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IF THERE IS one thing that policy makers on both sides of the English Channel agree on, it’s that arranging the U.K.’s divorce from the European Union is going to be hard.

European Commission President Jean-Claude Juncker says the talks will be “very, very, very difficult.” Britain’s Brexit Secretary David Davis predicts the split could prove one of the “most complicated” negotiations of all time.

Once Britain formally files notice of its intention to leave, the clock is ticking on two years of discussions at the end of which its four-decade membership of the bloc will be terminated, regardless of whether a deal has been struck.

To be determined in that time are the terms of the breakup, including how much the U.K. must pay to settle its past commitments. U.K. Prime Minister Theresa May reckons there’s also enough time to strike a trade deal although most experts are sceptical of that ambition.

May wants to regain control of immigration, law-making and the public purse and is willing to surrender membership of the single market to get what she wants. She also wants to overhaul Britain’s trade relationship with the EU and warns if she doesn’t get a decent deal she’s willing to walk away without one.

As for Europe, its leaders are united in warning they won’t destabilize the bloc further by allowing May to “cherry pick” the best bits of EU membership and escape the responsibilities such as freedom of labor movement.

To help you consider what’s at stake, this special report looks at how an exit from the customs union and single market could impact some of the most important sectors of the British economy. Also, please use www.bloomberg.com/brexit to sign up to our daily Brexit Bulletin and monitor coverage via @Brexit on Twitter.

Yours,

Simon Kennedy
Managing Editor for Brexit
Bloomberg News
As the U.K. prepares to leave the European Union, the dividing lines have already been drawn. Here are eight names and faces that are likely to appear throughout Britain's two-year exit negotiation process.

**Liam Fox**  
U.K. Trade Secretary  
Perhaps the Cabinet's biggest proponent of Brexit, Fox has the task of lining up trade deals. However, he has to tread carefully given the U.K.'s membership of the EU forbids negotiating commercial agreements with other countries. Has said at least a dozen nations have shown an interest in future pacts.

**Theresa May**  
U.K. Prime Minister  
Tasked with delivering something she didn't campaign for, May repeatedly declared “Brexit means Brexit” after becoming premier last July. She has since fleshed out her plan as her self-imposed March 31 deadline nears for opening two years of talks. She says she will pull Britain out of the single market and revamp trading relations in return for getting control of immigration and lawmaking.

**David Davis**  
U.K. Brexit Secretary  
Unlike May, Davis campaigned for Brexit and now has the role of helping her develop it. A former minister of state for Europe in the 1990s, Davis joined the Cabinet for the first time last July. His task is to horse-trade with the 27 members of the EU and try to clamp down on immigration by delivering what he calls the “best possible deal” for businesses.

**Boris Johnson**  
U.K. Foreign Secretary  
Once the favorite to become prime minister, Johnson didn't even enter the race last summer after his campaign manager turned against him. The former London Mayor, his decision to campaign for Brexit helped secure its success. He is now Britain's chief diplomat despite a bias towards undiplomatic comments.

**Jean-Claude Juncker**  
President of the European Commission  
The former prime minister of Luxembourg, Juncker is deeply committed to the European project. A subject of criticism in the British media, he has already said the Brexit talks will be “very, very, very difficult.”

**Angela Merkel**  
German Chancellor  
Like others in the EU, Merkel has been disciplined on her message since the Brexit vote. She refuses to engage in any negotiation before May invokes Article 50 of the Lisbon Treaty, but warns Britain it won’t be allowed to “cherry pick” the advantages of EU membership and avoid the responsibilities. Her concern is granting too many concessions to the British would encourage others in the bloc to consider leaving.

**Michel Barnier**  
European Commission chief Brexit negotiator  
A veteran of EU affairs, the Frenchman was the bloc’s financial-services chief from 2010 to 2014, where he clashed with the U.K. over issues ranging from a cap on bankers’ bonuses to the location of clearinghouses. Now he is telling the British that he wants to negotiate the divorce settlement first before discussing a future trade relationship. He also warns a deal will be needed by the end of 2018 to give the European Parliament time to pass it.

**Guy Verhofstadt**  
European Parliament’s Brexit point person  
The leader of the assembly’s Liberal faction, the former Belgian prime minister is among the most vocal proponents of deeper European integration. His role is to keep leaders of the EU Parliament’s political groups and its president informed of developments and part of the process. The 751-seat Parliament must give its consent to the ultimate pact.
LIKE MANY A divorce, the U.K.’s separation from Europe threatens to get bogged down over money. While the U.K. wants to focus straight away on building a post-European Union identity, the EU the first order of business will be the £60 billion euros ($64 billion) the bloc says Britain owes it.

