



Simulation of customs duties  
on Belgian trade with the UK  
in the wake of a 'hard' Brexit

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## Overview

1. 'Hard' Brexit – what's in a name?
2. Belgium's trade pattern with the UK
3. EU tariffs
4. Simulations
5. Policy recommendations

## 1. 'Hard' Brexit – what's in a name?

- **'Hard'** = no bilateral EU – UK FTA on 29/3/'19:  
= **WTO tariffs apply** on both sides
- **'Soft'** = Bilateral EU – UK trade agreement:  
(or even a customs union) **≠ 'free' trade**
  - Quota on food, agricultural products, ... ?
  - Preferences → Rules of Origin
  - Red tape: forms, border checks, ...

## 2. Belgium's trade pattern with the UK

- Aggregated trade data 2012-16 (National Bank, €)
- Quasi-transit vs. 'real' Belgian flows (National Bank)  
(Community concept used by Eurostat - quasi-transit = national concept)
- Federal & regional dimension (National Bank)
- Inflation adjusted (Statistics Belgium, HICP, base year 2017)
- HS6 customs codes (World Customs Organisation, HS 2012)
- Average AV WTO EU MFN tariffs (WTO, 2016)  
= underestimation (not included: Non-AV, quota, confidential trade)
- WTO: UK MFN tariffs = EU MFN tariffs ?

## 2. Exports to the UK (Source: NBB, national concept)

		BE	BR	FL	WL
1	Transport equipment	21%	72%	22%	4%
2	Chemicals & pharma	14%	6%	12%	28%
3	Mechanics & electronics	9%	4%	9%	12%
4	Plastics & rubber	9%	2%	9%	12%
5	Mineral products	9%	1%	10%	1%
6	Food industries	8%	3%	8%	8%
7	Base metals	7%	1%	6%	8%
8	Textiles	4%	2%	5%	1%
9	Precious metals & jewellery	4%	1%	4%	< 1%
10	Optics & precision instruments	3%	3%	2%	10%
<b>TOTAL (€billion)</b>		<b>18,2</b>	<b>0,5</b>	<b>15,2</b>	<b>2,5</b>

## 2. Imports from the UK (Source: NBB, national concept)

		BE	BR	FL	WL
1	Transport equipment	19%	4%	21%	4%
2	Chemicals & pharma	16%	18%	15%	24%
3	Mechanics & electronics	12%	23%	11%	18%
4	Plastics & rubber	6%	7%	5%	15%
5	Mineral products	19%	2%	21%	1%
6	Food industries	2%	8%	2%	3%
7	Base metals	4%	2%	4%	9%
8	Textiles	2%	6%	1%	5%
9	Precious metals & jewellery	11%	1%	12%	< 1%
10	Optics & precision instruments	3%	9%	2%	8%
<b>TOTAL (€billion)</b>		<b>13,5</b>	<b>0,5</b>	<b>12,0</b>	<b>1,0</b>

## 2. Quasi-transit (Source: NBB, community concept – national concept)

		BE → UK	UK → BE
1	<b>Transport equipment</b>	33%	14%
2	<b>Chemicals &amp; pharma</b>	28%	19%
3	<b>Mechanics &amp; electronics</b>	7%	13%
4	<b>Plastics &amp; rubber</b>	5%	9%
5	<b>Mineral products</b>	3%	25%
6	Food industries	4%	3%
7	Base metals	2%	2%
8	Textiles	4%	1%
9	Precious metals & jewellery	< 1%	1%
10	<b>Optics &amp; precision instruments</b>	4%	7%
<b>TOTAL (€billion)</b>		<b>11,8</b>	<b>4,5</b>

### 3. Average EU MFN applied duties (Source: WTO, 2017)

FOOD & AGRICULTURE			INDUSTRIAL		
		%			%
1.	Animal products	15,7	12.	Minerals & metals	2,0
2.	Dairy products	35,4	13.	Petroleum	2,5
3.	Fruit, vegetables, plants	10,5	14.	<b>Chemicals</b>	<b>4,5</b>
4.	Coffee, tea	6,1	15.	Wood, paper, etc.	0,9
5.	Cereals & preparations	12,8	16.	<b>Textiles</b>	<b>6,5</b>
6.	Oilseeds, fats & oils	5,6	17.	Clothing	11,5
7.	<b>Sugars &amp; confectionery</b>	<b>23,6</b>	18.	Leather, footwear, etc.	4,1
8.	Beverages & tobacco	19,6	19.	Non-electrical machinery	1,9
9.	Cotton	0,0	20.	Electrical machinery	2,8
10.	Other agricultural products	3,6	21.	<b>Transport equipment</b>	<b>4,3</b>
11.	Fish & fish products	12,0	22.	Manufactures, n.e.s.	2,6



## 4. Duties on exports to the UK (national concept)

		BE	Duties
1	<b>Transport equipment</b>	21%	<b>349</b>
2	Chemicals * & pharma **	14%	60 * / 0 **
3	Mechanics & electronics	9%	32
4	<b>Plastics &amp; rubber</b>	9%	<b>85</b>
5	Mineral products	9%	26
6	<b>Food industries</b>	8%	<b>142</b>
7	Base metals	7%	26
8	<b>Textiles</b>	4%	<b>66</b>
9	Precious metals & jewellery	4%	0,4
10	Optics & precision instruments	3%	3
<b>TOTAL (€million)</b>		<b>18.200</b>	<b>877</b>

→ + 5%

## 4. Duties on exports to the UK: examples

- **Food & agricultural products:**
  - Frozen vegetables
  - Chocolate
  - Pastry
  - Non-alcoholic fruit juices
- **Textiles:**
  - Carpets

