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Abstract

THE BREXIT TRADE DISRUPTION REVISITED

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The UK leaving the European Union, a ‘Brexit,’ would have economic and political implications. One of the most profound economic impacts would be on trade—the EU is the UK’s most important trade partner, with approximately half of UK total trade. A Brexit would imply looser economic integration between the UK and EU. In addition to the trade barriers that would arise from leaving the single market, there would also be negative trade policy effects. Previous analyses of the cost of a Brexit to the UK economy in terms of trade have probably underestimated the impact because they overlook the trade-enhancing role of migration. A Brexit would be likely to limit migration, which, in turn, would aggravate the exit’s trade-disruptive effect.

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