Prime Minister Theresa May plans to formally trigger Brexit by the end of March. Negotiations will start soon after. That’s when May is likely to get presented with the EU’s final invoice.

A senior Brexit negotiator for the EU told me in January that the EU will be obliged to force Britain to meet its financial commitments; otherwise its own credibility would be undermined. Moreover, the EU will demand an early acknowledgment from May that she’s willing to pay the exit bill before the rest of the discussions can proceed, the negotiator said.

The EU says that Britain owes money for civil-service pension liabilities, projects already underway, loan guarantees and other unpaid budget commitments. While 60 billion euros is the top estimate, even the lowest figure I’ve seen mentioned by any EU official comes to 40 billion euros — about the same as total U.K. central government spending on education each year.

That EU demand for money is bound to lead to an awkward conversation. One piece of propaganda used by the pro-Leave camp in the referendum campaign was the claim that Britain’s EU contributions could be diverted instead to the National Health Service. “We send the EU 350 million pounds a week,” was the slogan emblazoned on the side of a campaign bus. “Let’s fund our NHS instead.”

That implicit pledge of more money for the health service was swiftly abandoned once the referendum was over. That claim was always absurd; it didn’t take into account that Britain gets a rebate, which is applied straight away (or indeed any of a number of other EU payments that would stop).

Still, Brexeters are likely to kick up a fuss about the prospect of handing money over to leave the bloc. John Redwood, a Conservative member of parliament, said that talk of the U.K. paying to leave the EU is “all nonsense.” Here’s what he wrote on his personal web site:

There’s also the U.K.’s desire to work now toward trade agreements with non-EU members. That’s a sensible approach to creating a post-Brexit mercantile environment, and one that the EU can probably support. But it will demand some finessing of the existing rules — which requires agreement from Britain’s EU partners — that bar EU members from making solo arrangements.

At the moment, the talk is tough. A British threat to turn the nation into a tax haven by cutting the levy on corporations has angered EU officials including Dutch Finance Minister Jeroen Dijsselbloem. In retaliation, EU negotiators are mulling “a clause in a future deal with the U.K. that would void all undertakings if London were to depart significantly from its current economic and social model,” the Brussels-based news service MLex reported on Jan. 27.

It’s a reminder that the U.K. isn’t negotiating in a vacuum; each of the remaining EU 27 members has its own agenda, and some of those will conflict with British desires. “The hardliners are more numerous than it appears,” Mario Giro, Italy’s deputy foreign minister, told the Guardian newspaper in an interview published on Jan. 30. “This will be an economic war. Let’s say an economic cold war, and we are not in favor of it.”

If the EU insists that May pays her way out of the bloc and May refuses, the talks could be over before they even begin. May said in January that she’s “sure that no deal for Britain is better than a bad deal for Britain.” But the same may be true for the rest of the EU. And while it’s hard to envisage exactly what “no deal” would look like, it’s clear that an impasse would benefit neither side in the divorce.

This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners.
INDUSTRY INSIGHTS

Hard Brexit – Brace for Impact

By JONATHAN TYCE, Senior Industry Analyst
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CHARLES GRAHAM, European Insurance Analyst
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The high-stakes negotiations set to kick off between the U.K. and the other 27 member states of the European Union when Article 50 is triggered will affect government (tax, legislation, trade agreements), central bank policy (inflation, growth) and numerous industries.

TRADE
As well as vowing to leave the single market, U.K. Prime Minister Theresa May has indicated the country will leave the customs union. If no deal is made by the end of the two year negotiation period, British goods being exported to the EU would be subject to tariffs. This would probably raise prices for EU consumers. The drop in sterling will probably provide some offset, though the difference in tariff rates means it may not be sufficient to prevent an adverse impact on U.K. exports.

In 2015, the EU accounted for about half the U.K.’s trade in goods and services. BI Economics’ modeling suggests the level of U.K. trade with other EU members is about 10 percent higher than with countries outside the single market. Moreover, the model provides little evidence that increased trade with the EU has come at the expense of exports and imports with others. Indeed, it appears membership of the EU has created trade overall, rather than simply displacing it from elsewhere.

