# Short-changing Britain with shoddy analysis

**Blog post by Chief Economist Gregor Irwin, 03 January 2017**

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Campaign group Change Britain has published flawed and incomplete analysis suggesting the UK will gain £24bn a year, or £450mn each week, if the UK government pursues a 'clean Brexit' and leaves the single market and customs union.

There are three components of the headline figure. One is a £10.4bn net saving from the UK's budget contribution to the EU. This ignores the £1.4bn paid directly to non-public sector organisations, such as British universities, and £0.8bn of payments to the EU that count as development assistance, which the UK remains committed to. Change Britain also implicitly assumes the UK's net contribution as a member of the EEA would be no lower than its current net contribution as a member of the EU. This is doubtful, particularly as Change Britain notes Norway's net contribution per capita (€107) is well below the UK's at present (€139).

A second, more modest component, is £1.2bn from scrapping EU regulations, based on impact assessments produced by the UK government. These monetise the annual costs and benefits from individual regulations, which is inevitably difficult. Change Britain correctly notes that not all regulations can be scrapped as some are based on international agreements or fit the government's political priorities. A closer look at the number suggests Change Britain has missed a trick, as they could reasonably have argued the UK government could pick and choose between other regulations, allowing the UK to retain those with a net benefit, which in total adds-up to £0.6bn. But there are also some very awkward quirks to the analysis. Scrapping just one regulation – the Data Protection Act 1998 – alone accounts for over £1bn of the net gain. But this is unlikely to be a priority for Brexit Secretary David Davis, who is a longstanding champion of data protection.

The third and largest component is £12.3bn from new trade deals. This is wildly off the mark. It includes £5.1bn for free trade agreements with Korea and Canada despite the EU already having FTAs with each, which the UK must renegotiate after Brexit. It also includes £1.9bn from a deal with India, which won't happen any time soon, as should be clear to anyone who followed Prime Minister May's visit to India last year. In any case, these figures are for increased exports, which does not translate directly into higher GDP.

If the UK leaves the customs union, the immediate priority would be to normalise the relationship with the WTO, which requires all WTO members to agree to the UK's schedule of preferences for trading on most-favoured nation terms. This may not be easy. The UK must then negotiate agreements to replace trade deals agreed by the EU that would no longer apply to the UK, such as with Korea. This means the British trade policy will take a step backwards before there is any prospect of a step forwards.

And then there are the omissions. The most glaring is the impact on EU trade. The paper assumes goods trade will be tariff free. This may prove correct, but it cannot be taken for granted. More importantly, the paper ignores the impact of non-tariff and regulatory barriers on trade, which are a major issue for many sectors, but especially for services. That is careless given the UK exported £22.4bn in financial services alone to the EU in 2015.