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UK Trade Policy after Brexit

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Introduction

The UK is a major trading country with the sixth largest economy in the world. It exported over £545 billion of goods and services in 2016. The largest market for the UK is the EU, at 43 per cent of our exports. We also import more from the EU (54 per cent) than from any other market.[1] Since 1945 the UK has been a consistent promoter of liberalising and expanding world trade and of adapting the regulatory regime at home and abroad to contribute to that. This briefing paper examines the prospects for free trade agreements (FTAs) between the UK and non-EU countries after Brexit; it does not deal with UK-EU trade, except in passing.

In addition to maintaining a strong trading relationship with the EU after Brexit, the UK will need to further expand its trade with non-EU countries, not least to make up for the expected reduction in trade with the EU if we are no longer in the Single Market or the EU's customs union. Seven out of 10 of our top trading partners are other EU countries and no agreement the EU has ever signed offers as good terms of trade as the UK currently receives as a Member State. Membership of the EU does not restrict the UK's ability to trade with non-EU countries; indeed, the UK's largest single country market is the United States.[2]

It has been suggested that, outside the EU, the UK will not suffer significant loss from having to trade under the rules of the World Trade Organisation (WTO) because that is the basis on which we trade with most countries in the world.[3] This is not so, Britain trades with just 24 countries on the basis of WTO rules alone. This is because in addition to the privileged access the UK has as a member of the Single Market of the EU, we also have preferential access to the markets of 69 other countries through EU trade agreements which will cease to apply to us if we leave.[4] In fact, the UK would have to recreate more than 750 international agreements covering many different economic sectors just to maintain the status quo.[5] The EU has, for example, over 30 different agreements on trade issues with the USA, including important sectors to the UK such as insurance and reinsurance.[6]

The Government is seeking to improve UK trade after Brexit, both to make up for the loss of EU trade and because the UK already has a large trade deficit – that is, we import more than we export. The Government's trade priorities are: to reach agreement in principle with the governments of those 69 countries that they should "roll over" the existing terms of their

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1 See Matthew Ward & Dominic Webb, *Geographical pattern of UK trade*, House of Commons Library Briefing paper 17/7593, 7 November 2017, p. 3

2 *Ibid.*, p. 7

3 The BBC, for example, quoted Bernard Jenkin MP and John Redwood MP making this point: see Alex Forsyth, 'Reality Check: Does the UK trade with 'the rest of world' on WTO rules?', *BBC News*, 6 November 2017

4 Figures from the European Commission quoted in *ibid.*

5 Cited in Oxford Economics, 'United Kingdom: over the cliff edge and on to the rocks below', 10 November 2017; see also, 'After Brexit: the UK will need to renegotiate at least 759 treaties', Paul McClean, *Financial Times,* 30 May 2017

6 The EU-US Agreement on insurance and reinsurance was announced on 22 September 2017: European Commission, *EU - US Agreement on insurance and reinsurance*, MEMO/17/3426, 22 September 2017

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agreement with the EU into a bilateral agreement with the UK after Brexit; and secondly to reach new free trade agreements with countries that don't currently have such an agreement with the EU. Both of these ambitions are difficult to achieve speedily because of the nature of some of the EU's existing agreements and because trade regulation is both highly complex and highly political. It will be particularly important that these cover services as they make up 80 per cent of our economy.

Many of the existing EU agreements with third countries cover more than trade; these non-trade issues (such as aid and stabilisation of export receipts for raw materials) are also not dealt with in this paper.

Background: Trading outside the EU at present

Broadly, UK trade with countries outside the EU is currently conducted on one of two bases: through an EU-negotiated customs union or trade agreement with a third country or group of countries; or under the rules of the WTO alone. However, in some cases the EU has an agreement with a third country usually on regulatory matters which does not amount to a customs union or a free trade agreement but which makes for easier trade. It should be noted that the trade covered by these types of agreement is primarily in goods, not in services. This matters because services are almost 80 per cent of the UK economy and we have a surplus in the export of services. The UK's overall trade deficit (that is, taking goods and services together) was £43 billion in 2016 but it had a surplus in services of £92 billion.[7]

"Customs union" means that the EU and the third country are part of a common customs area in which they have a single set of agreed tariffs for imports. Countries in a customs union are not free to negotiate trade agreements on the matters covered by the customs union with other nations as they are bound by their prior agreement to the same tariff schedule as applied by the EU to third countries.

