commodities not	7	24	9	7	47	7	8	9	12	36	10	9	7	7	32	5	-	-	-	-	5	-	-	-
<b>Total Imports</b>	<b>7,932</b>	<b>8,033</b>	<b>7,546</b>	<b>7,924</b>	<b>31,436</b>	<b>7,717</b>	<b>8,262</b>	<b>8,504</b>	<b>9,022</b>	<b>33,505</b>	<b>9,247</b>	<b>9,153</b>	<b>9,204</b>	<b>9,080</b>	<b>36,684</b>	<b>9,449</b>	-	-	-	-	<b>9,449</b>	-	-	-
<b>Figures in £ million</b>	<b>2015 Q1</b>	<b>2015 Q2</b>	<b>2015 Q3</b>	<b>2015 Q4</b>	<b>2015</b>	<b>2016 Q1</b>	<b>2016 Q2</b>	<b>2016 Q3</b>	<b>2016 Q4</b>	<b>2016</b>	<b>2017 Q1</b>	<b>2017 Q2</b>	<b>2017 Q3</b>	<b>2017 Q4</b>	<b>2017</b>	<b>2018 Q1</b>	<b>2018 Q2</b>	<b>2018 Q3</b>	<b>2018 Q4</b>	<b>2018</b>	<b>2018 Q1</b>	<b>2018 Q2</b>	<b>2018 Q3</b>	<b>2018 Q4</b>
<b>Exports by Country Group</b>																								
Africa & Oceania	1,458	1,767	1,153	1,387	5,764	1,504	1,733	1,467	1,730	6,435	1,774	1,815	1,793	2,234	7,617	1,686	-	-	-	-	1,686	-	-	-
Eastern Europe (excl EU)	112	137	127	113	490	101	119	163	161	544	209	176	155	148	687	190	-	-	-	-	190	-	-	-
European Union	2,833	2,868	2,508	2,926	11,134	3,094	3,193	3,128	3,456	12,871	3,947	3,562	3,510	3,680	14,698	3,920	-	-	-	-	3,920	-	-	-
Latin America and Caribbean	109	97	116	99	422	79	90	84	89	341	92	97	118	123	429	103	-	-	-	-	103	-	-	-
Middle East and North Africa (excl EU)	498	470	427	484	1,879	376	329	358	395	1,458	441	382	319	500	1,642	532	-	-	-	-	532	-	-	-
North America	1,352	1,169	1,223	1,507	5,352	1,436	1,677	1,503	2,005	6,620	1,675	1,730	1,516	1,747	6,668	1,994	-	-	-	-	1,994	-	-	-
Sub-Saharan Africa	129	106	122	117	474	109	106	94	117	427	120	116	115	132	483	131	-	-	-	-	131	-	-	-
Western Europe (excl EU)	214	229	198	243	884	244	272	235	287	1,038	308	286	326	312	1,231	278	-	-	-	-	278	-	-	-
Undefined Country Group	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Exports</b>	<b>6,705</b>	<b>6,843</b>	<b>5,974</b>	<b>6,877</b>	<b>26,400</b>	<b>6,943</b>	<b>7,519</b>	<b>7,031</b>	<b>8,241</b>	<b>29,733</b>	<b>8,565</b>	<b>8,163</b>	<b>7,852</b>	<b>8,876</b>	<b>33,455</b>	<b>8,834</b>	-	-	-	-	<b>8,834</b>	-	-	-
<b>Imports by Country Group</b>																								
Africa & Oceania	1,703	1,598	1,661	1,641	6,603	1,686	1,766	1,999	1,924	7,275	2,035	2,065	2,076	1,992	8,168	1,939	-	-	-	-	1,939	-	-	-
Eastern Europe (excl EU)	214	264	141	163	782	88	109	105	112	414	97	104	92	120	412	119	-	-	-	-	119	-	-	-
European Union	4,794	4,769	4,553	4,988	19,104	4,728	5,082	5,282	5,711	20,803	5,725	5,637	5,724	5,648	22,733	6,074	-	-	-	-	6,074	-	-	-
Latin America and Caribbean	120	159	136	122	538	128	147	162	127	565	128	175	115	99	516	93	-	-	-	-	93	-	-	-
Middle East and North Africa (excl EU)	168	161	134	132	594	156	167	154	160	637	182	172	163	168	684	163	-	-	-	-	163	-	-	-
North America	489	571	447	482	1,988	530	583	513	594	2,220	636	571	602	600	2,409	643	-	-	-	-	643	-	-	-
Sub-Saharan Africa	73	67	66	71	277	56	67	64	71	258	67	71	86	83	308	65	-	-	-	-	65	-	-	-
Western Europe (excl EU)	371	445	407	326	1,550	345	340	325	323	1,333	377	359	347	370	1,453	354	-	-	-	-	354	-	-	-
Undefined Country Group	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Imports</b>	<b>7,932</b>	<b>8,033</b>	<b>7,546</b>	<b>7,924</b>	<b>31,436</b>	<b>7,717</b>	<b>8,262</b>	<b>8,504</b>	<b>9,022</b>	<b>33,505</b>	<b>9,247</b>	<b>9,153</b>	<b>9,204</b>	<b>9,080</b>	<b>36,684</b>	<b>9,449</b>	-	-	-	-	<b>9,449</b>	-	-	-

