The Landscape of UK Trade Policy after BREXIT

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The UKTPO (I)

• Created 28th June 2016
• In the University of Sussex
• Sussex Academics and Associates from around the world
• Aims to ensure that the UK’s international trading environment is reconstructed in a manner that benefits all in Britain and is fair to Britain, the EU and the world.
The UKTPO (II)

• Independent expert group that
  • initiates, comments on and analyses trade policy proposals for the UK
  • trains policy makers and others
  • engages with many stakeholders
The UK Trade Landscape After Brexit

• UK must re-define and re-negotiate its trading relationships

• Scope of the challenge

• Opportunities and constraints
Trade negotiations

- EU-27

- WTO – establishing UK’s new status (schedules of concessions, agricultural commitments, TiSA)
Trade negotiations

- EU FTAs:
  - Existing (55 countries)
  - Waiting on ratification (Vietnam, Singapore, Ukraine and Canada)
  - In negotiation (US, India, Japan, Malaysia, Philippines; regional Economic Partnership Agreements; Mercosur; GCC)
Trade negotiations

• GSP (30 countries)
• GSP + (13 countries)
• Everything But Arms (49 LDCs)

• Additional countries (Australia, New Zealand, Russia, China, ASEAN members)
The UK Trade Landscape After Brexit

- Opportunity – Re-think UK trade policy and pursue objectives eg services liberalisation

- Constraints - Lack of trained negotiators, reduced market power, time pressure, political challenges
## Trading Partners
(2011, TiVA Dataset)

<table>
<thead>
<tr>
<th>Partner</th>
<th>Imports ($billion)</th>
<th>Import Share %</th>
<th>Exports ($billion)</th>
<th>Export Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU28</td>
<td>347.1</td>
<td>47.0</td>
<td>389.4</td>
<td>49.9</td>
</tr>
<tr>
<td>USA</td>
<td>109.4</td>
<td>14.8</td>
<td>88.5</td>
<td>11.4</td>
</tr>
<tr>
<td>China</td>
<td>26.2</td>
<td>3.5</td>
<td>58.4</td>
<td>7.5</td>
</tr>
<tr>
<td>India</td>
<td>19.0</td>
<td>2.6</td>
<td>24.8</td>
<td>3.2</td>
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<tr>
<td>Canada</td>
<td>18.4</td>
<td>2.5</td>
<td>13.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Australia</td>
<td>16.7</td>
<td>2.3</td>
<td>7.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Japan</td>
<td>16.4</td>
<td>2.2</td>
<td>17.1</td>
<td>2.2</td>
</tr>
</tbody>
</table>
What does Brexit mean?

(I) The EU

- The Promise
  - Curbing immigration from Europe,
  - Regaining control of regulations and trade policy,
  - Cutting UK payments into the EU budget.

- The Implication
  - Leave Single Market
  - Leave Single Market and Leave Customs Union
  - But hard (WTO rules) or Soft (deep FTA)?
Soft Brexit

• Rules of Origin → border controls, admin costs
• Certification – costs, maybe bans
• EEA avoids certification but not RoOs
  – Obey, pay but no say
  – Can’t negotiate regulations in any FTAs
• More likely SM equivalence in some sectors
  – But which? (finance?)
• ‘Peace Clause’? Politics, WTO feasibility
Hard Brexit

• EU takes half of UK trade in goods and services

• EU MFN average tariff = 5.3%;
  – EU and all FTA partners face zero

• All goods face certification costs; still have to meet EU standards

• Services receive EU’s third country terms

• GATS binds at even less attractive levels
What does Brexit mean?

(II) The WTO

• In the short run, adopt EU tariff schedules
• Rectification? But potential impairments
  – Market segmentation (RoOs)
    • Transshipment, intermediates (within & outwith EU)
  – Agriculture – TRQs, AMS
• WTO is pragmatic – diplomacy will help
• In the long run can renegotiate UK position
What does Brexit mean? (III) Third countries

• Developing countries – offer same for 4 yrs
  – Early announcement
  – Then renegotiate

• FTAs: 51 countries in existing FTAs, 2015,
  – 14% of UK exports and 11% of imports
  – Roll over; notify under GATT and GATS
New FTAs

• Up to twenty - need to prioritise – how?
• Start with Australia? easy? But ..
  – Australia says “after EU”
  – Goods: exports 1.24% of UK total; imports 0.5%
  – Services: 2.1% of UK exports; imports 1.72%
• Low stakes, good practice.
Thank you

http://www.sussex.ac.uk/bmec/research/uktpo