



IPC Discussion Paper on Brexit

Securing Trade Links and Facilitating a Skilled Labour Movement

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Introduction

The exit of the United Kingdom (UK) from the European Union (EU) will have serious effects on the electronics industry. As the negotiations to determine the future relationship between the UK and the EU begin in earnest, IPC believes that there are a number of issues of crucial importance for the industry that need to be taken into consideration.

The electronics sector is particularly concerned with future EU-UK trade relationships and access to the highly skilled labour the sector needs to continue innovating and adding value to the European and global economy.

In Europe alone, IPC has 650 members, 60% of which are SMEs. The five countries with the strongest representation are the UK, Germany, France, Sweden and Italy, collectively making up nearly 60% of European membership.

Areas for Discussion

Movement of goods

The electronics sector is affected in multiple ways by limitations in the free movement of goods.

On the one hand, imposing tariffs on advanced electronics threatens the more conventional aspect of getting the final product to the consumer. Disruptions in the free movement of goods will create significant problems for the electronics sector, which has been traditionally export-oriented, threatening the creation of jobs and economic growth in this dynamic industry.

On the other hand, electronics is an industry with very complex production chains. It is not uncommon for many of our members to be manufacturing components that need to be shipped to other countries for final assembly (for example automobiles, airplanes, and computers). The sector is thus relying on the freedom to move goods across the Single Market without burdensome administrative processes within the borders.

Given its size and importance, the UK is likely to remain a key destination, both for final products and for components. The imposition of customs checks or any other additional administrative burden following Brexit will have significant effects across the production chain and the sector, especially given that a large number of companies active in the electronics industry are export-oriented.

Depending on the type of agreement reached, and in particular in the extreme case of the UK and EU going back to the World Trade Organization (WTO) rules, there is a high chance that substantial tariffs will be imposed on electronics and that the price of products will increase, negatively affecting both consumers and businesses.

In a Brexit dedicated survey, IPC members confirmed that an increase in tariffs is one of the main concerns of the industry, followed by losing the ability to export seamlessly. In addition, the uncertainty over the exchange rate of the British Pound has also created concern for businesses that export to the UK. On the other side, some UK members noted that the low value has generated interest for their products in export markets.



Access to Skilled Labour

The electronics sector depends on highly skilled labour for its continuous success and growth. The combination of a need for high skills and a truly global production chain means that the industry benefits from the ability to seek properly qualified employees across a larger market. Industry figures show that employees with the necessary skill set are already in short supply, with the skills gap expected to increase in the coming years. Constraints in the free movement of labour will only exacerbate this problem.

Maintaining free movement of labour is a necessary condition if Europe is to remain competitive, especially in view of challenges stemming from a globalised business environment and value chains.

Conclusions

IPC would encourage EU and UK negotiators to take the following industry concerns into consideration in their ongoing discussions:

- The negative effects stemming from **restrictions in the free movement of goods**.
- The serious repercussions of falling back to WTO rules and **imposing tariffs on components and products**, affecting consumers and businesses.
- The electronic sector's need for **highly skilled labour**, which will be exacerbated by restrictions to labour mobility. Access to a larger pool of specialised workforce is necessary for the sector to maintain its competitiveness.

About IPC

IPC is the world's leading association for electronics manufacturing companies, representing the printed circuit board and electronics assembly industries, their customers and suppliers worldwide. With global headquarters in the US and regional offices in Europe and China, IPC's European membership includes large companies, such as Airbus and Siemens, but also a vast array of small and medium enterprises (SMEs).

For More Information Visit www.ipc.org/advocacy or Contact:

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