### Notes:

1. The figures exclude estimates for late-response
2. From 2015, 'Undefined Country Group' is made up of Low Value Trade and Stores & Provisions
3. RTS figures exclude trade in Non-Monetary Gold



# Regional Trade in Goods Statistics: West Midlands



# Regional Trade in Goods Statistics: West Midlands



HM Revenue  
& Customs

HM Revenue  
& Customs

Regional trade in goods statistics disaggregated by smaller geographical areas - Interactive spreadsheet

## Using the drop-down lists below

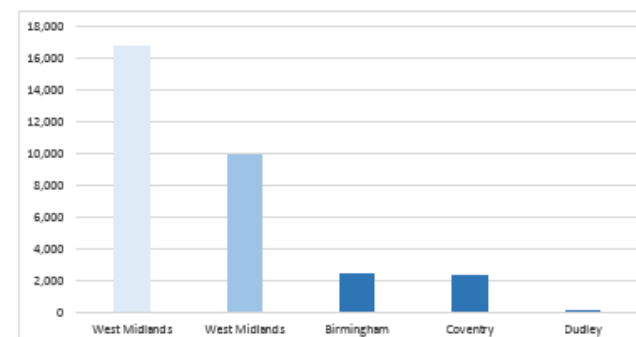
1. Select either EU or Non-EU
2. Select either imports or exports
3. Select the NUTS1 area, then the NUTS2 area, and then the NUTS 3 areas

Select EU/Non-EU	Non-EU
Select Flow	Exports
Select NUTS1 area	West Midlands
Select NUTS2 area	West Midlands
Select NUTS3 area	Birmingham
Select NUTS3 area	Coventry
Select NUTS3 area	Dudley

Total value (£ million) of Non-EU Exports in 2016 (West Midlands, West Midlands, Birmingham, Coventry, and Dudley)

		Total value (£ million)
NUTS 1 Area	West Midlands	16,862
NUTS 2 Area	West Midlands	10,001
NUTS 3 Areas	Birmingham	2,489
	Coventry	2,343
	Dudley	217

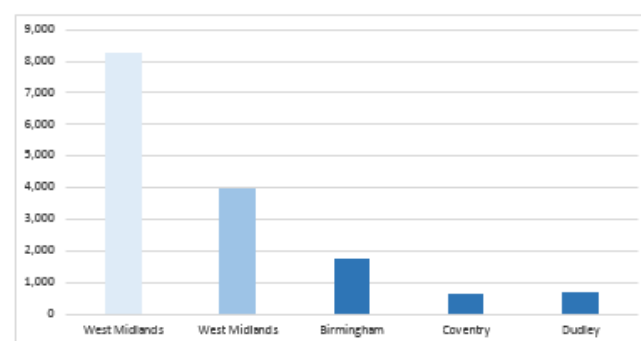
The total value of Non-EU Exports for West Midlands was £16862 million in 2016.  
The total value of Non-EU Exports for West Midlands was £10001 million in 2016.  
The total value of Non-EU Exports for Birmingham was £2489 million in 2016.  
The total value of Non-EU Exports for Coventry was £2343 million in 2016.  
The total value of Non-EU Exports for Dudley was £217 million in 2016.