"Free trade agreement" means that the EU and the third country have agreed to trade with one another on a tariff free or reduced tariff basis. This is the type of agreement that the Government may seek to negotiate with the EU after Brexit as well as with other countries.

"WTO terms" mean that trade with a country is on the basis of the rules of the World Trade Organisation, to which all EU Member States belong. The two main rules are "most favoured nation" (MFN) treatment and "national treatment". These rules apply slightly differently as between goods and services. For goods, the first means that a WTO member must offer the same tariff to all other members of the WTO; and the second means that once import duties (if any) have been paid, imports must be treated no differently from domestic goods or services. These rules generally apply unless a WTO member has negotiated a bilateral FTA or customs agreement with another WTO member covering substantially all their mutual trade or are part of trading group, such as the EU.[8]

"Single Market" means the 28 Member States of the EU and three members of the European Free Trade Association (EFTA), that is, Iceland, Liechtenstein and Norway, who trade with

7 Discussed in Matt Ward, 'UK trade: a deficit in goods but a surplus in services', *Second Reading*, 9 November 2017

8 For an explanation of how the WTO works and its rules, see Slaughter & May, *Brexit Essentials: The World Trade Organization*, 13 September 2016

each other under a common set of rules covering what are known as the four freedoms, that is the free movement of goods, capital, labour and services.

On leaving the EU, the UK will cease to be party to any customs union, FTA or trade-related agreement between the EU and a third country.

Existing EU customs and trade agreements

The EU has 69 agreements wholly or partly in place with third countries and a further 21 are awaiting signature or ratification (a full list is in the Annex). In this section they are put into categories and briefly described.

<u>Customs unions</u>

These are marked in the Annex with an asterisk. In a customs union, trade covered by the agreement moves freely between countries without checks at shared borders. The EU was established as a customs union and there have been no routine customs checks on goods from other Member States since 1993. The most significant customs union the EU has with a third country is that with Turkey.

<u>EFTA & the European Economic Area</u>

Iceland, Liechtenstein, Norway and Switzerland are the four remaining members of EFTA (all the others have joined the EU). EFTA is a free trade organisation whose members trade on a tariff-free basis for goods with one another in many sectors but excluding agriculture and fisheries. Since 1993 three EFTA countries, Iceland, Liechtenstein and Norway, have formed the European Economic Area with the EU, which means that the EU Member States and the three EFTA members are all in the EU Single Market and accept the four freedoms (of goods, capital, labour and services) except in agriculture and fisheries. EFTA members are not however in the EU's customs union. They have no vote in the EU's decisions relating to the Single Market though they must abide by its rules.[9] In the case of Switzerland there are over 100 separate agreements with the EU, including a customs facilitation agreement and it has limited access to the Single Market with free movement of people.

<u>Individual country FTAs</u>

The EU has negotiated a number of bilateral FTAs which commonly go beyond free trade to cover mutual economic interests. These are usually negotiated under the banner of a "deep and comprehensive free trade agreement". Major economies with which the EU has an FTA include: Canada (the most recent EU FTA, in force from September 2017); Israel; Mexico (bilateral trade agreement, in force and currently under renegotiation in order to update it); South Africa; South Korea; and Ukraine. In addition, there are FTAs with many neighbouring countries in the Balkans, the Caucasus, the Middle East and North Africa.

[9] Although they may refuse to apply new rules, the fact that such a refusal could lead the EU to suspend corresponding elements of the agreement has served as an effective deterrent

Central America

The Central American countries of El Salvador, Guatemala, Honduras, Nicaragua and Panama have had an association agreement with the EU since 2012 which covers a range of issues including trade.[10]

Africa, Caribbean, Pacific

Thirty-nine of the 49 least developed countries in the world are part of the EU-ACP Cotonou Agreement of 2002, which continues several decades of co-operation. The agreement is intended to help ACP countries improve their prosperity and address other issues holding back their development. The trade chapter of the Cotonou agreement is the basis for seven regional economic partnership agreements between the EU and groups of ACP countries. Broadly, these allow businesses in the ACP countries to export free of tariffs or quotas to the EU and prevent EU businesses from exporting subsidised agricultural products to the ACP countries.[11]

The Generalised Scheme of Preferences

The WTO's rules permit countries to offer preferential terms to developing countries that would normally be prohibited under the most favoured nation rule. The EU has such a scheme targeted at reducing poverty, improving governance and protecting the financial and economic interests of the EU Member States. There are three categories of countries that benefit from this scheme. The 49 least developed countries can export duty free anything to the EU except arms and ammunition. There is a reduced level of duty for the other two categories. In total 92 countries benefit from this scheme, including India and all African countries except for Egypt and South Africa.[12] The Government has said that it would introduce a UK scheme of this kind after Brexit.

