

20. februar 2020



## SÅ KOM BREXIT – HVAD BETYDER DET FOR DANMARK?

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Axcelfuture morgenmøde



**Joachim Sperling**

*CEO, Axcelfuture*

# BREXIT TIME-LINE (EXPECTED)



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*“Brexit is more exciting than Netflix”*  
Dominic Schroeder

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# AGENDA

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7.45-8.15 Arrival, coffee and breakfast

8.15-8.20 Welcome by CEO of Axcelfuture **Joachim Sperling**

8.20-8.30 **Trade relations between Denmark and the UK**  
- **Jens Hjarsbech**, Senior Economist at Axcelfuture

8.30-9.00 **Political aspects of Brexit**  
- The final steps towards Brexit as seen from Britain – **Dominic Schroeder**, British ambassador to Denmark  
- The final steps towards Brexit as seen from Denmark and EU – **Claus Grube**, previous Danish ambassador to Britain and EU

9:00-9.30 **The economic aspects of Brexit**  
- Economic impacts of Brexit - **Eva Rytter Sunesen**, Partner at Implement Economics  
- Effects on Danish agriculture – **Frank Øland**, Chief Economist at Landbrug & Fødevarer

9.30-10.00 **Debate**

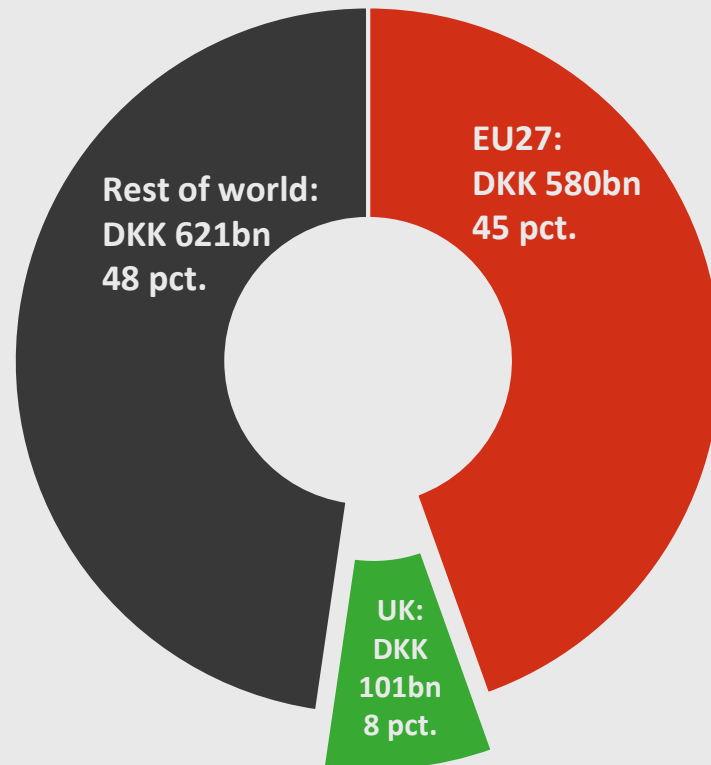


**Jens Hjarsbech**

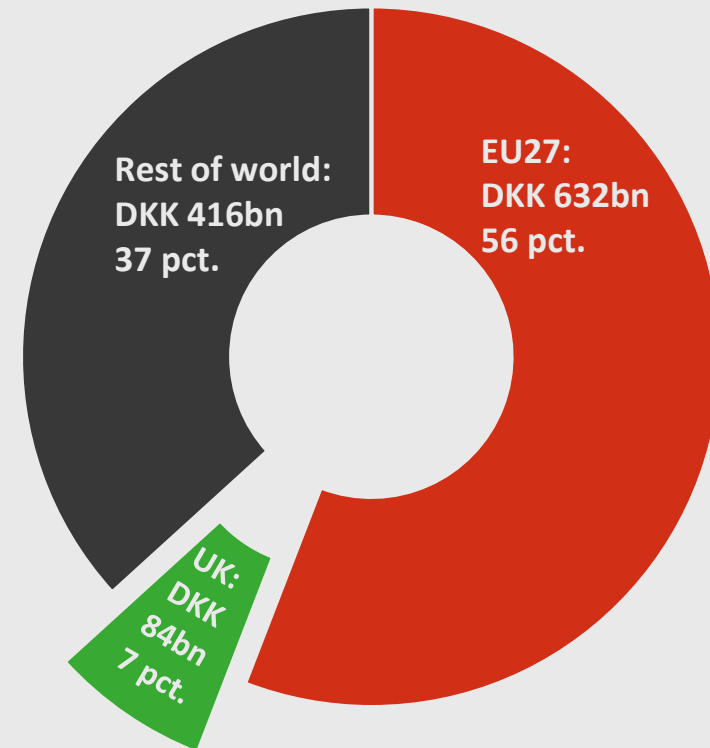
*Senior Economist, Axcelfuture*

# CLOSE TO 10 PCT. OF DANISH TRADE IS WITH THE UK

## We export 101bn DKK to the UK

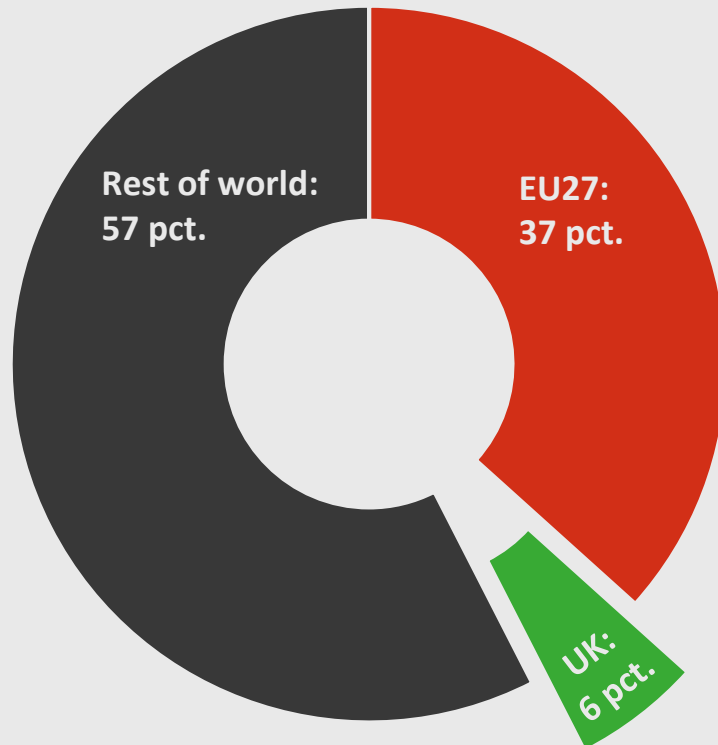


## We import 84bn DKK from the UK

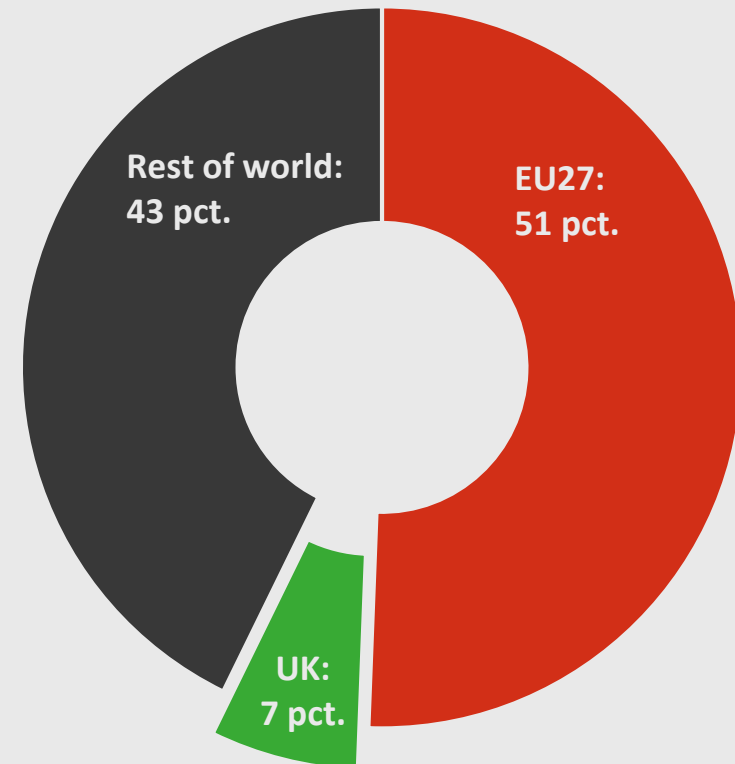


- WHERE DOES DANISH VALUE ADDED END UP?
- WHERE DO OUR IMPORTS REALLY COME FROM?

**Final destination of Danish value added exports**



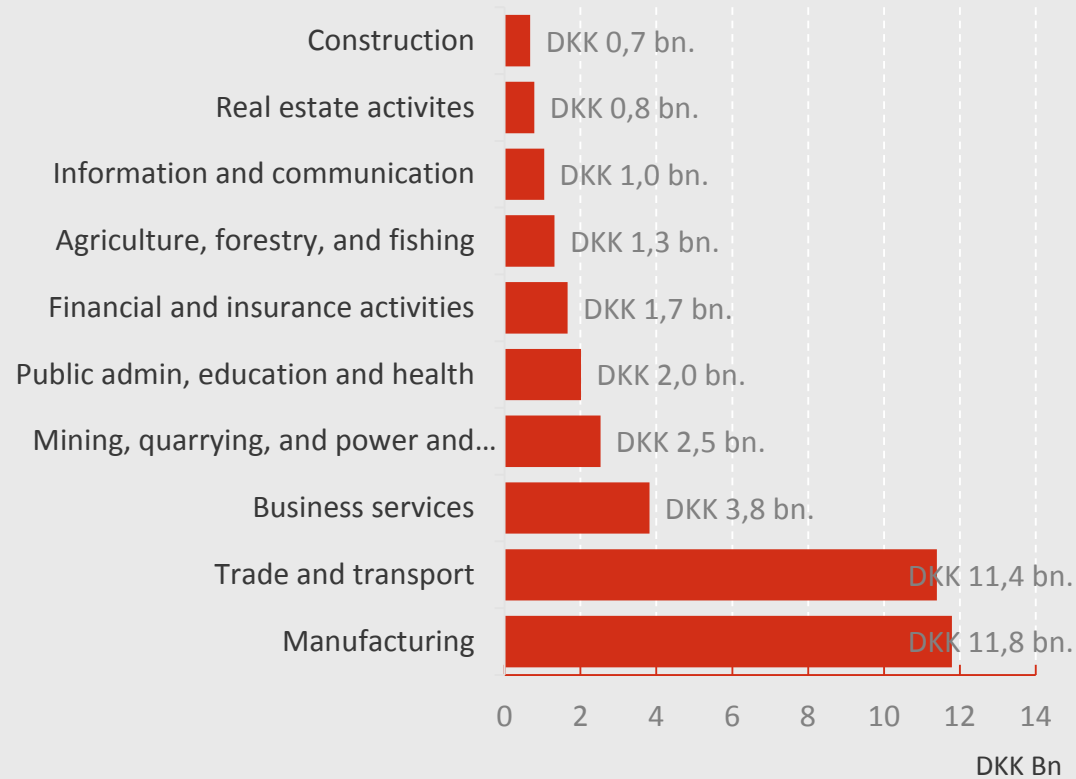
**Origins of imported final Danish consumption**



