



HOW WILL UK AEROSPACE FARE, POST-BREXIT?

News / Airlines



Most of UK aerospace – along with the rest of industry – campaigned against it. But on 23 June the people spoke, and after more than four decades of membership, the nation will begin negotiations to leave the European Union. The 52% to 48% vote surprised pundits and has claimed the scalp of Prime Minister David Cameron, who fought to stay in Europe.

Britons woke up on 24 June with a Brexit hangover, as sterling and shares nose-dived; investors had been banking on a Remain victory. Despite some recovery since, currency and stock market volatility looks like being the new normal as the country lurches into a likely two years of acrimonious divorce proceedings.

That uncertainty will be bad for business, including the world's second largest aerospace industry. But potentially more damaging is what lies further ahead, especially if the break from Europe limits access for the country's exporters to the single market, and the movement of skilled EU citizens over the English Channel.

UK trade body ADS is hopeful a new conservative prime minister – and possibly a new government if an early general election is called – can avoid this. With the hysteria about immigration that whipped up the referendum debate over, sensible heads will be needed to

negotiate a business-friendly settlement acceptable both to Brussels and the UK's Brexiteers.

That will not be easy. Much of the UK's aerospace industry is joined at the hip to the rest of Europe – Airbus being the prime example. British manufacturers rely too on a talent pool stretching from Portugal to Estonia. Any restrictions on free movement of labour could be met by Europeans with tariffs on UK exports.

Those who fought for Brexit argue it is a big world out there, with Europe just a small part of it. Being free of Brussels red tape will allow exporters to develop new relationships with the USA, with South Korea, with China. However, all these countries currently have trade agreements with the EU as a bloc, and establishing separate ties will not happen quickly.

A structural shift in the value of sterling would also hit the UK's defence capabilities, by making equipment procured from the USA more expensive.

As the world of aerospace flies in for Farnborough, the UK is preparing to come out of Europe. Nothing can change the vote. But what industry needs above anything else now is stability. With huge economic uncertainty and a vacuum at the heart of government – a new prime minister will not be in place until September – that seems a forlorn hope.

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