Total business count of Non-EU Exports in 2016 (West Midlands, West Midlands, Birmingham, Coventry, and Dudley)

		Total business count
NUTS 1 Area	West Midlands	8,255
NUTS 2 Area	West Midlands	3,966
NUTS 3 Areas	Birmingham	1,754
	Coventry	641
	Dudley	692

The total business count of Non-EU Exporters in West Midlands was 8255 in 2016.  
The total business count of Non-EU Exporters in West Midlands was 3966 in 2016.  
The total business count of Non-EU Exporters in Birmingham was 1754 in 2016.  
The total business count of Non-EU Exporters in Coventry was 641 in 2016.  
The total business count of Non-EU Exporters in Dudley was 692 in 2016.





# Academic Update

*Dr Krish Saha, Centre for Brexit Studies*



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# Why Brexit?

- **Economics**- the EU argued that it is a dysfunctional economic entity.
- **Sovereignty**- the rise of nationalism across the world.
- **Political Elitism**- Voters thought the elite had contempt for their values—for their nationalism and interests

Source: Mauldin (2016)



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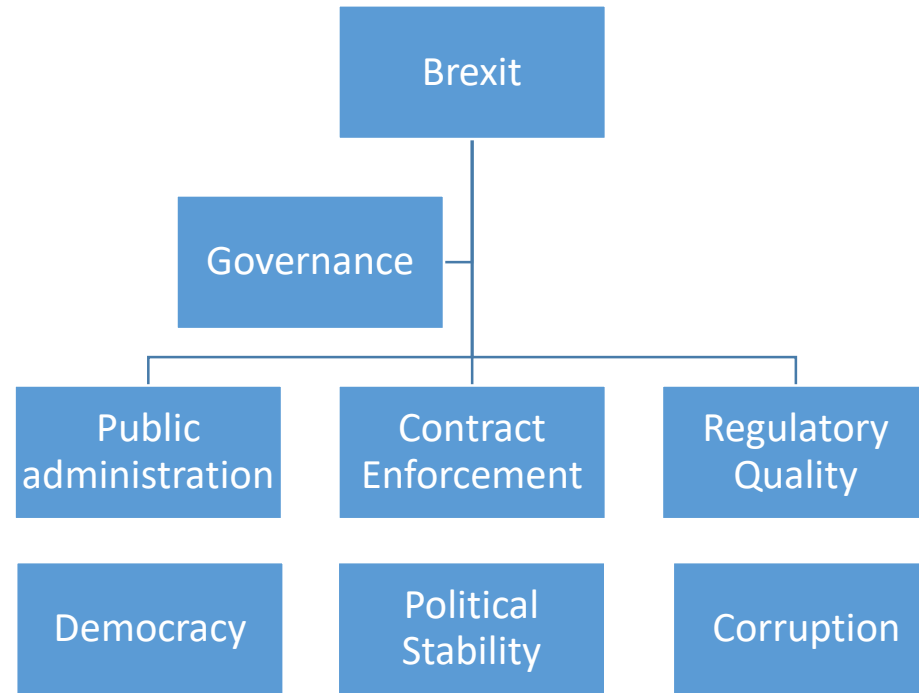
# Economics-Regulatory Burden

Stage	Duration	Characteristics	Problem	Regulatory Response
Gestation	Recognition	Recognize existence of hazard, risk or threat	Public or governmental disquiet	Initial threat definition and scoping
Childhood	Early (10-15 years)	Incomplete hazard specification; Poor exposure assessment; Issue characterization	Scientific uncertainty; Lack of clinical trials; Stigmatization	Downplay scope of hazard; Let sleeping dogs lie; Denial
Youth	Middle Stage (5-10 years)	Science underway; Early epidemiology	Issue debates; Internationalization	Spin; Venue shifting
Maturity	Mature Stage (decades)	Better science and epidemiology; Issue capture	Stakeholder/ Media links; Popular frame agreements	Bilateral negotiations; Routinization
Old Age	-----	Industry capture of regulatory regime	Regulatory agency is no longer relevant	Fight for status quo

Source: Newman and Howlett (2014)