Trading on WTO terms

There are 24 countries with which EU Member States trade on a WTO rules basis. They are: Argentina; Australia; Bahrain; Brazil; Brunei; China; Cuba; Gabon; Hong Kong; Kuwait; Macau; Malaysia; Maldives; New Zealand; Oman, Qatar; Russia; Saudi Arabia; Taiwan; Thailand; Uruguay; Venezuela; United Arab Emirates; and the USA. But as mentioned earlier, there are many sectoral agreements that the EU has with third countries.

The EU is in negotiations for FTAs with several of these countries, notably: Japan (agreement has been reached in principle on an FTA, although details remains to be negotiated), the US, China, Australia, New Zealand and the members of the Association of South East Asian Nations.[13] The EU is also currently in talks with the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) about an FTA to replace the existing Inter-regional Framework Co-operation Agreement that entered into force in 1999.[14]

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[10] For further information, see European Commission, 'Countries and regions: Central America', 19 October 2017

[11] See European Commission, *EU Trade and Development Policy:10 benefits of Economic Partnership Agreements (EPAs)*, 28 November 2016

[12] See European Commission, 'Generalised Scheme of Preferences (GSP)', 19 December 2017, in particular the 2016 Commission report to the European Parliament and Council

[13] See European Commission, *Overview of FTA and Other Trade Negotiations*, 24 November 2017

[14] See European Commission, 'Countries and regions: Mercosur', 19 November 2017

It is proving difficult to negotiate an FTA with the members of the Gulf Co-operation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) because of political disputes between them.

Post-Brexit trade agreements

<u>General problems</u>

There are several general problems for the UK in establishing new trading relationships outside the EU after Brexit. These include:

- lack of time – trade agreements are highly technical and commonly take years to negotiate (the recent EU-Canada FTA took seven years to negotiate for example); the UK has less than 16 months until it plans to leave the EU;
- the inter-relationship between the UK's future trading relationship with the EU and its trading relationship with non-EU countries, including the effect of those relationships on the EU; for example, third countries will want to know what kind of trading relationship the UK has agreed with the EU before they decide on their future trade policy towards the UK; and the EU will be concerned as to whether, for example, the UK would allow the import into the UK of goods that do not meet EU standards that might then be re-exported into the EU;
- impact on domestic policy –the UK will have to decide whether or not to protect domestic economic sectors in order to reach trade agreements; for example, many third countries would like the UK to allow greater access to its food markets for their produce but if the UK agrees to that it could mean significant losses for British farmers; similar dilemmas apply to the steel industry;
- the implications for other WTO members – the most favoured nation rule prevents the UK offering preferential treatment on a sectoral basis to other countries except in an FTA or customs union covering "substantially all trade";[15]
- lack of coverage for services – the WTO has one limited agreement on services but reaching trade agreements covering services is more difficult than for goods; the UK's dominant and successful services sector benefits disproportionately from EU membership because of reduced barriers to trade in services within the Single Market (despite its incomplete nature); the UK's trade surplus in services with the EU was £24.3 billion in 2016 compared to £68.1 billion for the rest of the world;[16] replicating this performance outside the EU will be exceptionally hard;
- technical barriers – the barriers to trade today are not (agriculture is the exception) so much the duties levied on imports but non-tariff barriers such as rules of origin, quotas, product standards and health and safety laws. The most significant of those are considered below;
- while there is agreement that FTAs often raise the overall level of trade between countries, there is some evidence that many are not very effective and geographical proximity is an important factor in boosting trade. As one study has put it: "The challenge for the UK government is that to replace the lost trade from leaving the

[15] The words in quotation marks are taken from Article XXIV of the *General Agreement on Tariffs & Trade*, 1947, as amended in 1994

[16] Figures from Office for National Statistics, *UK Balance of Payments, The Pink Book: 2017*, 31 October 2017, Table 9.5 (Trade in Services)

single market, it will need to negotiate trade deals that are much more effective at increasing trade than the average FTA in existence today, especially for services".[17]

There are some practical challenges also, mostly concerning a lack of capacity in government. Firstly, the European Commission has, for the last forty years, conducted trade negotiations for the UK and all Member States. The newly established Department for International Trade in London has a limited pool from which to recruit officials with experience in this specialist field. In addition, specialists are needed in other government departments with a detailed understanding of the trade issues relating to the sectors for which they are responsible.