## 4. Duties on exports to the UK (community concept)



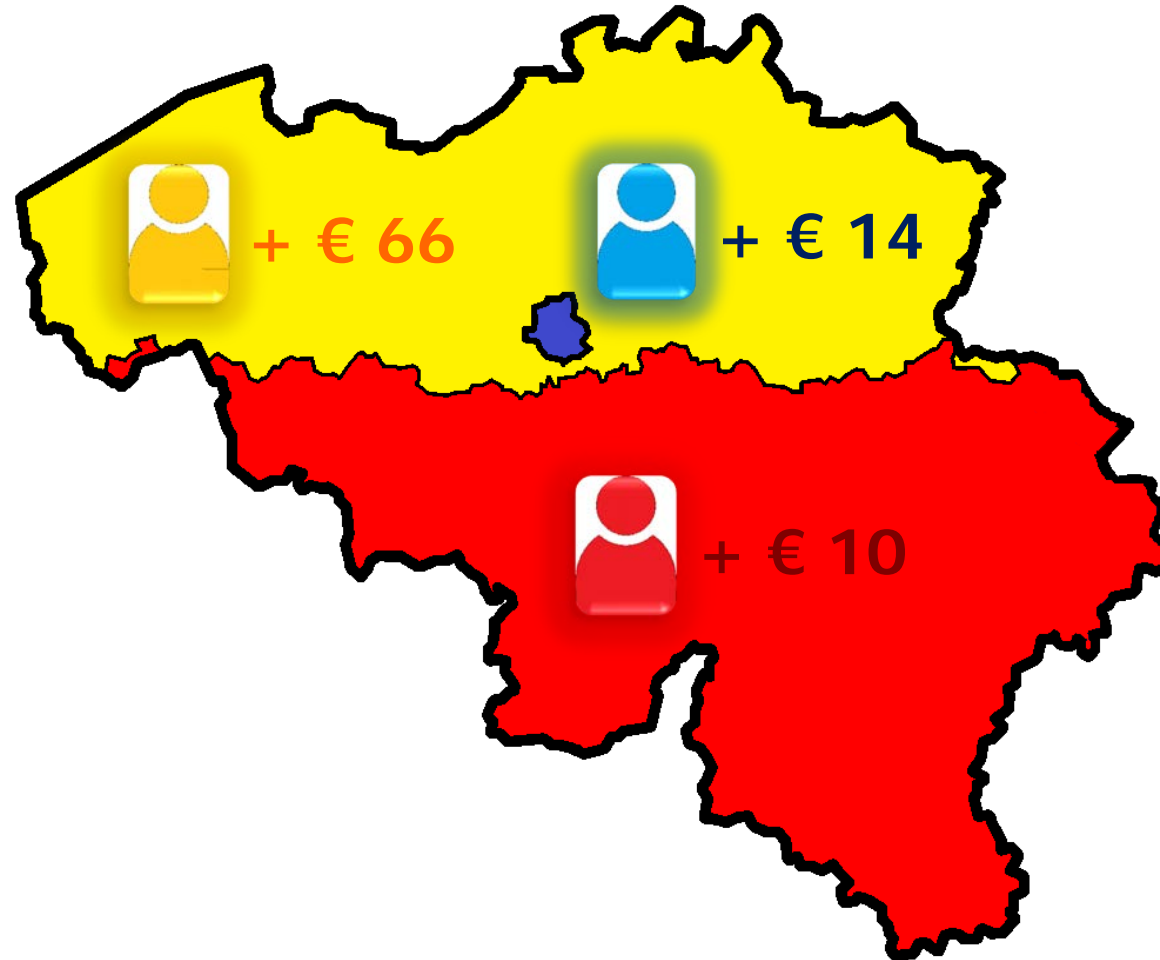
**+ € 24**

## 4. Duties on imports from the UK (national concept)

	BE	Duties
1 <b>Transport equipment</b>	19%	<b>240</b>
2 Chemicals * & pharma	16%	54 *
3 Mechanics & electronics	12%	29
4 <b>Plastics &amp; rubber</b>	6%	<b>39</b>
5 Mineral products	19%	37
6 <b>Food industries</b>	2%	<b>18</b>
7 Base metals	4%	8
8 <b>Textiles</b>	2%	<b>20</b>
9 Precious metals & jewellery	11%	0,1
10 Optics & precision instruments	3%	4
<b>TOTAL (€million)</b>	<b>13.540</b>	<b>485</b>

→ + 4%

## 4. Duties on imports (national concept)



## 4. Duties on imports from the UK: examples

- **Food & agricultural products:**
  - Meat (bovine, sheep, ...)
  - Chocolate
  - Corn flakes
- **Textiles:**
  - T-shirts, sweaters, costumes, ...
- **No duties: pharmaceuticals, paper, ...**  
(HS chapters 14, 26, 30, 47, 48, 49, 80 & 97)

## 4. Total Duties

■ Belgian exports:	€ 877 million
→ cost increase:	+ 5%
+ quasi-transit	€ 689 million
■ Belgian imports:	€ 485 million
→ cost increase:	+ 4%
+ quasi-transit	€ 164 million
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<b>TOTAL</b>	<b>€ 2,22 billion</b>

## 5. Policy recommendation: soft Brexit

- Get a comprehensive ‘free’ trade deal:
  - Food & agricultural products
  - Transport equipment
  - Plastics & rubber
  - Textiles
- Avoid future EU – UK regulatory diversion
- Deal: Turkey, Nordic, Swiss, CETA, ... alike?
- Budgetary implications, welfare shift





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