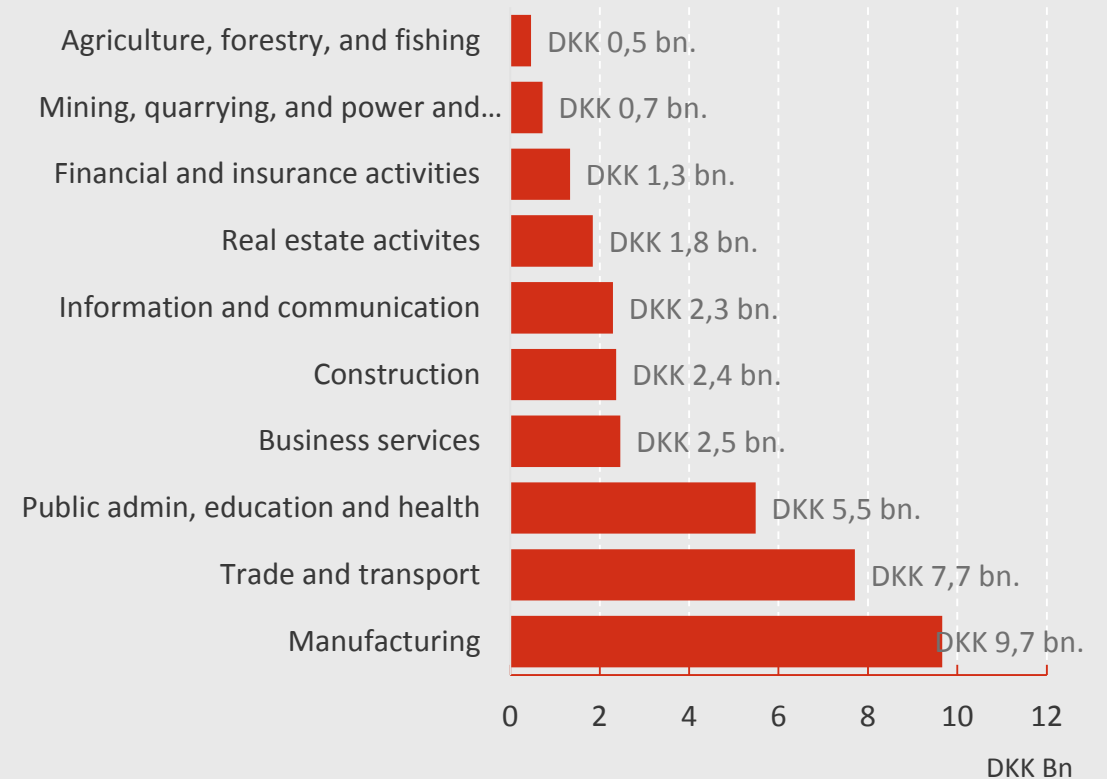


# WE TRADE TRANSPORT SERVICES AND MANUFACTURING PRODUCTS

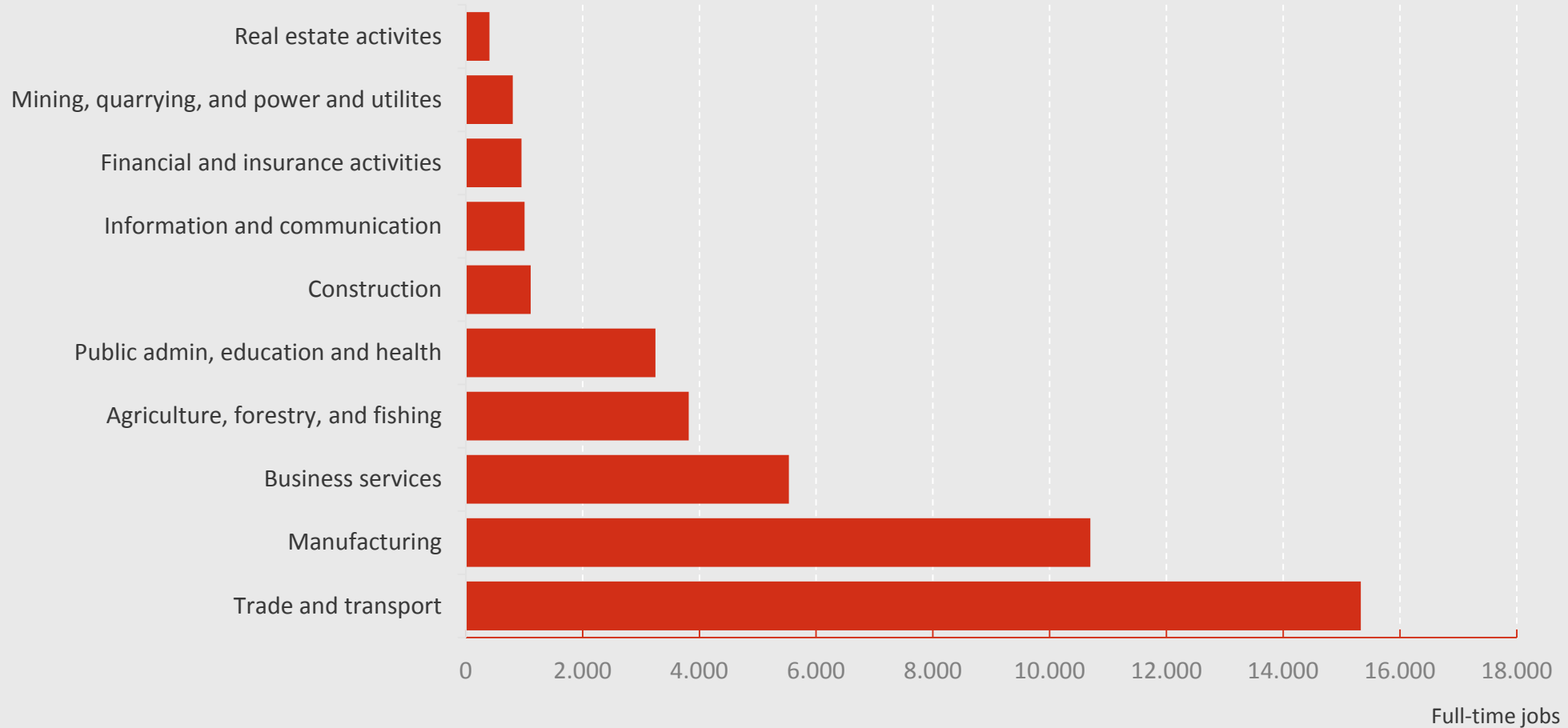
## Danish value added exports to the UK



## UK value added in Danish imports

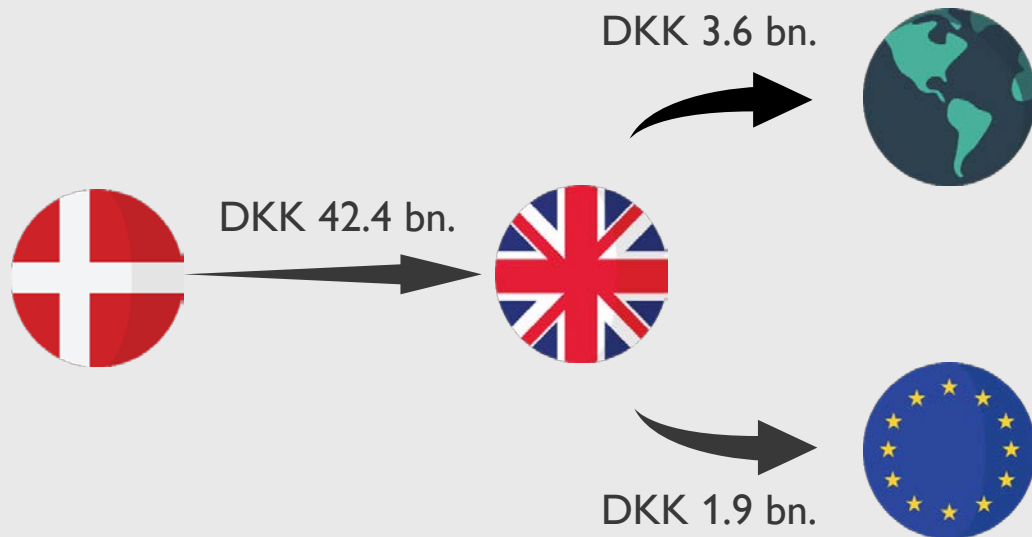


# 43.000 DANISH JOBS INVOLVED IN EXPORTS TO THE UK

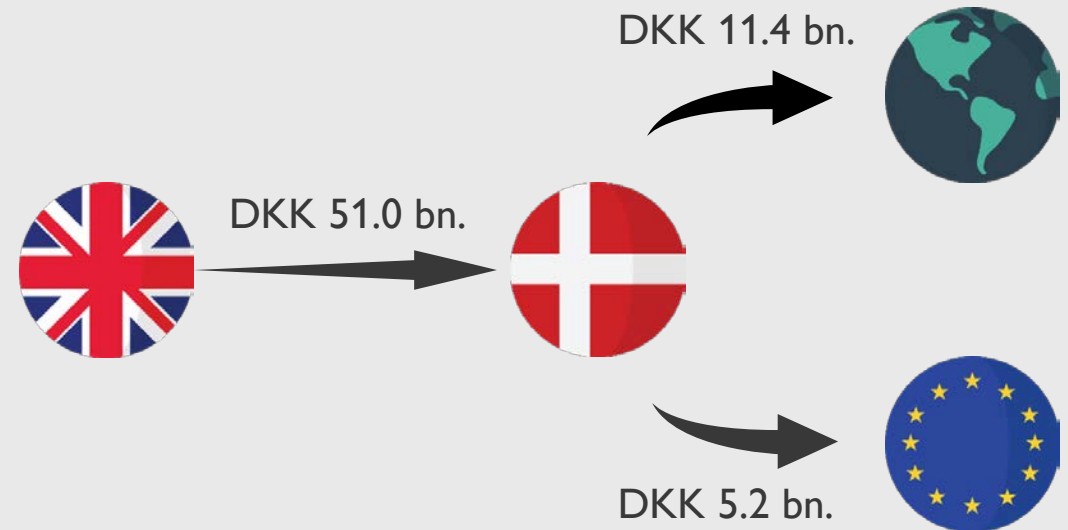


# DK, UK ACT AS TRADE HUBS – ALSO POST-BREXIT?

## Danish value added going through the UK

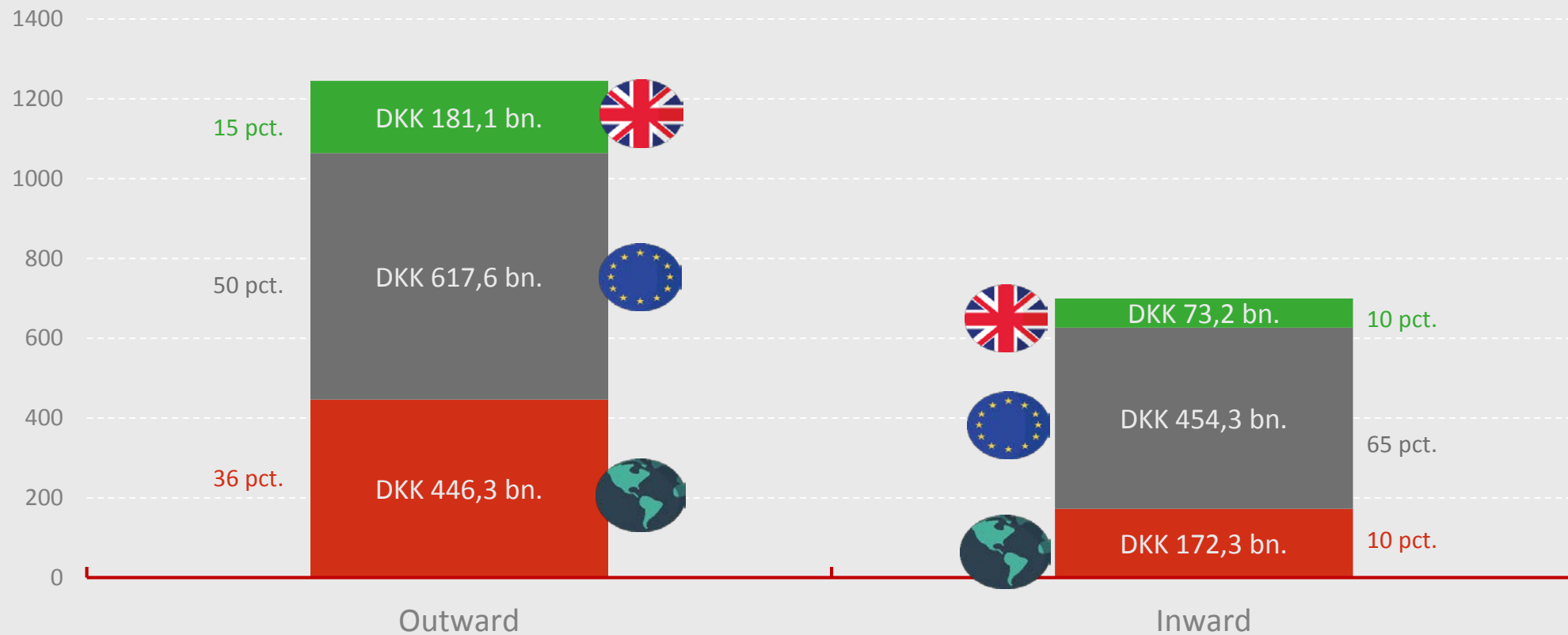


## UK value added going through Denmark



# DANISH COMPANIES INVEST MORE IN THE UK THAN VICE VERSA

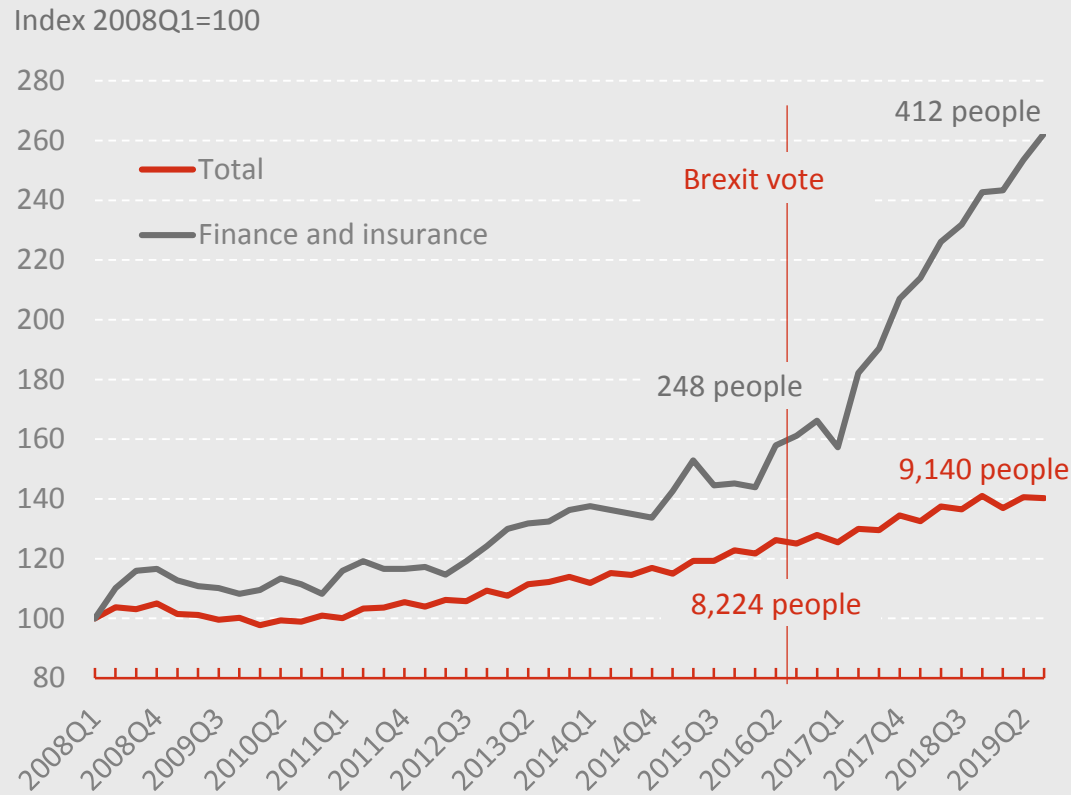
Stock of Danish direct investments in 2018, DKK bill.



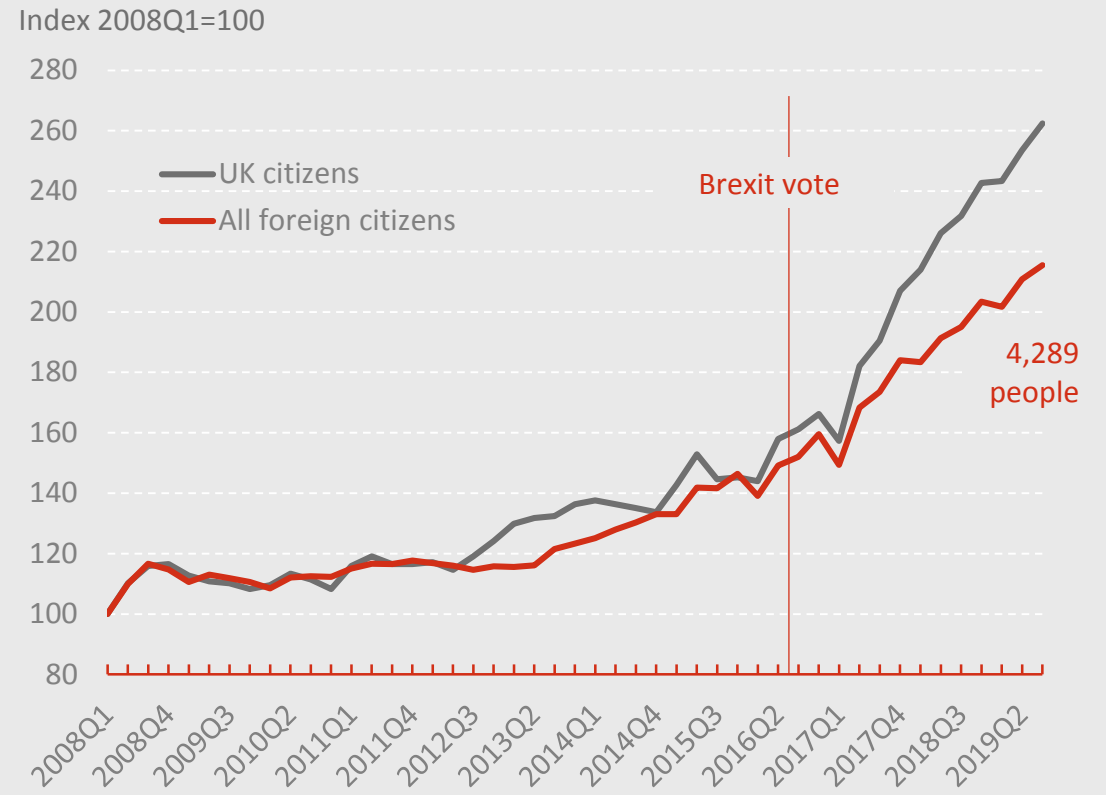
Source: Nationalbanken and own calculations

# UK BANKERS ARE MOVING TO DENMARK

## UK citizens employed full-time in Denmark



## Foreign citizens in finance and insurance



Source: jobindsats.dk and own calculations



## Dominic Schroeder

*British Ambassador to Denmark*



## Claus Grube

*Former Danish Ambassador to the UK  
and EU*

# BREXIT – A never ending story





# Direction of Phase 2

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- Sounds like UK Govt wants hard Brexit. Not no deal, but minimal one.
- Intention to have the right to diverge and ability to compete with EU. Wants to move as far away from EU, as economy allows.
- EU starting point as close as possible association to limit economic price to pay. If only limited FTA, UK will have to ask for it.
- Balance of rights and obligations. The closer aligned the deeper market access and vica-versa. Not about tariffs, but standards.
- UK objection less to an LPF per se than to an EU LPF. UK may end up sticking close to EU standards/regimes but saying they are their own.
- In any case, trade friction in both customs, conformity testing and equivalence procedures. Will hamper competitiveness.

