Behind the TCA: The Impact of Non-Tariff Measures on UK Exports to the EU after Brexit

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Abstract Although the post-Brexit trade agreement—the EU-UK Trade and Cooperation Agreement (TCA)—ensures zero tariffs and no quota restrictions on trade in goods between the UK and the EU, UK exporters still face the impact of additional trade costs due to compliance with various EU non-tariff measures (NTMs). However, existing research struggles to directly identify this impact due to a lack of high-quality product-level data on post-Brexit EU NTMs. To fill this research gap, this paper first constructs a novel post-Brexit EU NTM dataset. Then using this dataset and monthly trade data at the HS 6-digit product level from January 2018 to December 2022, this study employs the Extended Two-Way Fixed Effects (ETWFE) estimator based on the Poisson pseudo-maximum likelihood (PPML) method within the framework of the trade gravity model, combined with the heterogeneity-robust staggered difference-in-differences (DiD) method, to identify the net effect of post-Brexit EU NTM on UK exports to the EU. The estimates indicate that each additional EU NTM has reduced the expected value of UK exports to the EU by about 14.3%. A clear quantity threshold effect is identified: EU NTMs significantly reduce UK exports only when three or more measures apply. Moreover, the negative trade effects of EU NTMs are concentrated among products subject to mixed NTM measures, rather than on a single category of NTM. The findings demonstrate the existence of the negative trade impact of Brexit even with a deep trade agreement like the TCA.

Keywords: Non-tariff Measures; Brexit; TCA; Trade.

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