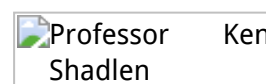


## Market Access and the EU Referendum

### In light of the upcoming EU Referendum Professor Ken Shadlen sheds some light on the implications for Britain's trade.

I've read and heard lots of discussions about the referendum and implications for Britain's trade, most of it misleading and incorrect. Let me try to simplify (it sounds more confusing than it is):



Professor Ken Shadlen

1. On any given product, countries have two tariffs, one they apply to all members of the World Trade Organization (this is the "MFN" tariff) and one they apply to partners in trade agreements (this is the "preferential" tariff). Preferential tariffs are always, by definition, lower than MFN tariffs
2. If Britain is part of the EU, then exports from Britain enter all the EU countries under the EU's preferential tariff (zero percent)
3. If Britain is not part of the EU, then the EU is not allowed to use the preferential tariff for British exports; the EU must, under WTO rules, subject British exports to the MFN tariff (different from product to product, but almost always greater than zero percent)
4. One way for the EU to be able to continue to treat British exports with a zero tariff if Britain leaves the EU is for the EU to lower its MFN tariff to zero. The EU is unlikely to do this just for the sake of Britain, as the new MFN tariff would apply not just to British exports but to exports from all countries that are in the WTO
5. The other way for the EU to be able to continue to treat British exports with a zero tariff if Britain leaves the EU (there are only two ways), is for the EU and Britain to negotiate a new trade agreement. It's this second way that's being proposed: the UK will leave the EU and then negotiate a new agreement to re-obtain the preferential access it now has as a member of the EU
6. Will Britain, outside the EU, be able to get the same market access it has now? Britain, as a non-member, certainly will not be able to get better market access than it has now, as an EU member; it is a question of how close to equivalent (i.e. how much worse) market access Britain can obtain via negotiations of a new trade agreement. On market access terms, the outcome can only be worse than the status quo; the question is how much worse
7. On what terms will Britain negotiate the new agreement? What concessions will Britain have to make in order to re-obtain close to the same (or perhaps even the same) market access?
8. Even if Britain can obtain market access that is equivalent to what it has now (believable), and even if Britain can get this without making onerous concessions (less believable), that won't happen overnight. Negotiations have to take place, agreements need to be ratified, domestic laws need to be altered, and so on. For at least some period of time (a year, two years, five years, ten years...?) Britain will have worse access to the EU than it does now
9. Roughly 40-50 percent of Britain's exports go to the EU
10. Market access is hardly the only thing in the world that matters, and the EU is not the only market that matters, but on this issue the effects are clear. Anyone saying that Britain's access to EU markets won't be worse after an exit is misinformed or misleading

In this entry I've not written anything about Britain's access to other markets outside the EU (for countries that have preferential trade agreements with the EU, pretty much all of the above will apply there; for countries that are members of the WTO but don't have trade agreements with the

EU, nothing changes on account of Britain leaving the EU). Nor have I addressed Britain's own tariffs, once outside of the EU.

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For more information on the EU Referendum please see the [LSE Brexit blog](#)

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