It is also the case that the EU abolished customs controls between its Member States from 1993 and so the UK has inadequate customs infrastructure and insufficient personnel to staff UK-EU borders, let alone to deal with any increase in the volume of trade from outside the EU. Building the necessary warehouses, lorry parks and IT capacity, as well as the recruitment and training of staff, will all take time and money.

The Government has begun to bring forward measures to address some of these issues. It has been recruiting trade negotiators internationally; it has published a Trade Bill to provide for post-Brexit trade arrangements; and it has announced measures to improve UK customs capacity, including plans for new legislation.[18]

Inter-relationship with post-Brexit UK-EU trade arrangements

As noted above, this is an issue of great importance. The EU will be concerned as to the trade policies towards third countries the UK adopts after Brexit. If the UK, for example, were to promote itself as a low regulation, low tax economy, the EU would be likely to see that as a competitive threat and therefore offer the UK less good trading terms.[19] Equally, if the UK seeks to remain as close as possible in tariff and regulatory terms to the EU, that may restrict its ability to negotiate more far-reaching agreements with third countries. An indication of this came from the US Secretary of Commerce who told the CBI in November 2017 that if the UK wanted greater access to the US market we would have to drop EU regulatory standards and adopt US ones instead.[20] But the EU's chief negotiator, Michel Barnier, said in reply: "There will be no ambitious partnership without common ground in fair competition, state aid, tax dumping, food safety, social and environmental standards".[21] Mr Barnier's approach was reflected in the negotiating guidelines adopted by the European Council on 20 December 2017 for the negotiations with the UK on a possible transitional period.[22]

One of the EU's concerns about post-Brexit UK trade policy relates to food safety standards. It is fearful that the UK could become a channel through which poor quality food could

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[17] Monique Ebell, 'Will new trade deals soften the blow of hard Brexit?', National Institute for Economic and Social Research, 27 January 2017

[18] For details of the *Trade Bill*, see HM Government, 'New legislation to prepare UK for future trade and customs policy', 7 November 2017

[19] A low tax, low regulation economy is the sort of approach proposed by Economists for Free Trade and discussed in their report, *From project Fear to Project Prosperity*, September 2017

[20] Cited by Lord Kerr of Kinlochard in a speech to the House of Lords on post-Brexit trade: HL Deb 5 December 2017, vol. 787, col. 997

[21] European Commission, *Speech by Michel Barnier at the Centre for European Reform on 'The Future of the EU'*, SPEECH/17/4765, 20 November 2017, p. 3

[22] See, for example, European Commission, *Annex to the Recommendation for a Council Decision supplementing the Council Decision of 22 May 2017 authorising the opening of negotiations with the United Kingdom of Great Britain and Northern Ireland for an agreement setting out the arrangements for its withdrawal from the European Union*, COM (2017) 830 final, 20 December 2017, p. 9

reach EU Member States. This can be dealt with by the UK continuing to operate high standards of quality and safety in both imports and exports but that has a price in terms of regulatory compliance costs for business as well as restricting the UK's options in terms of trade negotiations with third countries.

To maximise its chances of reaching substantive FTAs with third countries, the UK needs the flexibility to be able to offer lower tariffs, less regulation and other competitive trading terms.[23] The greatest flexibility to do this would be outside the EU Single Market and customs union but leaving both of those would likely result in a greater loss of trade to the UK than could be made up by expanding trade with non-EU countries. Even with a UK-EU FTA it has been estimated that the UK would need to increase trade with non-EU countries by 20 per cent in order to make up for lost EU trade.[24] That is a tall order for a country with a large trade deficit and 80 per cent of whose economy is in services, not manufacturing.

As part of its separation from the EU, the UK has to adopt a schedule of tariffs in the WTO and agree with the EU its share of what have been until now EU reduced tariff rate quotas for the exports of some third countries. The UK has chosen to adopt the EU's tariff schedule for the time being to ease the transition. However, the joint EU/UK intention to allocate their tariff reduced quotas between them has already resulted in written objections from a number of WTO member countries including Canada, New Zealand and the USA.[25] Whilst this will not stop the UK trading after Brexit, these disputes will have to be resolved and their existence may complicate the UK's negotiations on trade agreements.