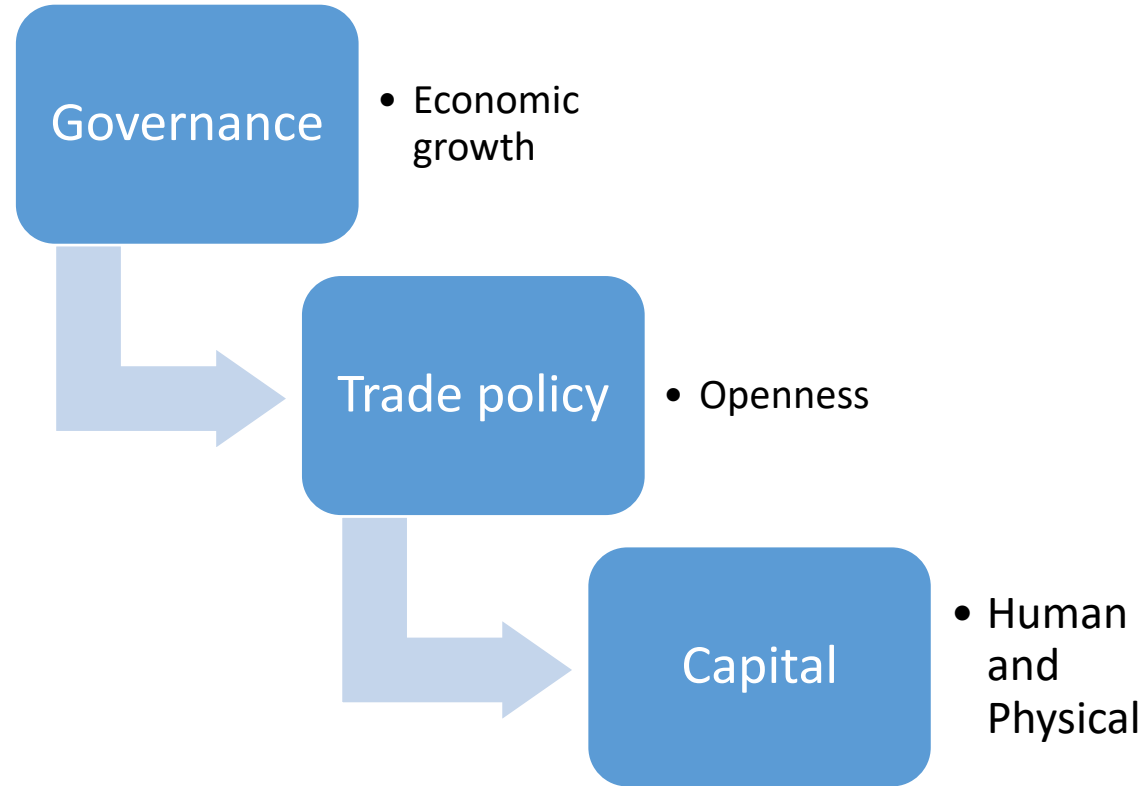
# Impact on Governance



Source: Saha(2018)



# Comparative Advantage



Source: Saha(2018)



# Business Impact

- Cost of manufacturing/ service
- Quality (product and process), and
- Lead time

Source: Saha(2018)