# Timing

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- Clear intention to complete some sort of phase 2 deal by end 2020.
- Extension of A 50 has to be decided by end June. UK will not be ready to shift by then. Also EU no longer want extension. No legal basis to prolong transition after 1.7.20
- Process to be established. More complicated on both sides than Phase 1. A first: Negotiating to rise barriers, not dismantle them.
- Expect little progress before summer. Scramble in September. Need deal in Oct/Nov to get ratified by Dec.
- Interim implementation possible, but only in Community areas. Rest no-deal unilateral regulation or WTO rules until agreement(s) in place.

# What deal?

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- By end 2020 only a thin deal. FTA covering goods and other issues under community competence. Only limited services, rest WTO.
- Side agreements on fish, aviation, civil nuclear, pharma etc.
- Preconditions deal breakers: LPF/mutual recognition
- Potential stumbling blocks: structure, fish and Gibraltar
- Differences can be overcome, but question of political will and trust.
- UK EU relationship will not reach steady state. It will be an ongoing negotiation in a Phase 3 to come. Still risk of no deal by end of 2020.

# Implications for EU

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- Some may be pleased to see UK go, but damaging for EU. EU should not turn a blind eye to the significance of Brexit. Keep UK close.
- Reshaping EU? Political balance tips against frugal north. France and Germany. EU needs new energy and leadership.
- What policy orientation? Climate, Digitization, Migration, Competitiveness. Industrial strategy. Trade. Security and Defence.
- Economic performance still problematic both in EU and UK.
- Can EU rise to the geopolitical and geo-economic challenge? China and America. Strategic autonomy possible and what does it mean?

# International implications

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- UK international position will depend on credibility and success at home. Economic performance . Inclusiveness of divided society.
- Early days. Global Britain and EU's geo-political ambitions so far ill-defined. What will we respectively stand for? What ambition? Priorities. Relationships. Leverage. Multilateral or bilateral?
- UK are a European democracy. But its familiar foreign policy pillars are now in question. EU/US/NATO. And EU's future too.
- The wider context: two issues will define the next decade: US China relationship and climate/sustainability.
- Evidence so far suggests that UK will often align with other Europeans because our world view, interests and capabilities are similar.



Eva Rytter Sunesen

*Partner, Implement Economics*

# ECONOMIC IMPACTS OF BREXIT



# AGENDA

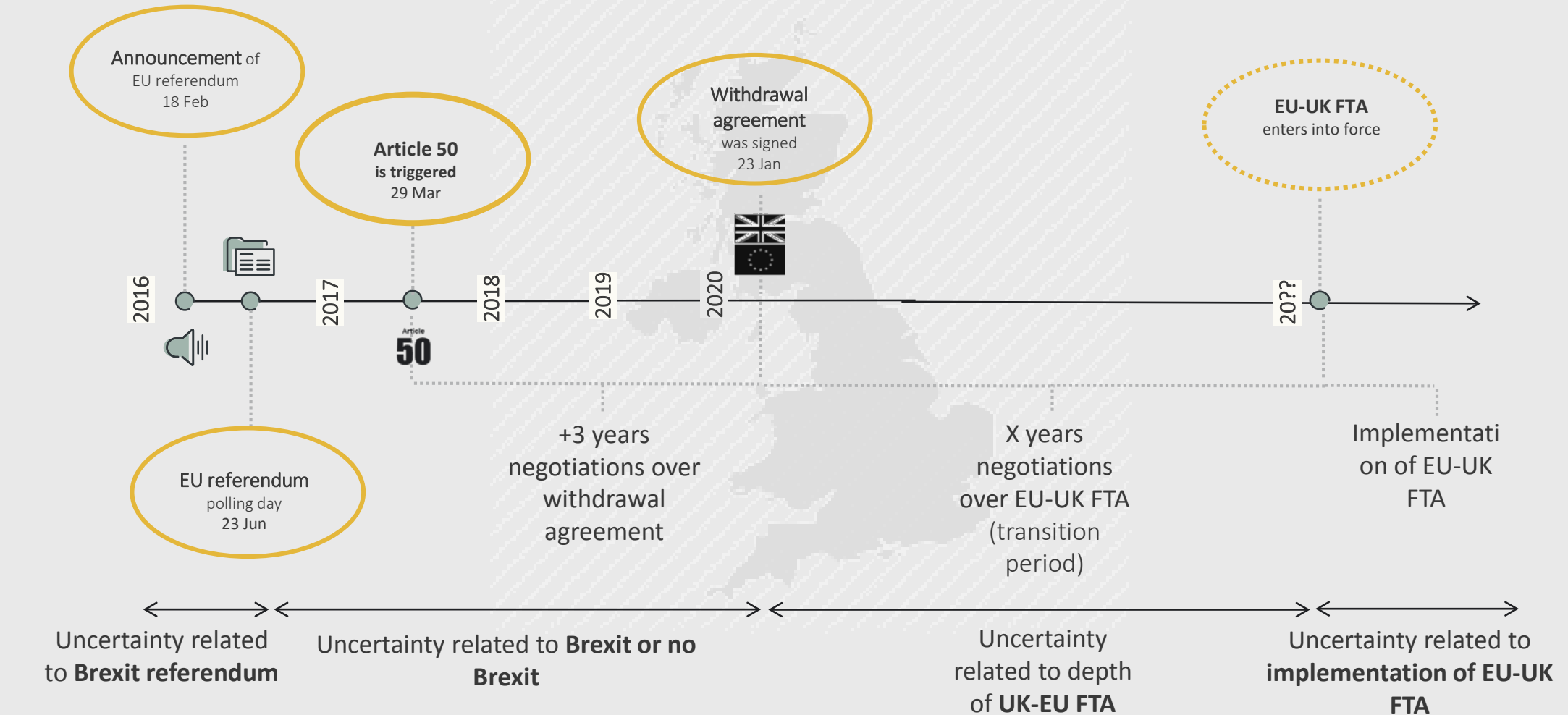


**The UK has left the EU**  
The Withdrawal Agreement sets out the terms of the UK's withdrawal from the EU and the transition period until **31 December 2020**.

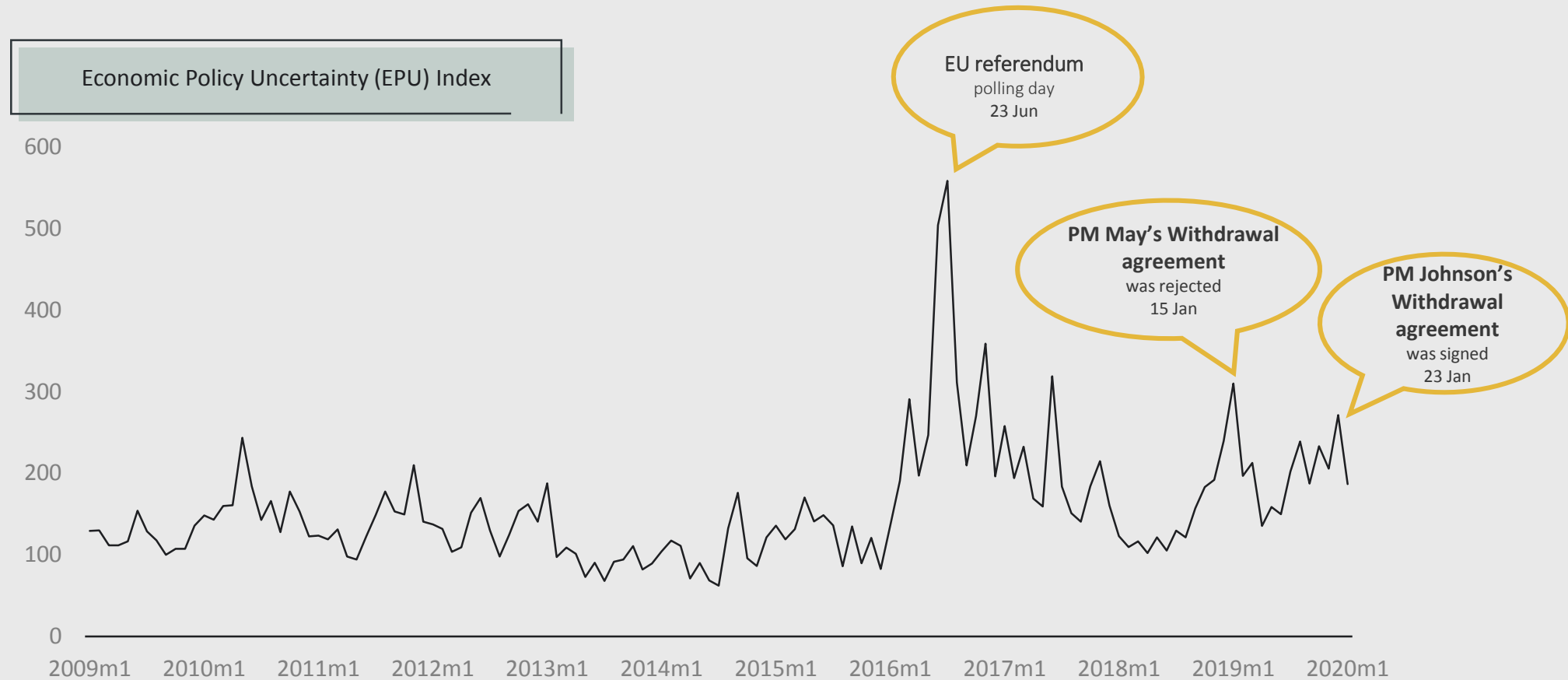
A new EU-UK trade deal will be negotiated within the transition period. The transition period can be extended once, by up to one to two years, by joint decision between the EU and UK before **1 July 2020**.



