

March 29, 2019 is the scheduled date of the United Kingdom's (UK) withdrawal from the European Union (Brexit). In the postwar history of European integration, Brexit will be the first instance in which a member-state of the EU will leave – in result the UK will also leave the European customs union. This may possibly lead to changes in customs duties and non-tariff barriers between the UK and the EU, including between the UK and Poland. An examination of the economic consequences of this process has important economic policy implications for Poland and the EU. The aim of this project is to evaluate the potential implications of increases in customs duties and non-tariff barriers in trade between the UK and the EU. We intend to review the macro-economic and sectorial effects of Brexit. The analysis will be focused on these effects in Poland, as well as other states of the EU. It should facilitate acquiescing to new economic realities.

In particular, we intend to address the following research questions:

- (i) What are potential “soft” and “hard” Brexit scenarios and how can they translate into the level of tariff and non-tariff barriers in EU-UK trade?
- (ii) What is the level of EU-UK tariffs, and non-tariff barriers applied to third countries?
- (iii) What are direct and indirect economic linkages between Poland and the UK through Global Value Chains (GVC)?
- (iv) What are the economic consequences of Brexit associated with international trade?
- (v) What are the consequences of changes in trade-related provisions caused by Brexit in productive sectors as well as for services, imports, exports, employment and wages?
- (vi) What are the potential trade-related consequences in the Polish food sector, where the British market is of high economic importance?

The objectives presented above we will analyse with the use of the advanced research methods. Tariffs equivalents of non-tariffs barriers will be evaluated with the use of econometric models; further, direct and indirect economic linkages – with the use of the international economic input-output databases; macro-economic and sectorial implications – by the application of a simulation of the computable general equilibrium model; and finally, the trade effects will be assessed with the use of the simulation model of partial equilibrium. The methods applied allow to model the responses of the economic actors (such as firms and households) on grounds of alternating conditions, and therefore constitute the most appropriate tools of analysis.

The studies will be focused around the following hypotheses:

1. Brexit will lead to an increase of tariffs and non-tariffs barriers, since such non-EU barriers significantly exceed those of the EU's.
2. While the UK is not the largest Polish trading partners, the both direct and indirect linkages between the UK and Poland are strong and trade with the UK has a significant impact on GDP growth in Poland. Breaking of trade linkages will have a non-negligible impact on GDP and welfare of Poland.
3. The bulk of the effects of Brexit will be concentrated in sectors where Poland has the strongest direct economic linkages with the UK, most notably the food sector.

The findings will be submitted to peer-reviewed scientific journals as well as presented at international and domestic conferences. We also plan an open seminar at the end of the project. Project's progress and its findings will be described in detail on a dedicated website.