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THE BREXIT IMPACT STUDY: FIVE TAKEAWAYS FROM FLANDERS

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The Flanders Department of Foreign Affairs (FDFA) supports research by prof Hylke Vandenbussche (KU LEUVEN university, Faculty of Economics) on the impact of Brexit. The United Kingdom and Flanders have always maintained close bilateral ties, not in the least on the economic side. Unfortunately, Brexit will have a detrimental impact on that close cooperation. The Flemish economy depends to a great extent on trade with the UK. In 2018, we exported for € 27,07 billion in goods to the UK. Within Belgium, **Flanders represents 86% of the total Belgian exports to the UK.**

The department ordered two separate studies. The first is focusing on the impact of Brexit on economic sectors within the EU members states. The second will dig deeper into the impact for Belgian regions (Flanders, Wallonia and Brussels) and Belgian provinces. The results of the first study are now available. The second study will be published after the summer break.

The main messages FDFA retains from the first study are the following:

1. **A no deal brexit does not create an East-West divide in terms of overall economic loss. Many member states face specific sectoral challenges.** The study highlights that not only those member states closest to the UK like Belgium will face a high economic cost. By considering direct and indirect trade flows Professor Vandenbussche clearly demonstrates that in relative terms also Portugal, Denmark, Sweden, Poland, Czech Republic, Hungary, Cyprus and Malta will be seriously affected. Moreover, for some member states a hard brexit would create a devastating impact on sectors such as textiles (e.g. Italy), food & beverages (e.g. Spain), agriculture and livestock farming (e.g. Romania) and metals (e.g. Slovakia).

2. **European supply chains will be severely damaged and may come to a halt at the UK border without a soft brexit in place**. The study confirms that there is a significant difference in economic impact between a soft and a hard brexit. Membership of the EU Single Market and Customs Union has fostered economic growth and strengthened EU & UK businesses on the world stage. Only a soft brexit can minimize supply chain disruption to a key market like the UK.

3. **Union problems require Union solutions. Given the depth of sectoral job losses across Europe, European solidarity needs to play its role.** The Union budget should be mobilised in case of a no deal. Not only the existing programmes and instruments of the current budget should be used to protect the most adversely impacted sectors, but also the future MFF should be Brexit proof. Since this is in the interest of all Member States, the most visible way to do this is to provide **a dedicated Brexit Adjustment Fund under the future MFF.**

4. **There is no such thing as a perfectly "managed" no deal brexit. This is the case for the EU, but even more so for the UK.** Losing more than 500,000 jobs in vital sectors like automotive, machines, agriculture, food and financial services will have a serious socio-economic impact in the UK. The EU internal market cannot simply be replaced by signing trade deals with other third partners as global value chains increasingly evolve around regional hubs.

5. **North Sea Ports are especially indispensable for maintaining smooth supply chains between the UK and the European continent.** Any trade barriers at the ports of Zeebrugge, Antwerp, Rotterdam and Calais will have substantial knock-on effects for each further link in the supply chain. The EU has a clear interest in preserving the vital role of these ports whatever the future may hold.

Further information:

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