U.K.'s Five Biggest Export Markets in the EU

Source: Office for National Statistics

Germany, France, the Netherlands, Ireland and Italy were the biggest export markets for U.K. goods and services in the EU in 2015. Still, the U.K. is a net importer from most countries in the EU. Its exports to Germany, for example, were 44.76 billion pounds in 2015, while it imported 70.24 billion pounds from the country that year.
Countries that trade more benefit from being more open in a variety of ways. For example, firms face greater competition, which can raise efficiency through specialization and incentive to promote the adoption of new technologies, all of which is likely to improve productivity. EU membership has boosted GDP per capita in the economy by about 2 percent, estimates for the link between trade and income levels suggest.

SERVICES
The U.K. runs a large trade deficit with the EU. While that in itself isn’t likely to be a significant bargaining chip in negotiations, the makeup of the U.K.’s trade balance gives clues as to where each side may focus its attention. The value of the goods the U.K. imports runs well ahead of what it exports to the EU, but the opposite is true for services. In particular, financial services accounted for almost the entire services surplus with the EU in 2015.

FINANCE
The U.K.’s clean break from the EU single market rules out the possibility of banks maintaining so-called passporting rights, which enable companies to sell financial products throughout the bloc.

TheCityUK, the lobbying group, published a January update focusing on seven key priorities. Notably it stepped back from its passporting defense, pushing instead for “equivalence regimes.” The subtle shift acknowledges the lessening likelihood of the U.K. maintaining access through passports. The loss of this system will likely drive banks to move activities covered by EU legislation. HSBC told Bloomberg News in January that about 20 percent of its global banking and markets business derived from its London base would be affected.

AUTOS
While Brexit will challenge automakers and suppliers with U.K. manufacturing capacity, May will want to capitalize on EU countries seeking to protect their industries. EU auto capacity utilization is at a high, given strong global demand for premium brands. Meanwhile, cost-cutting initiatives have benefited Peugeot, Renault, GM and Ford. Nissan said its 450,000 annual U.K. production will be sustained after Brexit.

France’s automakers need a tariff-free U.K. after Brexit, as the market is set to generate 4.1 billion euros ($4.4 billion) in revenue and 244 million euros of Ebit for Renault and Peugeot in 2016, BI estimates. While exports to the U.K. are a fraction of those from German peers, French automakers send about 300,000 cars a year to Britain, twice the amount exported from the U.K. to France. Unhedged currency positions mean a weak pound will hurt 2H results as French Carmakers focus on right-sizing and input costs.

Germany also has a huge incentive to support tariff-free auto access to the U.K. after Brexit, given an estimated $36 billion in revenue from U.K. exports in 2016. BMW, Daimler and VW
will generate 3 billion euros in 2016 as German-owned brands or cars assembled in Germany, such as the U.K.’s top-selling Ford Fiesta, are almost half of the 2.7 million units sold in Britain. This compares with about 200,000 car exports to Germany from the U.K. last year.

**INDUSTRIALS**

May’s proposed modern industrial strategy could help U.K.-based companies benefiting from sterling weakness through increased exports, by providing support on trade and regulations. The Industrial Strategy Challenge Fund, part of the near $6 billion further R&D funding announced in November, may also boost Industry 4.0 and so-called “internet of things” technologies.

The government’s ten-pillar strategy seeks to drive the country’s growth by investing in science and innovation, developing skills, upgrading infrastructure, supporting startups, improving supply chains, providing trade incentives, delivering clean energy and building global leadership across industries. While many of the initiatives announced by the government were recaps of existing programs, affordable energy and a low-carbon economy contained some new policies.

A hard Brexit may force European industrial companies with manufacturing plants across several countries to reconsider U.K. investment. Siemens, a case in point, employs about 14,000 people in the U.K. in 14 locations, yet this represents just 4 percent of its total workforce globally, highlighting its flexibility to shift manufacturing. Another element that might be considered in the event of a hard Brexit is the U.K.’s shortage of skilled engineers. EngineeringUK estimates an annual shortfall of 69,000 engineers.

**REAL ESTATE**

If estimates of a loss of 100,000 jobs from Brexit prove correct, this could release 12 million square feet of space in the financial districts of the City and Canary Wharf - or as many as 10 of London’s iconic Shards. Annual take up in Central London is 12.8 million square feet, so the loss is meaningful even if it’s over a few years. REITs have limited direct exposure to the space at risk and are invested in quality, modern offices, providing a degree of resilience to falling rents and values.