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# Business Impact



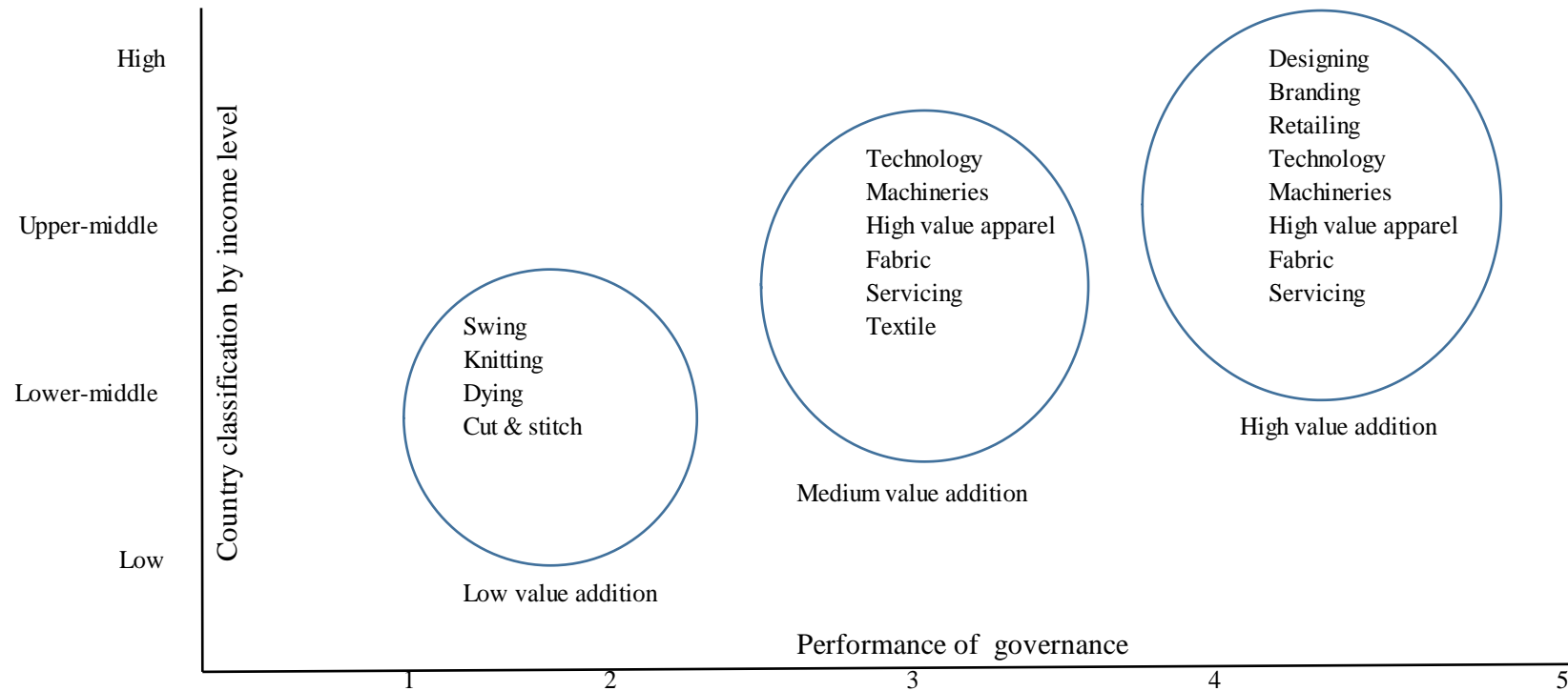
Source: Saha(2018)





# Evidence: Textile and Clothing

## Value Addition according to Income and Governance Performance Levels



Performance of governance in a range between 0 (poor) and 5 (good).

Source: Saha(2018)



# Evidence: Textile and Clothing

## Estimated Cost of Manufacturing

Direct Cost	Amount (US\$)	Average (%)
Fabric	1.65	30
Trimming accessories	0.55	10
Factory worker	1.10	20
Creative staff	0.55	10
Administrative Staff	0.94	17
Overheads	0.17	3
Total Direct Cost	4.95	90
<b>Indirect Cost</b>	<b>0.55</b>	<b>10</b>
Total Cost of Manufacturing	5.50	100

Source: Saha(2018)



# Coping Strategy

- Direct impact on business can be subtle.
- Predictability can minimise impact of the Brexit.
- Invest in human and physical capital to stay relevant with fast-moving technologies and high skill requirements.
- Experience in operating in a post-Brexit environment is advantageous in expanding into countries that are poorly governed but commercially lucrative (e.g. Developing Africa, Asia, Latin America and CIS).

Source: Saha(2018)



# Reference

- Mauldin, J. (2016) 3 Reasons Brits Voted For Brexit. Forbes. Available from: <https://www.forbes.com/sites/johnmauldin/2016/07/05/3-reasons-brits-voted-for-brexit/#33c74f2b1f9d>
- Newman, J. and Howlett, M. (2014) Regulation and time: temporal patterns in regulatory development. *International Review of Administrative Sciences*, 80(3), pp.493-511.
- Saha, K. (2018) Governance and Trade: A Mixed-Method Analysis of Governance Impact on Bangladeshi Apparel Trade Performance. PhD Thesis. Birmingham City University.