# BREXIT CREATES UNCERTAINTY BOTH BEFORE AND AFTER THE EU-UK TRADE DEAL IS IN PLACE

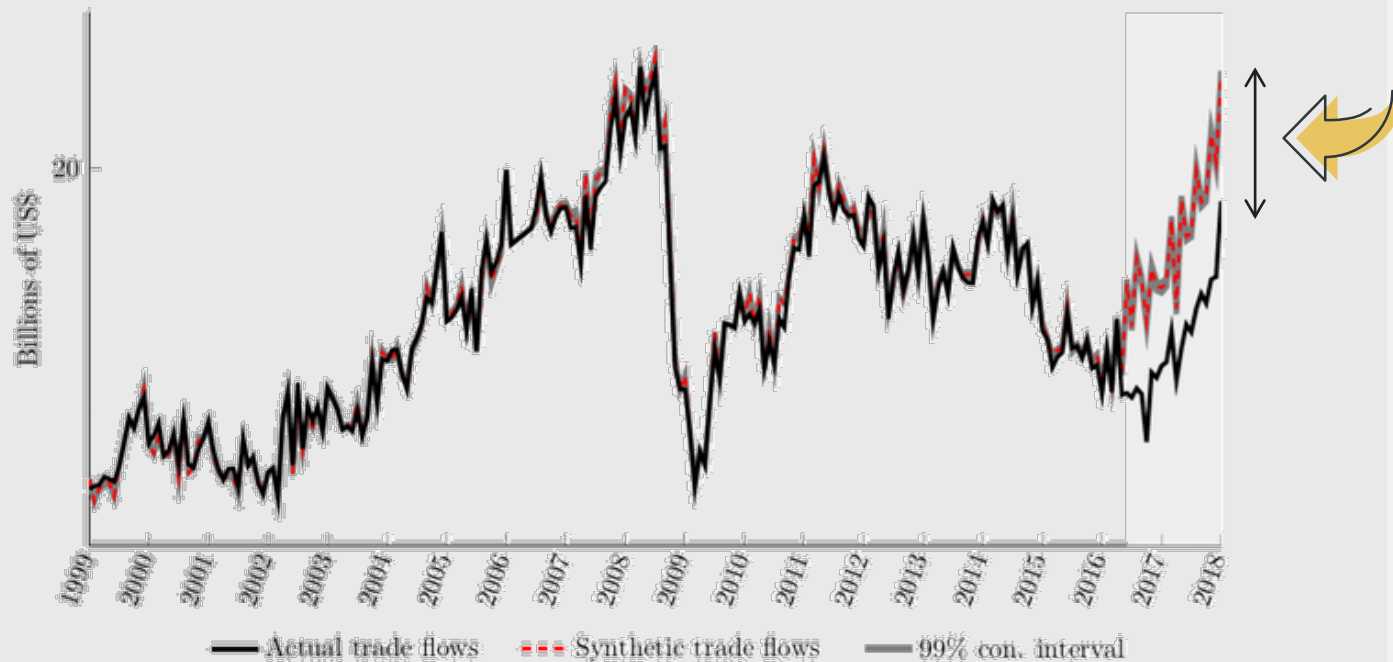


# BREXIT HAS GENERATED A LONG-LASTING INCREASE IN UNCERTAINTY



# UNCERTAINTY HAS REDUCED EU-UK TRADE BY 13-16% WITHOUT ANY INCREASE IN TRADE COSTS

Total EU-UK trade in goods

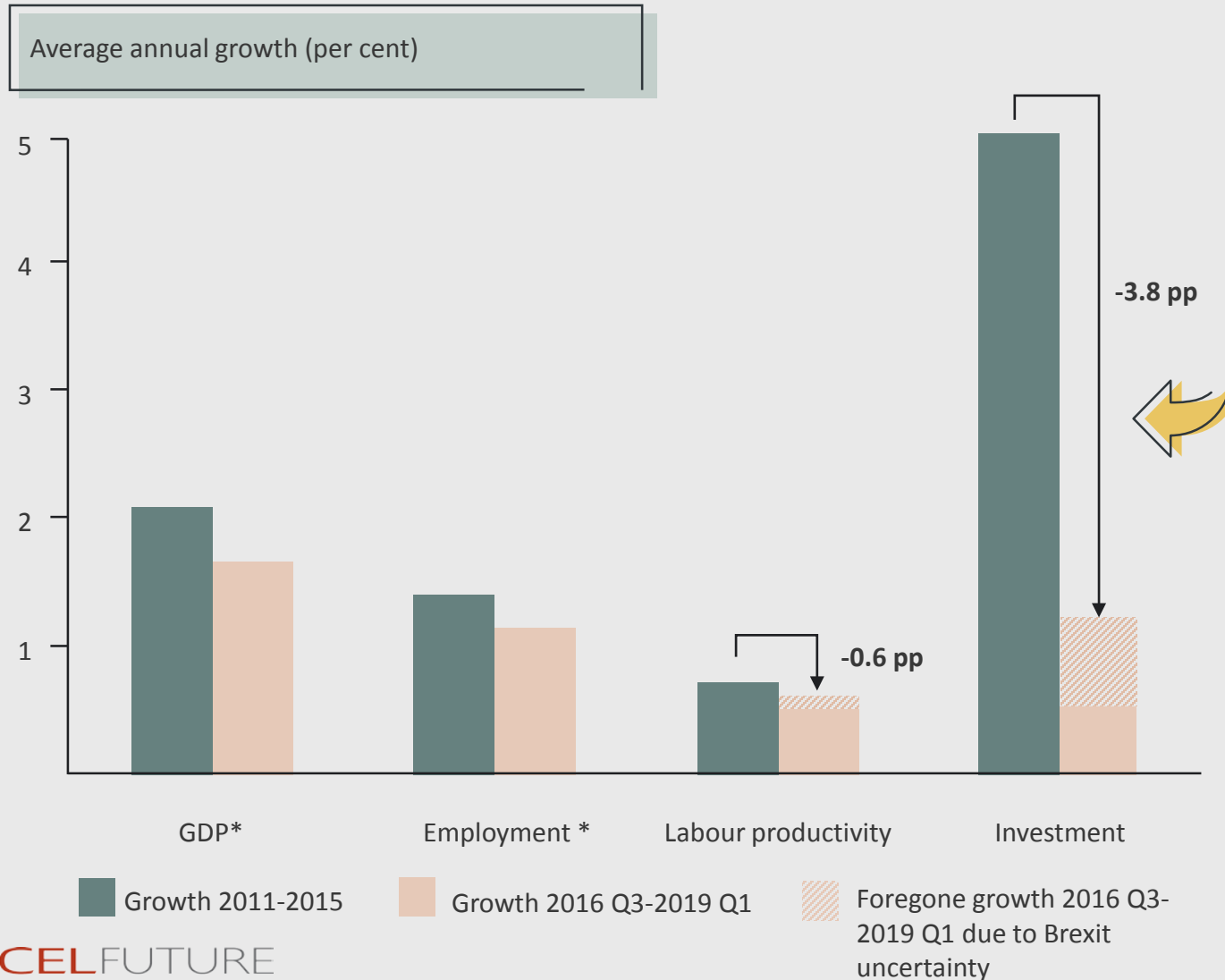


## Academic studies of trade impacts of the announcement shock:

- Reduction in **EU-UK trade** by 13-16% compared to predicted trade during 2016-2018.<sup>1</sup>
- Reduction in **number of products** traded by the EU and UK by 5-6% compared to the predicted number of products.<sup>2</sup>



# BREXIT UNCERTAINTY HAS REDUCED INVESTMENTS AND LABOUR PRODUCTIVITY



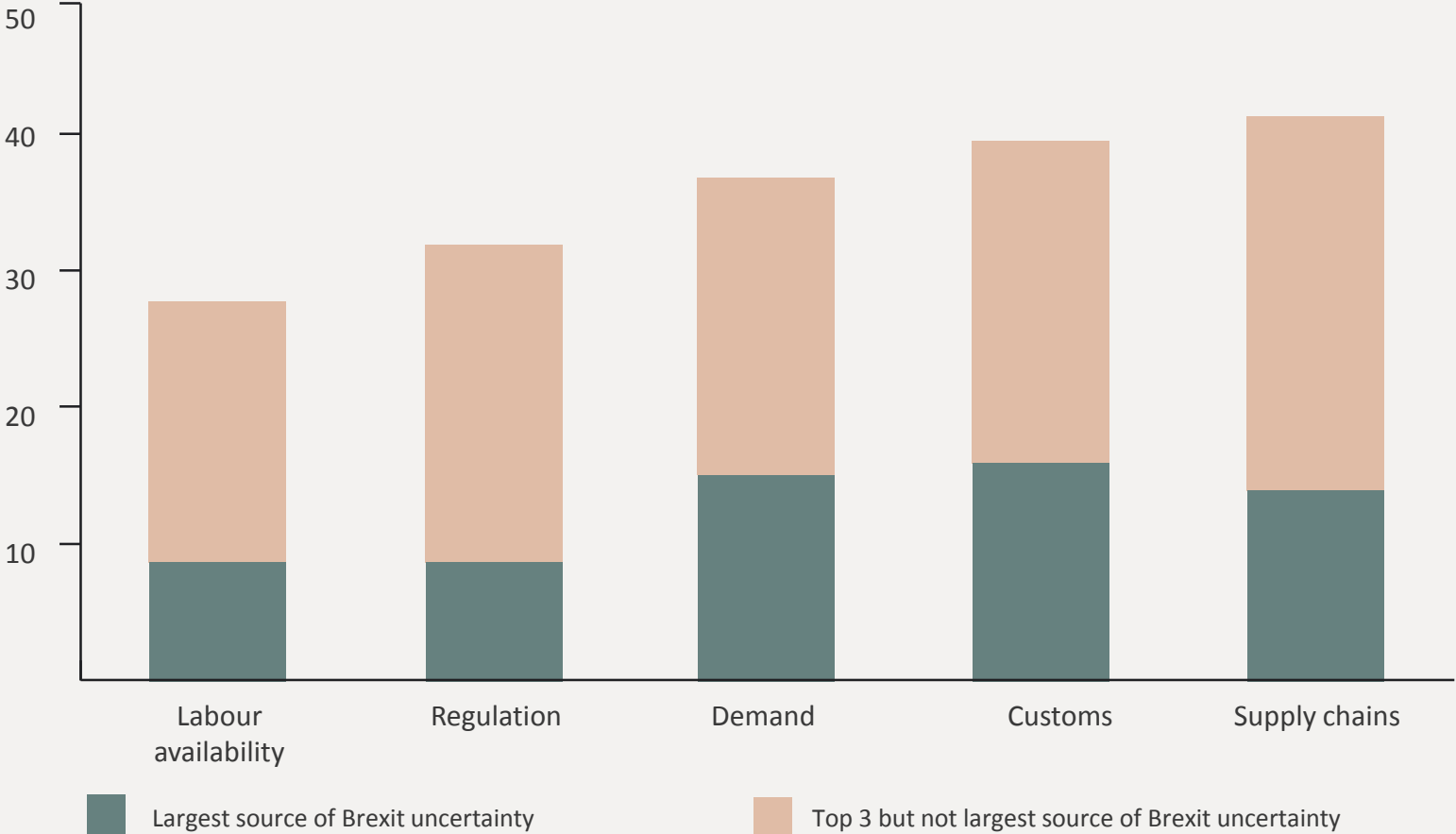
## Academic studies of Brexit uncertainty:

- Lower annual investment growth of -3.8pp translates into a reduction of **-11% in the level of investment** over three years.
- Lower annual productivity growth of -0.6pp translates into a reduction of **-2-5% in the level of productivity** over the three years.