Formal offices in the City of London with massive floor plates, faceless facades and little retail space are failing to attract younger workers who shun the prestige of a widely recognized address. If the banking exodus to Europe gets underway, landlords may have to reconfigure or re-develop space to attract new customers. Strong transport links and technology, non-corporate finishes, a flexible configuration, handy food and leisure, wrapped in an environmentally friendly building, suit well.

**PHARMA**

Once the U.K. leaves the EU, it can revisit its clinical trials process and bring about a system which allows early access to new drugs, currently not possible under EU law. This will increase the U.K.’s attractiveness as a destination for trials of novel drugs. Financing for private and public life sciences companies can also be encouraged by mechanisms which may currently fall foul of the EU’s state aid restrictions. These could include tax breaks for or matching investments by institutional investors.

The biggest Brexit risk highlighted for U.K.-based academic and private sector science is an inability to hire talent irrespective of nationality. The government’s reassurances on this suggest the visa process, which works well for non-EU nationals, will just be extended.

The U.K. is one of the main recipients of EU research funding, getting 18 percent of grants, according to the Royal Society. The EU has had seven framework programs (FP1-FP7) since 1984 totaling 115.1 billion euros ($128.4 billion). FP1 had a budget of 3.8 billion euros for 1984-87, while FP7, which ran from 2007-13, totaled 50.5 billion euros. Horizon 2020 targets 80 billion euros in 2014-20. The U.K. government needs to deliver on the promises of its “industrial strategy” to make up for any lost investment.
As U.K. Prime Minister Theresa May prepares to trigger negotiations on leaving the European Union in 2019, she’s also laying the groundwork for British talks with non-EU countries including the U.S. and China on post-Brex trade pacts. All this will take place in the framework of the World Trade Organization, where what the U.K. plans to do is unprecedented, and in the wake of a protectionist tilt under President Donald Trump. Here’s a guide to the central political and policy questions.

Does post-Brexit Britain need to reapply for WTO membership?
No. The U.K. is a member of the WTO independent of European Union membership. As a result, after leaving the EU, Britain won’t join the likes of Belarus, North Korea and Turkmenistan outside the WTO.

Will some new trade arrangements be easier for Britain?
Yes, in theory. After Brexit, the U.K. may be able to establish new trade arrangements relatively quickly with more than 60 countries and territories such as South Korea that have special commercial agreements with the EU.

That’s because the market-access accords between the EU and these partners go beyond what the WTO requires, enabling the U.K. simply to copy and paste the deals and notify the Geneva-based global trade arbiter.

This scenario assumes a country such as South Korea that has a special trade accord with the EU wouldn’t seek to re-open the pact as a result of Brexit. Canada is due to join this group of nations imminently.

What about new U.K. trade ties with other non-EU countries?
It’ll probably be trickier for Britain to work out new commercial relationships with countries such as the U.S., China, Japan, New Zealand and Brazil that have no free-trade accords with the EU. In these cases, some of the commitments that the EU has made to these nations under WTO rules may need to be renegotiated with the U.K., which would then have to win approval for those changes in Geneva.

Generally, post-Brexit Britain will have to produce “schedules of commitments” regarding domestic-market access in the areas of goods and services for WTO partners that have no trade deals with the EU.

Is agriculture affected?
Yes. And farm policy is always politically thorny in Geneva. In coming up with commitments on agriculture for the WTO, the U.K. will have to: set its own import tariffs; win the right to offer any trade-distorting subsidies; work out with the EU the British share of any duty-free import quotas to which the 28-nation bloc is committed.

One example that highlights the potential hurdles: the U.K. is committed to import annually from New Zealand 230,000 metric tons of lamb, of which the U.K. takes about half. Will Britain assume half this duty-free quota as part of its deal to leave the EU? If so, would New Zealand accept that?

Then comes the question of politically sensitive farm subsidies. In Europe, the right to grant trade-distorting farm aid up to a limit lies under WTO rules with the EU rather than with national capitals. Britain will have to decide whether it wants to acquire a portion of these EU rights - a step that could spark a fight with European agricultural powerhouses France and Germany.

What about industrial tariffs?
In the area of industrial goods, assuming it reaches a Brexit deal with the EU that falls short of a customs union, the U.K. will have to set its own import tariffs on 9,000 to 10,000 products. The smoothest option for Britain may be to replicate the EU’s tariffs, something the U.K. ambassador to the WTO has said the country will do “as far as possible.”

