Factsheet: Preparing for our future UK trade policy

The Government has recently introduced the Trade Bill into Parliament. This Bill will help ensure that the UK has the necessary tools in place to operate our own trade policy once we leave the EU. Further tax-related elements of the UK's trade policy will be legislated for in the Taxation (Cross-border Trade) Bill.

Introduction

Global trade has had, and continues to have, an overwhelmingly positive impact on prosperity in the UK and around the world. It can lead to higher wages and contribute to a growing economy by stimulating greater business efficiency and higher productivity, sharing knowledge and innovation across the globe, and it ensures more people can access a wider choice of goods at lower cost.

What is in the Trade Bill?

The Trade Bill focuses on providing continuity for business and consumers. It contains the following provisions.

Transitioning current trade arrangements

The UK currently enters into commitments in international trade agreements as a member of the European Union (EU). This means that the EU has competence to negotiate and agree trade agreements on the UK's behalf, and that much of the implementation of the obligations on the UK in the trade agreements that the UK is party to as an EU Member State is carried out at the EU level and takes effect in the UK through the European Communities Act 1972 (ECA). The ECA will be repealed by the EU (Withdrawal) Bill and the UK will therefore need to build a new legislative framework to ensure that our existing trade agreements are fully implemented within UK law and remain operable over time.

Without action these trading arrangements will cease to have legal effect on day one of EU exit. Trade with countries that have an agreement, accounted for approximately 13% of the value of the UK's total trade in 2015.

The Government has committed to providing continuity in our existing trade and investment relationships as we leave the EU. This legislation will create the necessary powers to preserve the non-tariff elements of existing trade arrangements, <u>preventing disruption to UK businesses and consumers and international trading partners</u>. These powers will only be used to adopt trade agreements with countries with which we already have trade agreements, through our membership of the EU.

Agreement on Government Procurement

The Agreement on Government Procurement (GPA) is a plurilateral agreement within the WTO system between 19 WTO Members, including many of the major economies such as the United States, Canada, the EU and Japan. It aims to deliver open government procurement markets among its parties, and seeks to address trade barriers, such as preferential treatment of domestic goods and services, in the government procurement sector. The UK currently participates in the GPA via our EU membership.

This legislation will enable the UK to make any changes required in domestic legislation before the UK accedes to the GPA, and to have the power to make changes in the future, for example, to reflect new countries joining the GPA. This will maintain UK businesses' access to public contract opportunities worth £1.3 trillion, and ensure that we can continue to secure the best deal for the taxpayer.

Trade Remedies Authority

WTO rules enable members to protect domestic producers from unfair and injurious trading practices through trade remedy measures, such as applying duties or quotas to particular imports. Currently the European Commission undertakes trade remedies investigations, and imposes any remedies, on behalf of Member States, including the UK. Once we leave the EU, we will no longer be part of this process. To ensure that the UK can continue to provide a safety net to domestic industries against unfair and injurious trading practices this legislation will create a new, independent trade remedies body, the Trade Remedies Authority.

Data Collection and sharing

This legislation will also allow HMRC to share data with bodies carrying out public functions in relation to trade so that, for example, the Department for International Trade (DIT) and the Trade Remedies Authority are able to carry out the trade dispute and trade remedies functions that are currently fulfilled by the European Commission. This will also enable DIT to produce statistics, research and analysis that will inform the development of evidence-based trade policy and monitor and evaluate its effectiveness.

What will be in The Taxation (Cross-border Trade) Bill?

The Taxation (Cross-border Trade) Bill is a tax bill that will be introduced on resolutions via a Ways and Means debate. The resolutions were recently published. This Bill will cover;

- Provisions to create a standalone customs regime and amend the VAT and excise regimes, including provisions to establish a new UK tariff
- Provisions to create a new UK trade remedies framework.
- Provisions to put in place a unilateral trade preferences scheme.
- Provisions to vary import duties when a dispute or other issue has arisen between the UK government and the government of another country or countries

When will these powers come into effect?

While we are members of the EU, we will continue to comply fully with our obligations and to engage constructively with our partners. The steps we are taking to introduce trade legislation will not at this point affect our trade relationships with third countries, the operation of the Common Commercial Policy of the EU, or the international trading frameworks within which the UK operates as a member of the EU. As we leave the EU, we will remain committed to working collaboratively with the EU to take forward our shared free trade agenda.

We will then also have the opportunity to advance our interests, priorities and ambitions through a future UK trade policy.

ANNEX A: Trade Statistics

Exports

- The value of UK exports was £547.5 billion in 2016, up 5.9% on 2015. This reflects increases in goods and services exports of 4.6% and 7.4%, respectively. (Source: ONS Balance of Payments)
- In 2015, there were 228,700 registered businesses in Great Britain (10.6%) exporting either goods or services or both. (Source: ONS ABS Exporters and Importers 2015 - Experimental statistics)
- In 2016, the UK's largest export market for goods was the USA (accounting 15.7% of total UK goods exports). (Source: ONS UK Trade)
- The UK's fastest-growing markets[1] for UK exports of goods and services between 2010 and 2016 were: South Korea – up by 97% to £6.1bn; Malta – up by 81% to £1.1bn; Japan – up by 61% to £12.5bn; China – up by 61% to £16.8bn. (Source: ONS Pink Book 2017)

Imports:

- The relative importance of the EU as an import market has declined over the last decade. In 2016, the share of UK imports coming from the EU was 53.9%, down from 56.5% in 2005. (Source: ONS Balance of Payments)
- Between 2015 and 2016, imports from the Non-EU increased to £272.5 billion (up 7.2%) while imports from the EU increased to £318.0 billion (up 7.7%). (Source: ONS Balance of Payments)
- The fastest-growing markets[1] for UK imports of goods and services between 2010 and 2016: Morocco – up by 149% to £1.6bn; Saudi Arabia – up by 94% to £2.2bn; South Korea – up by 84% to £5.3bn; Romania – up by 65% to £2.6bn. (Source: ONS Pink Book 2017)

Inward investment:

- In 2016, the UK was the 4th most attractive destination for investment in the world behind USA, Hong Kong and China (Source: UNCTAD)
- Inward investments into the UK are estimated to have created 75,226 new jobs in 2016/17. Combined with an estimated 32,672 safeguarded jobs, this amounts to almost 108,000 new and safeguarded jobs associated with Foreign Direct Investment (FDI) projects recorded in 2016/17. (Source: DIT Inward Investment Results 2016/17)
- The UK is the number one destination for FDI in Europe for FDI projects according to Ernst and Young. In 2016, the UK attracted the highest number of FDI projects and the highest number of jobs in Europe (Source: Ernst & Young Attractiveness Survey – Europe 2017).
- DIT recorded 2,265 investment projects coming into the UK in 2016/17; up 2% on 2015/16.DIT supported 1,859 projects in 2016/17. (Source: DIT Inward Investment Results 2016/17)

Outward investment:

- In 2016, the UK was the 3rd largest global investor, and the largest European investor, behind the USA and China (Source: UNCTAD)

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[1] Rankings for the UK's fastest-growing markets exclude British Overseas Territories, Crown Dependencies and countries to which UK exports of goods and services in 2016 totalled less than £1.0bn.

Future trade:

- The EU itself estimates that 90% of future global economic growth is expected to be generated outside Europe - a third of it in China alone. (Source: European Commission (2013) ”Contribution from the Commission to the February 2013 European Council debate on trade, growth and jobs”.)