# UK FIRMS ARE MAINLY CONCERNED WITH DISRUPTIONS OF VALUE CHAINS AND CUSTOMS

Share of respondents affected by Brexit uncertainty (%)



# UK-BASED FIRMS REORGANISE SUPPLY CHAINS IN A HIGH-UNCERTAINTY ENVIRONMENT

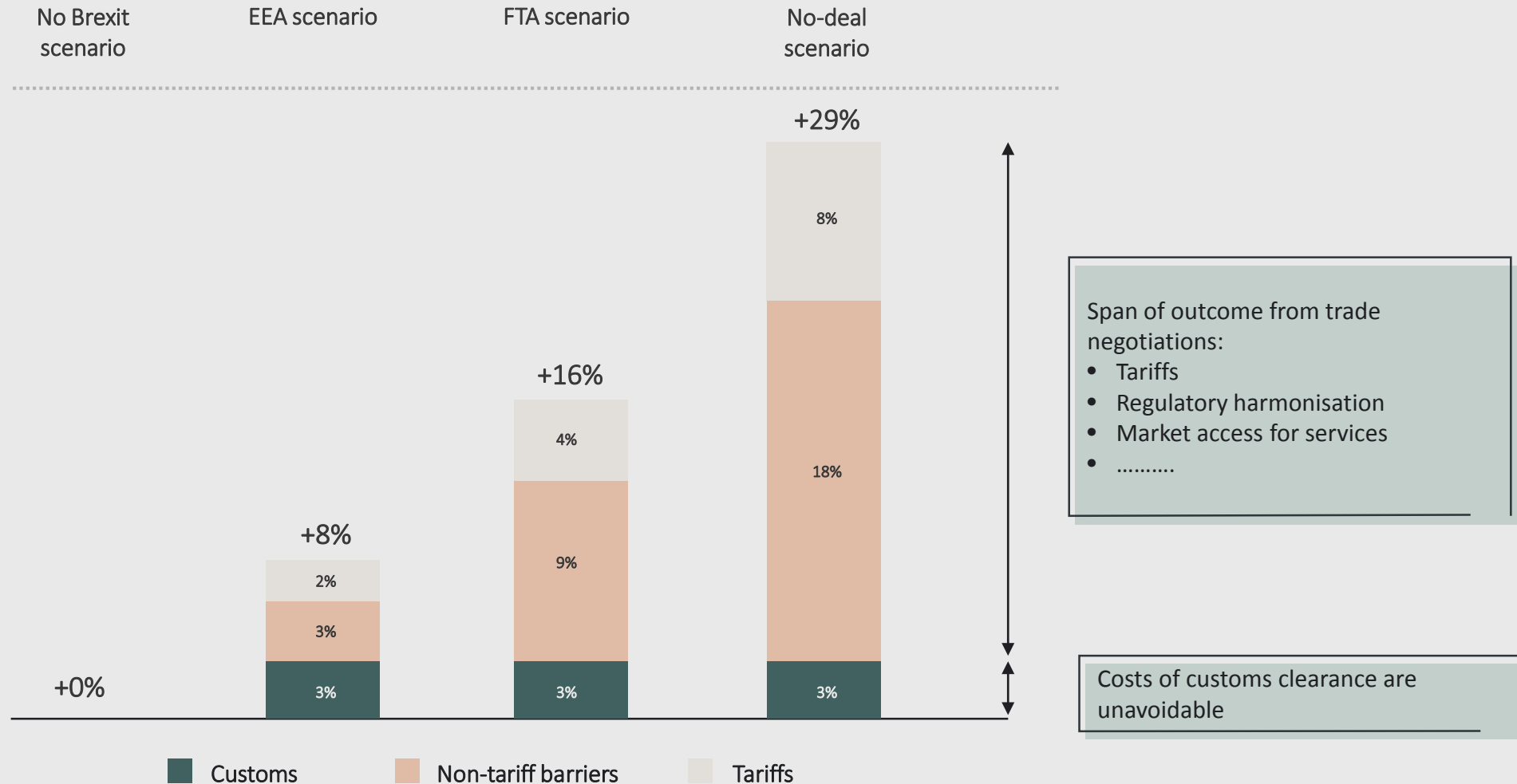
UK goods trade in 2019



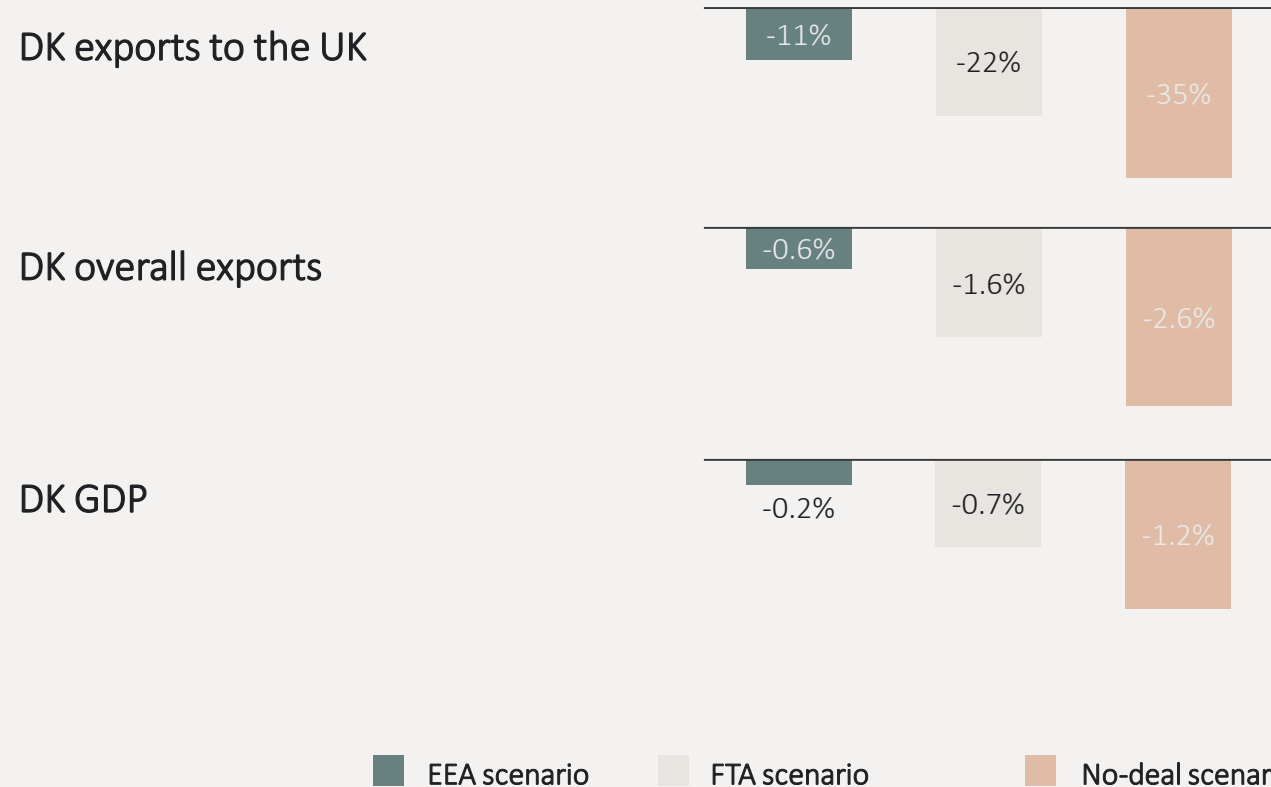
**BMW lays off 800 workers in Birmingham** that produced engines for the BMW X3 car production in South Africa. The engines will now be produced at a factory in Germany.