Setting higher rates could spark trouble with other WTO nations, while planning lower rates could complicate the Brexit talks. As an example, take cars, on which the EU applies a standard tariff of 10 percent.

Were Britain to try to apply a higher duty on autos after Brexit, Japan might object. Were the U.K. to seek to impose a rate below 10 percent, Germany, France and Italy might cry foul, especially if post-Brexit Britain and the EU continued to trade freely in cars.

What about services?
The U.K. will have to submit its own schedule of commitments to the WTO for services such as banking, insurance and telecommunications because, after Brexit, the EU’s commitments will no longer apply to Britain.

As with goods, the U.K. can opt to replicate the EU’s schedule. But winning approval for British services commitments from the WTO membership as a whole could be more difficult if Brexit denies foreign businesses in the U.K. such as banks full access to the EU single market.

In sum, with the Brexit talks being the first challenge, and with the rest of the EU accounting for about half of the U.K.’s trade, few experts will speculate about what Britain’s future commercial arrangements will look like.
A hard Brexit from the EU could bring rampant import-related inflation, and passing on these higher costs to consumers may be difficult after three years of deflation for both the manufacturers and retailers. This could be exacerbated if economic growth slows, potentially denting margins.

Right now, the U.K. economy is remarkably robust. Any raw-material cover prior to the Brexit vote is likely to have expired, so pricing decisions will now be made with regard to recent currency moves and crop availability.

The EU accounts for 27 percent of food imported into the U.K., while Africa, South Africa, Asia and North America each make up 4 percent. The rest of Europe supplies 2 percent, and Australasia 1 percent. Varying tariff rates are applied to trade across these overseas regions by the EU.

On a different tack, tourism and luxury goods are set to benefit from sterling weakness. The U.K. could win the European luxury-market top spot from France and Italy by 2020, with a share approaching 20 percent.

Sterling weakness is attracting more visitors to the U.K.'s iconic retail locations and flagship stores are benefiting, with more than 60 percent of U.K. luxury brands specifically targeting overseas shoppers. That's likely to rise. There could be more currency-linked tourist purchases in the U.K. versus big luxury markets such as the U.S., Japan, France, Italy and Germany.
THE U.K.’S VOTE to leave the European Union last year was a near 50/50 split—51.9 percent opted to leave, while 48.1 percent chose stay.

Now that a break from the bloc is due to happen, a YouGov poll suggests the country has pulled together behind some of Prime Minister Theresa May’s negotiating targets for exiting the union.

The survey among 1,654 British adults was conducted the day of and after May’s Jan. 17 speech, in which she set out a 12-point plan for the sort of Brexit she wants to achieve in negotiations with the remainder of the EU.

Many points were uncontroversial: control of immigration, an open border with Ireland, guaranteeing the rights of existing EU immigrants and continuing to work with the EU on security matters all received majority support among both Remain and Leave voters. Still, only a slim majority—54 percent—of Remain voters were convinced on May’s EU immigration target.

Remain voters were least convinced by May’s plan to take Britain out of the customs union and single market.

Overall, British voters appear divided on how much they trust May to negotiate the sort of Brexit deal she says she wants for Britain. Forty-seven percent say they have a lot, or a fair amount, of confidence in her. Thirty-eight percent say they have not much or no confidence in their prime minister to do the deal. Unsurprisingly, among the Remain crowd there is even less confidence in May.

If there’s one thing Remainers and Leavers have in common, it’s that neither think the EU is prepared to give its leaving member what it wants. Only 20 percent of survey respondents said the EU will agree to a Brexit on May’s terms, while 56 percent of respondents said it will not.

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**What Share of Leavers, Remainers Support Each Brexit Negotiation Target?**

- Sharing Intelligence With EU
- Guaranteeing Rights of EU Citizens in U.K.
- Maintaining Open Border With Ireland
- Having Control of Immigration From EU

**What Share of Leavers, Remainers Support May’s Trade Targets?**

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<th>Trade Target</th>
<th>Leavers</th>
<th>Remainers</th>
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<td>U.K. Will Leave Customs Union, Try to Negotiate as Few Custom Barriers as Possible</td>
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<td>70%</td>
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<tr>
<td>U.K. Will Leave Single Market, Try to Negotiate Free Trade Deal With EU</td>
<td>70%</td>
<td>60%</td>
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**Do Leavers, Remainers Have Confidence in May as a Deal Maker?**

- A Lot, Fair Amount of Confidence
- Not Much, No Confidence

**Do Leavers, Remainers Think the EU Will Agree to May’s Deal Terms?**

- EU Will Agree
- EU Will Not Agree

*Chart does not show share of respondents who answered “Don’t Know.”

