

UKTPO

UK TRADE POLICY  
OBSERVATORY

# The Landscape of UK Trade Policy after BREXIT

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# The UKTPO (I)

- Created 28<sup>th</sup> 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)

Partner	Imports	Import	Exports	Export
	(\$billion)	Share %	(\$billion)	Share %
EU28	347.1	47.0	389.4	49.9
USA	109.4	14.8	88.5	11.4
China	26.2	3.5	58.4	7.5
India	19.0	2.6	24.8	3.2
Canada	18.4	2.5	13.3	1.7
Australia	16.7	2.3	7.7	1.0
Japan	16.4	2.2	17.1	2.2

# 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>

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