# TRADE COSTS CAN INCREASE BY 3-29% DEPENDING ON THE NEGOTIATION OUTCOME



# BREXIT CAN CUT 0.2% - 1.2% OFF DENMARK'S GDP IN THE LONG TERM



## EU position:

### 1. Level playing field

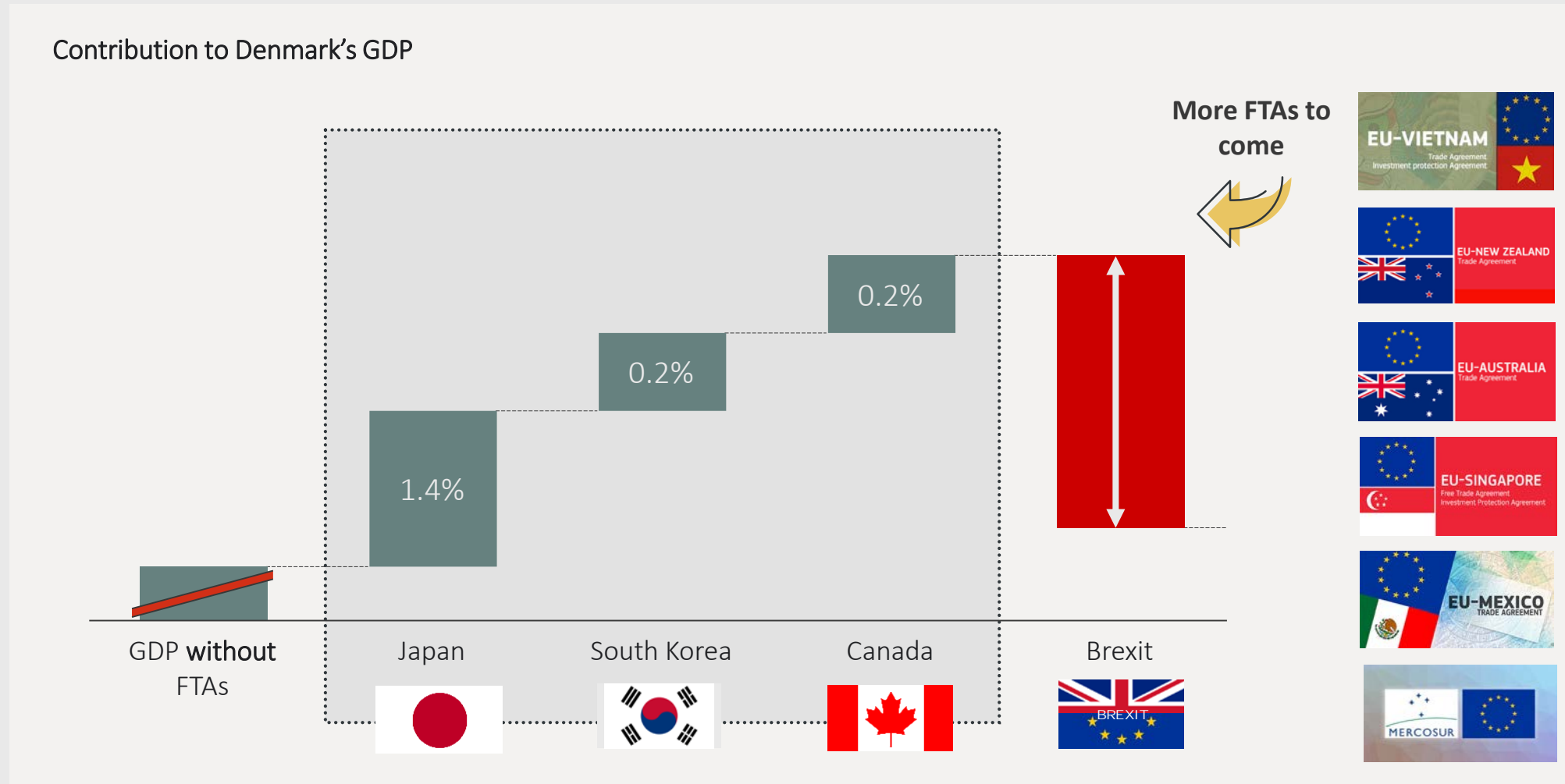
First and foremost, the EU wants the UK to sign up to strict rules on fair and open competition.

### 2. Fisheries

The EU's second condition is a free-trade deal must include an agreement on fisheries.



# SEVERAL NEW EU FTAS IN PLACE CAN COMPENSATE FOR BREXIT – MORE TO COME



# THANK YOU FOR YOUR ATTENTION!



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**HELLO, WE'RE IMPLEMENT**

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**Frank Øland**

*Chief Economist, Landbrug & Fødevarer*

# Brexit

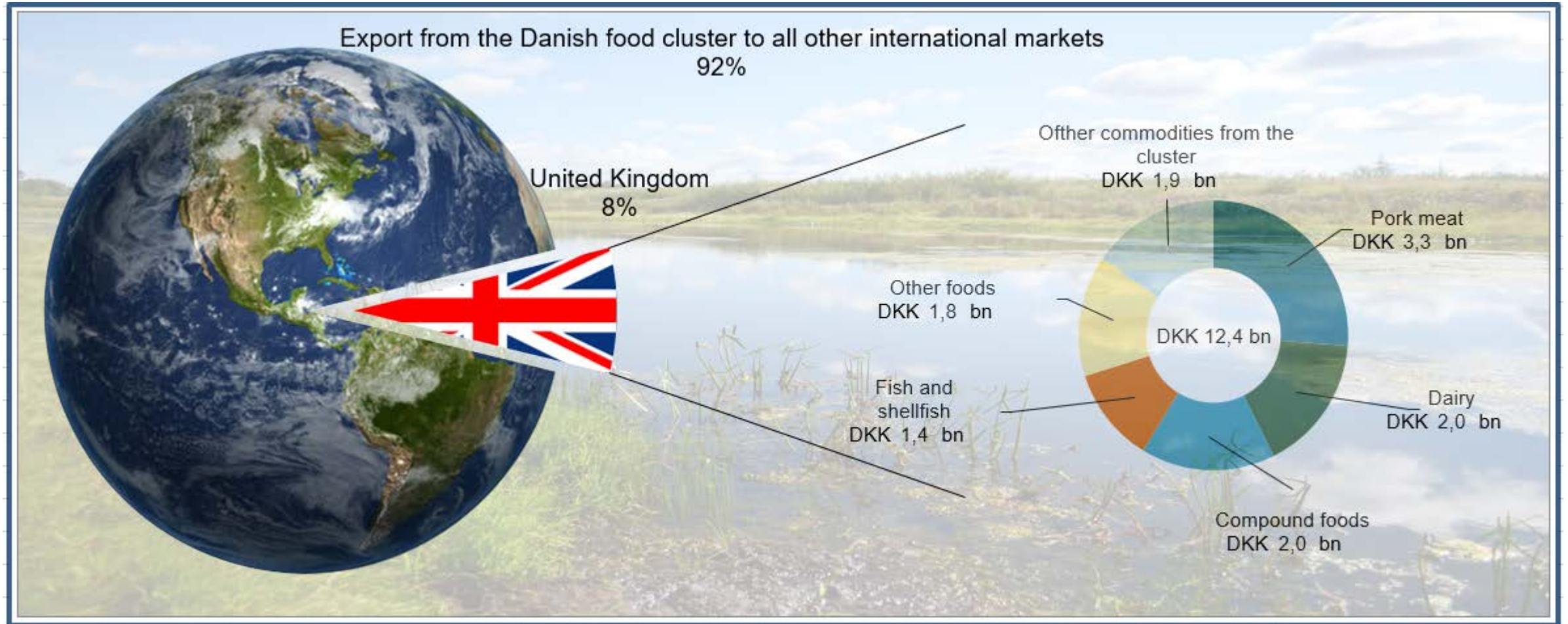
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Noget af det bedste i verden



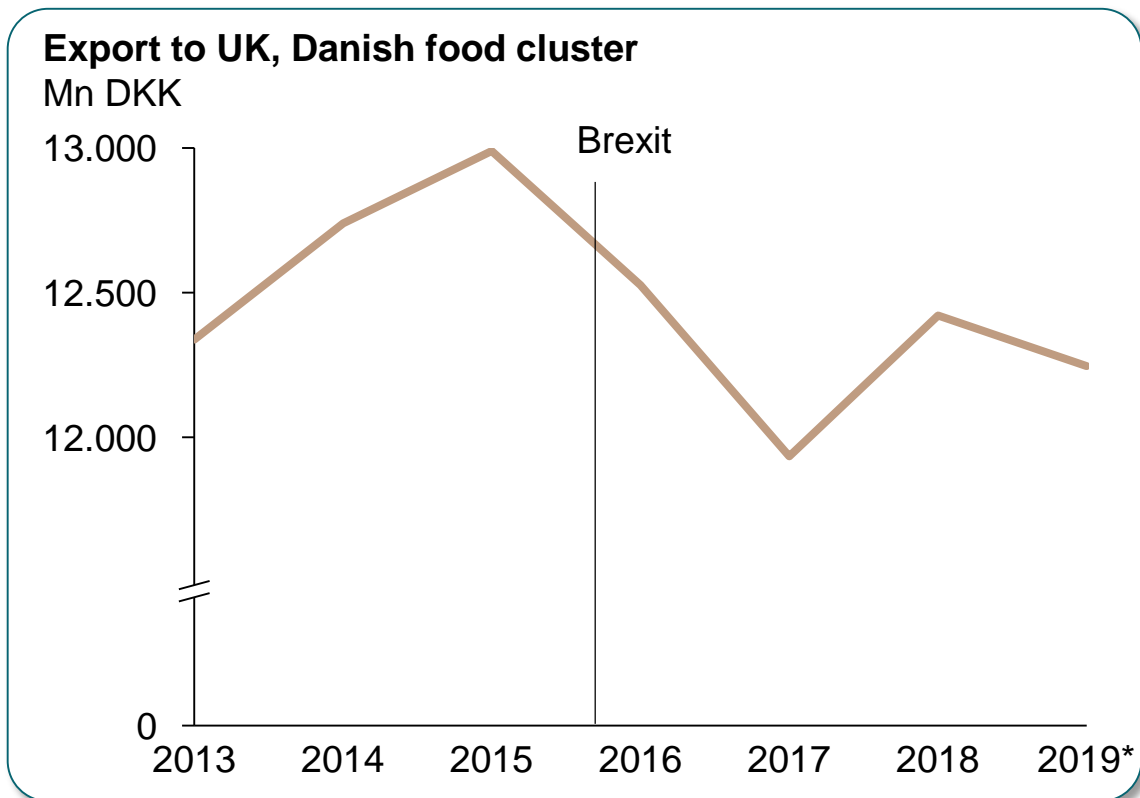
# UK is the third most important market for the Danish food cluster



