Ambition on Unstable Foundations: The UK Trade Policy Readiness Assessment 2020

By David Henig, Director of the UK Trade Policy Project

Brussels, Belgium, 15th July 2020 - The UK’s road to an independent trade policy has reached a critical moment. Within the next six months Free Trade Agreements (FTAs) containing long term arrangements and rules could be finalised with the United States and/or European Union, who between them constitute around 65% of UK trade. Talks have also started with Japan, Australia, and New Zealand.

Our updated Trade Policy Readiness Assessment suggests that the UK government is not fully ready for this activity. ‘We find problems in seeking consensus, expanding priorities beyond the traditional tariff reduction, and putting in place a realistic implementation plan’ says David Henig.

The absence of consensus on policy detail, and which partners to prioritise, is the greatest concern. Despite leaving the EU in January 2020 political tensions continue, Brexit supporters encouraging a decisive break via a US agreement and potential trade conflict with the EU, and business warning of the damage of no trade deal with the EU. We previously predicted consensus would be particularly tested by US negotiations, and this came to pass with the government needing to establish a trade and agriculture commission due to concerns about US food imports.

We also see the sheer volume of activity, without obvious prioritisation, as an issue. As well as the talks for new FTAs, and potential accession to the Comprehensive and Progressive Trans Pacific Partnership (CPTPP), there remain existing trade partnerships where replicas have yet to be agreed, including with major trade partners such as Canada, Norway, and Turkey, and the split of agriculture quotas at the WTO not finalised. Yet there is some logic in starting a lot of activity and seeing what difficulties arise. The tough choices that have to be made in trade policy only start to become real when Ministers can see the clashes emerging (i.e. UK farmers versus a US trade deal). It also remains the case that while other countries want to see the UK-EU relationship determined, they are also interested in strengthening of their links with the UK.

A positive scenario for the UK at the end of the year would be foundation trade agreements in place with the EU and other European countries, a new agreement with Japan, and good progress in other talks, both bilaterally and at the WTO. If the EU deal safeguards UK manufacturing in particular, focus on finding new global opportunities for the UK’s strong services sectors could then increase. The negative scenario would be poor or restrictive agreements with the US and/or EU, or no deal with the EU creating a troubled relationship with our nearest trade partners affecting the economy and taking some time to recover.

This is what is at stake in the next few months. In January 2021 the UK may have a platform for a positive trade policy, or damage to be repaired. At this stage, the outcome is unpredictable.

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