Source: YouGov
The U.K. Government is threatening to give its post-Brexit economy a shot in the arm by reducing corporate taxes to become a sort of “Singapore-on-Thames,” a tax haven on the perimeter of the European Union. EU officials are dismissive of the idea; but they may be whistling past a graveyard.

At a rate of 20 percent, the U.K. currently ranks in the 11th lowest tax bracket in the EU, level with Finland and Estonia, lower than France or Germany but higher than Ireland, Poland and the Czech Republic.

This is what U.K. Chancellor of the Exchequer Philip Hammond said in January:

“If Britain were to leave the European Union without an agreement on market access, then we could suffer from economic damage at least in the short-term. In this case, we could be forced to change our economic model and we will have to change our model to regain competitiveness. And you can be sure we will do whatever we have to do.”

In July, then Chancellor George Osborne proposed cutting the corporate tax rate to less than 15 percent to prove Britain was still “open for business” after the Brexit referendum. While Hammond hasn’t been that specific, “change our model” was widely read as a euphemism for a dramatic cut in corporate tax rates.

The tax threat hasn’t gone down well on the Continent. Pascal Saint-Amans, the head of tax at the Organization for Economic Co-operation and Development, wrote a memo in June arguing that while becoming a “tax-haven type of economy” would be attractive for U.K. officials, “the mood of the
people is certainly not about giving more benefits” to large companies. Dutch Finance Minister Jeroen Dijsselbloem is similarly dismissive of the U.K.’s chances of persuading domestic voters that reducing levies on international companies is a panacea for alleviating the economic effects of leaving the EU:

_I don’t think the people who voted for Brexit meant it to end up as a multinational-friendly tax regime. Let’s not go there. I think it’s unproductive and it’s damaging and let’s get back on some realistic issues._

But Britain’s corporate tax rate is already heading lower, and without a hint of dissent from the electorate. From the start of the new tax year in April, it will drop to 19 percent; from 2020, it will be 17 percent.

And it’s worth remembering that in the aftermath of the June Brexit plebiscite, the British media reported that Prime Minister Theresa May had warned her EU peers that a rate of 10 percent was possible if Britain’s post-EU deal wasn’t favorable. So when she said Jan. 17 that “no deal is better than a bad deal,” it’s clear that the threat of introducing the lowest tax rate in the EU is likely to feature in the negotiations.

Irish Finance Minister Michael Noonan seemed keen to discourage Britain for that kind of thinking, saying that with U.K. rates already so low, “there isn’t that much scope for tax competition.” Then again, he would say that. He presides over a tax regime that levies just 12.5 percent, the second-lowest in the EU.

Noonan said his central bank has had more than a hundred “hard inquiries” from financial firms considering relocating from the U.K. And Eoghan Murphy, Ireland’s minister for financial services, said he’s hoping to add 10,000 net new jobs to the sector, boosting total employment in the industry by almost 30 percent. London looks bound to lose some jobs to other EU countries as firms adjust to the loss of so-called passporting rights. But an even more attractive tax regime would be one way for London to persuade banks not to shift their operations without being accused of giving the finance industry special treatment.

Britain’s threat is all the more credible given global trends. Corporate taxes have been on a downward trend for years all around the world. The OECD average is down to less than 25 percent from almost 28 percent in 2006. Even in Germany, the tax rate has dropped by almost 10 percentage points in the past decade to its current level a shade below 30 percent, which in turn is below the nearly 40 percent rate faced by U.S. companies, and which President Donald Trump has said he plans to reduce. The U.K. may just be ahead of the curve.

There’s a risk that the EU would seek to retaliate against any British tax-cutting initiative. May has warned that seeking revenge against the U.K. would amount to an “act of calamitous self-harm for the countries of Europe.” Singapore-style rates may not deliver the economic growth May needs, but she’s at least right on the politics. At a time when European electorates are increasingly conscious of the need to preserve national sovereignty, trying to stop a departing member from adjusting its fiscal policy to account for a change in economic outlook would be folly.

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**U.K.’s Corporate Tax Rate Is Set to Fall Further**

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Source: KPMG Corporate Tax Survey
THE TRUTH. IN RED AND GREEN.

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