

Portland

A photograph of Donald Trump, wearing a dark suit, white shirt, and red tie, waving his right hand. He is standing outdoors with green foliage in the background.

THE SPECIAL RELATIONSHIP POST-BREXIT: A REALITY CHECK

Overview

As the UK prepares to leave the EU, British companies are beginning to think about the future of the UK's relationships with international partners. With the EU at top of mind and the Withdrawal Agreement still in flux, the UK's relationship with the US might be taking a back seat. What the "Special Relationship", specifically its economic relationship, will look like post-Brexit is not quite clear.

Portland conducted a survey with senior decision-makers in UK businesses to understand what they think about US-UK business relations post-Brexit and what it will mean for them.

The survey found that over two-thirds of these companies are not fully prepared to defend their interests in the US post-Brexit. This is an alarming takeaway for two nations whose bilateral relationships is important to each economy.

Trade is a crucial topic that will be discussed during President Trump's official state visit to the UK 3-5 June 2019. The level of preparedness on both sides of the pond will be key in ensuring a comprehensive deal is reached. Below we outline our survey findings and analysis of business challenges for UK companies in the US post-Brexit.

Level of preparedness differs significantly by sector

The UK and the US are each other's single largest foreign investors, with British firms investing \$480 billion into the US. But 67% of UK businesses are not fully prepared to defend their business interests in the US post-Brexit.

Some industries are less prepared than others even though they admit that US politics and policies have an impact on their business and industry.

Preparedness matrix

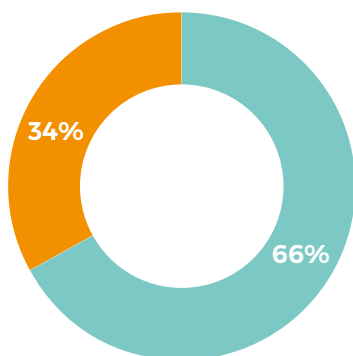
For the UK, being prepared for tough negotiations means understanding what the US is already demanding. The Trump administration has outlined its priorities for a UK-US free trade [deal](#) that includes comprehensive access to the UK's agriculture products as well as reducing or eliminating tariffs and other barriers. How successful US tactics will be remains to be seen.

The UK will be navigating competing interests: The demands of the US while still maintaining close trade relations with the EU. Standards for certain products in both markets can be quite different. (Think chlorine-washed chicken products that are banned in the EU but acceptable in the US.) Agriculture, food, tech, and energy are a few sectors that might get caught in the crossfires as negotiating begins.

Sectors	Level of preparedness to defend interests in US post-Brexit	Perception of the amount of US policy impact	Perceptions of the future UK-US relations
Chemicals	Low	High	Negative
Manufacturing	Low	High	Positive
Tech	Low	High	Negative
Retail	Low	Medium	Negative
Industrial goods and services	Low	Low	Positive
Healthcare	Low	Low	Negative
Oil & Gas	Medium	High	Negative
Food	Medium	High	Negative
Banking	Medium	High	Negative
Construction	Medium	High	Negative
Utilities	Medium	Medium	Negative
Financial services	Medium	Low	Negative

Three sectors stand out as most highly impacted by US politics and policy

A third of UK companies think US politics and policy impact their business or industry. Of the industries surveyed, oil & gas, banking and chemicals ranked as the most impacted by US policy.



Proportion of UK companies impacted by US policy

- High impact
- Little to no impact

Top 3 UK sector ranking by perceived US policy impact on their business



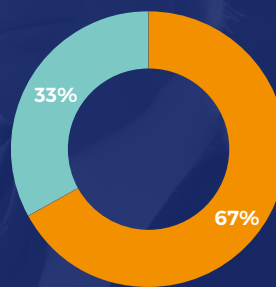
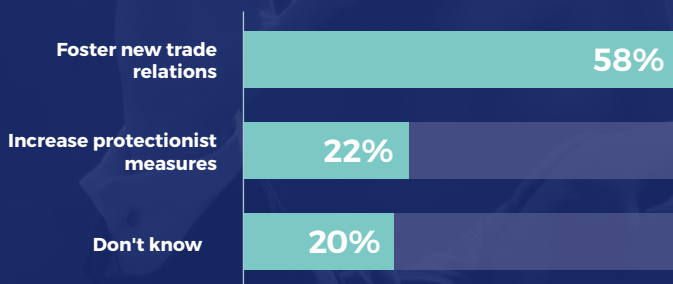
The UK has always maintained its own policies with regard to oil and gas and will continue to do so post-Brexit; the question for businesses is the extent to which a post-Brexit Britain will look toward renewables to replace its existing oil and gas energy supplies. The UK has a growing renewable energy sector and post-Brexit energy sector investment will likely focus on offshore wind power. Meanwhile, the US is steering away from Obama-era policies that relied less on natural resources like oil, gas and coal. Some will push for deregulation of the UK's fracking industry as part of a push to reduce reliance on liquefied natural gas (LNG) imports. The government has **not shown** a desire to ease restrictions on the sector.

Post-Brexit, the United Kingdom will face two paths on banking regulation: Regulatory alignment with the EU or deregulation. While many leading voices of Brexit would like to see the City of London become a Singapore style low-tax, low-regulation banking haven, it is unlikely that the UK will pursue this path. The existing EU rules were largely crafted by the UK, whose outsized banking industry gave it a louder voice on regulation affecting the financial sector. While the EU may look to change those rules to benefit European headquartered banks, the status quo is largely a reflection of what the UK wants and convergence with the US on some regulations is therefore unlikely.

UK businesses are optimistic about increased trade deals with the US

UK companies expect increased trade deals between the US and UK post-Brexit more than UK protectionist measures.

Perceptions of future US - UK relations



Proportion of UK companies that are expecting more trade deals between the US and UK who are not fully prepared to defend their business interests in the US

● Prepared
● Not Prepared

For the UK, the EU is the bigger and more important single market. Nearly half (49%) of the **UK's trade** is with the EU compared with 14.5% trade with the US. Thus, the UK government is likely to prioritize a trade deal with Europe over the United States and will be less incentivized to change its standards on specific goods, like agriculture and food products.

In this scenario, the US has less leverage to impose its foods standards on UK goods. The US agriculture and food sectors will not be as prepared to defend their interests when negotiating a deal with the UK, and could potentially have less access to UK market.

Conclusion

UK companies are not as prepared to defend their interests in the US post-Brexit, but American companies may also not be ready to defend their interests in the UK, especially when there are competing interests with those of the EU. In the business community, expectations on both sides of the Atlantic are not connected with the reality. US expectations of a deregulatory push by the UK may be unrealistic, while the UK is simply unprepared to push back against the Trump administration's demands. Both UK and US companies face major challenges ahead and will need

help navigating interests of all parties to be able to reach agreements that could satisfy three important markets – the US, the UK and the EU.

For more in-depth analysis on Brexit, read our recent [Mind the Gap report](#).

To find out more about how Portland can help you navigate this critical time in US-UK relations - contact [Noah Black](#), General Manager North America.