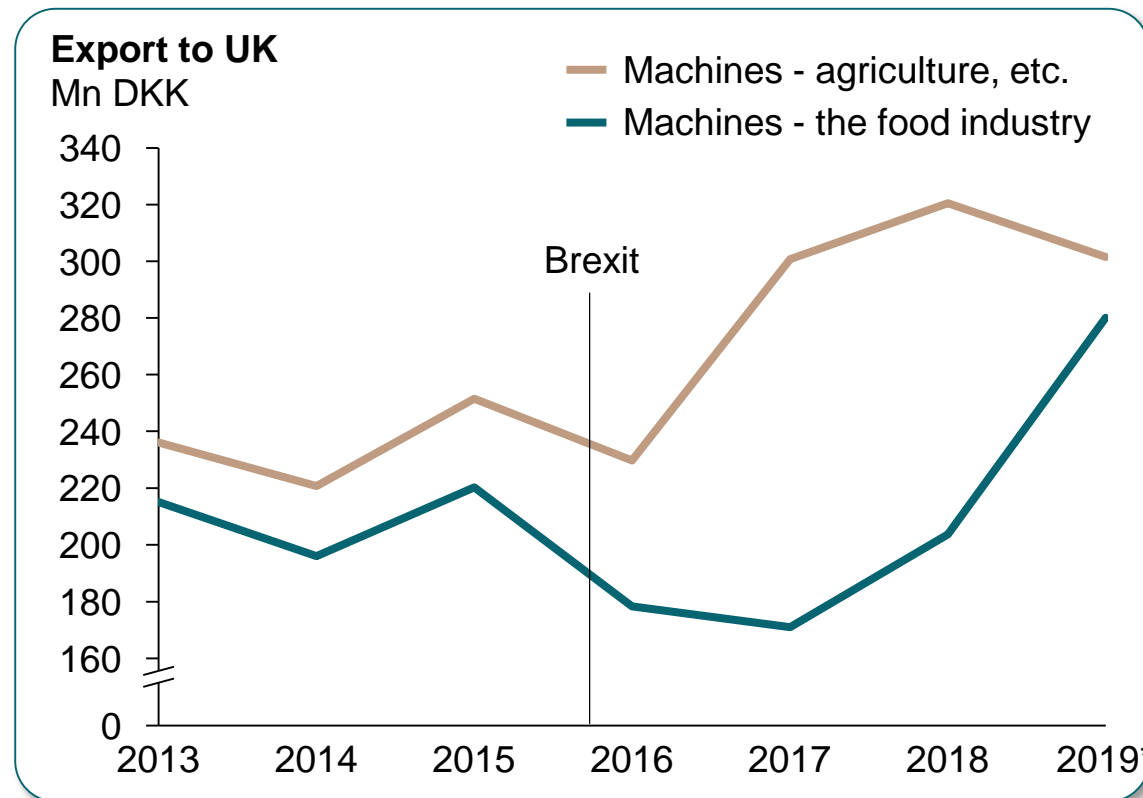
Noget at leve af. Noget at leve for.



# Danish export to UK of products from the food cluster are relatively unaffected by Brexit



Source: Danish Agriculture & Food Council based on Statistics Denmark.  
\*2019 is an estimate.



Source: Danish Agriculture & Food Council based on Statistics Denmark.  
\*2019 is an estimate.

Noget at leve af. Noget at leve for.



# GTAP model and GTAP database

## Model and data

- **Global Trade Analysis Project**
- The GTAP Model is a multiregional, multisector, general equilibrium model, with perfect competition and constant return to scale
- GTAP database version 9 covers 140 regions and 57 goods / sectors
- Has detailed information on bilateral trade and tariffs

## Organisation

- Project financed and controlled by a group of 33 organisations, including the European Commission, the World Bank, WTO, US ITC, FAO, IMF, IFPRI, HM Treasury etc. Based at Purdue University, USA

## Users

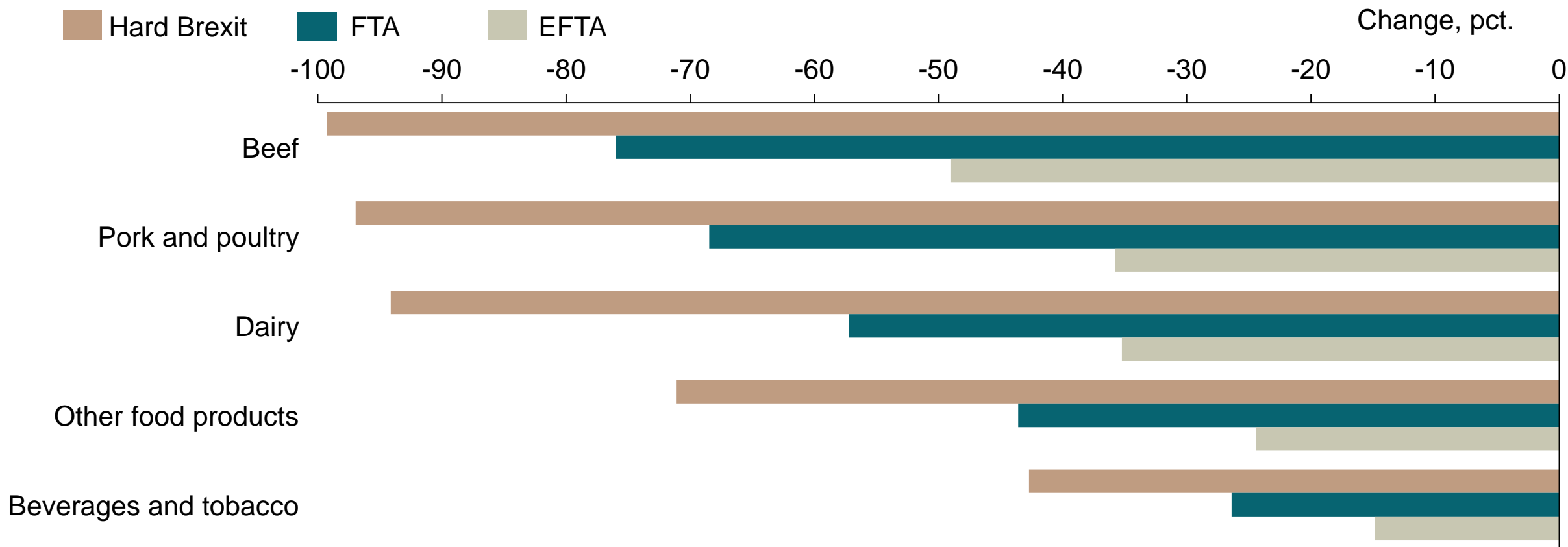
- Members
- Universities
- Consultants
- Government
- Trade organisations

## Applied to

- Free trade agreements
- International migration
- Energy and climate
- Poverty

# GTAP model estimate of Brexit impact

Danish export of food products to UK



Noget at leve af. Noget at leve for.





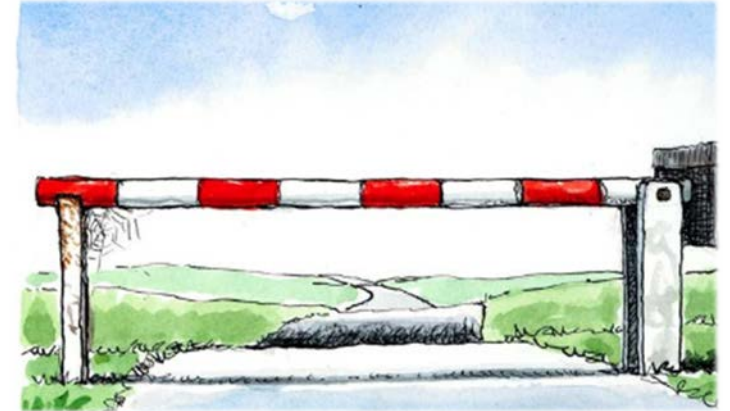
# Fewer and lower MFN tariffs in a "Brexit without a trade deal"

Guidance

## MFN and tariff quota rates of customs duty on imports if the UK leaves the EU with no deal

Published 13 March 2019

- MFN tariffs on 87 goods (EU on 638 goods) out of the 852 goods the Danish food cluster is exporting to the UK. **Average tariff 2,4 pct. down from 25,4 pct.**
- New UK Global Tariff consultation announced 6 February 2020 ([gov.uk/government/consultations/the-uk-global-tariff](https://www.gov.uk/government/consultations/the-uk-global-tariff))



A consultation to inform our own Most Favoured Nation tariff schedule, the UK Global Tariff.

This consultation closes at  
**11:59pm on 5 March 2020**

Noget at leve af. Noget at leve for.



DANISH DANISH DANISH DANISH DANISH



*Now-*  
 you can be sure it's  
**DANISH**  
**BACON**  
 on every single rasher!

**This unmistakable marking is your shopping guide**

Here, for the first time, is Danish Bacon, marked so that the housewife can identify even rashers at a glance.

Every rasher shows a little of the new marking that runs in two continuous lines down every side of Danish Bacon. You can see the two lines on the rind about one inch apart, and they usually enclose a little of one of the letters in the word "DANISH". Danish bacon has always been distinguished by the word "DANISH" and the Lurmark of the Danish State Quality Control branded several times on each side.

These markings showed on cuts, but rarely on rashers. Now the housewife can recognise the rasher as Danish on sight.

Just say "Danish Bacon" and look for the new marking on the rind. It's your shopping guide to quality — lean bacon, fine flavour, and value for money.



always ask for... **DANISH** by its famous name  
 and look for the LURMARK  when buying Bacon or Butter

**LURPAK** has pride of place  
*the butter with the pure Danish Flavour*



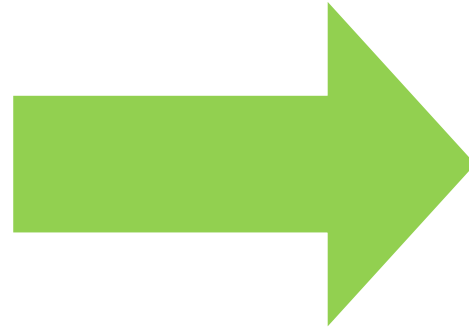
You are wise to put Lurpak on your table. Its taste goes perfectly with eggs, golden breakfast toast, or scones from the oven, or home-baked bread. It's made the real dairy way. With rich, ripened cream. The way that's made the best flavour of Danish butter famous. And to make sure you always get the delicate flavour at its dearest, Lurpak butter is wrapped on the spot, the moment it comes from the churn. Wrapped in two parts, meat and silver foil. Then it's packed off straight away to your store — never without date. Pure dairy butter. Dairy Good.

**LURPAK** probably the finest butter in the world



## A good trade deal

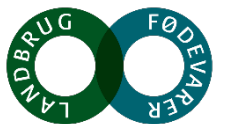
- No tariffs
- Same standards
- Certificates and veterinary inspection (cost 2 - 4 pct.)



UK consumers will still buy



Noget at leve af. Noget at leve for.



# We are well prepared

- We have prepared for Brexit in close coordination with the Ministry of Environment and Food
- Ready to issue necessary export certificates
- Esbjerg harbour is ready if needed (in a no trade deal scenario)
- Increased focus on other export markets
- We hope for a good deal for both us and the UK!



20. februar 2020



DEBATE

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