<u>Technical barriers to trade</u>

With the global fall in non-agricultural tariffs of the last 70 years, the barriers to trade have increasingly become technical. The EU's Single Market was established in response to this phenomenon and has achieved considerable success in removing many such barriers either through harmonisation, that is, adopting one set of rules for all EU Member States, or mutual recognition, *i.e.* where Member States agree to recognise the standards or rules of other Member States including professional qualifications. Increasingly, countries outside the EU have adopted EU standards themselves in order to make trade with the EU easier and because the EU, as the world's largest Single Market, is a powerful rule-maker. China is the world's largest manufacturer of toys, for example, but its producers tend to comply with EU toy safety rules because so many of its customers wish to sell within the EU.

Within the EU goods manufactured in the Union are free from rules of origin or quotas. This is because there is free movement of goods and many services within the EU. But in non-EU trade these rules of origin are particularly important. Rules of origin ensure that a country does not adopt the practice of importing items from a third country, repackaging or relabelling them and then selling them on as if they had been produced domestically. Rules of origin will usually set the minimum amount of a product that must be manufactured domestically in order for it to be covered by a free trade or customs union agreement. This is a problem for the UK as the open nature of the EU's Single Market means that British

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[23] This point is explored in more detail in Shanker Singham, Radomir Tylecote & Victoria Hewson, *The Brexit Inflection Point: The Pathway to Prosperity*, Legatum Institute, 4 November 2017

[24] Cited in Monique Ebell, *supra* n. 17

[25] See the text of the letter of objection sent to the UK and the EU, 26 September 2017

companies source parts from all over the EU for use in manufacturing. Post-Brexit they will need to find UK suppliers or their products may breach rules of origin requirements.

Categories of post-Brexit trade agreements with non-EU countries

There are three broad categories of possible post-Brexit trade agreements with non-EU countries:

- customs unions;
- replicating existing EU FTAs;
- new FTAs with third countries.

Each of these categories is considered in turn.

Customs unions

The Government has rejected being part of the EU customs union (though it may remain in the EU customs union for a transitional period) because of being unable to negotiate preferential trade deals with non-EU countries. It seems unlikely that the UK would form customs unions with any major non-EU countries and will therefore lose the advantages of the current EU customs union with Turkey.

Replicating existing EU FTAs

It has been suggested that the UK could simply roll over existing EU FTAs with third countries, for example those with Canada or South Korea. This is more difficult than it appears because it is not possible to simply replace references to the EU with the UK in such treaties. The EU's FTAs include detailed rules concerning the origin of products, on quotas of permitted imports and other matters which would need to be unpicked and renegotiated. Rules of origin requirements in the EU-South Korea FTA, for example, mean that UK cars would have to have 55 per cent of their content manufactured here; currently the proportion is as low as 20-25 per cent.[26] In addition, linking back to the earlier point about the inter-relationship between the UK's trading relationship with the EU and UK trade with third countries, such countries will be concerned that they are not subject to trade arrangements less advantageous to them than those the EU has subsequently offered to the UK.

New UK trade agreements

The Government has emphasised its desire to go beyond the existing trade agreements that the EU has negotiated and to reach agreements with new countries. Inevitably, the focus is on the larger economies. These include the USA, China, Australia, Brazil, Argentina and India. There are particular difficulties in reaching agreements with many of these countries but one general point applies: the UK will have less leverage as a non-EU member than the EU would have in such negotiations. Put simply, the UK is a far smaller market and therefore less attractive in terms of trade deals than the EU, which is the world's largest market.

In respect of the United States, while there have been supportive comments from President Trump, any negotiations with the US will face difficulties over agriculture (as the US wishes

[26] The 55 per cent rule would also apply to the export of cars from the UK to the EU; 20-25 per cent figure from evidence given by Mike Hawes, CEO Society of the Motor Manufacturers & Traders, to the House of Commons Business Select Committee: *Oral evidence: Leaving the EU: implications for the automotive industry*, HC 379, 14 November 2017, Q. 54

to increase its food exports into Europe) and over regulatory issues. Negotiating with the US is more difficult than with some countries because of the need to reach an agreement that Congress will endorse and that the states will accept as well as the federal government. The US may decide to prioritise its existing (but stalled) talks on the Trans-Atlantic Trade & Investment Partnership with the EU over a bilateral agreement with the UK; it will certainly not want to agree to anything with the UK that prevents it reaching agreement with the EU. The unpredictability and protectionist policies – the UK has a positive balance in its trade with the US - of the current administration further complicates the picture.

Australia and New Zealand too will give priority to their respective agreements with the EU despite our historic ties and the value to them of the UK as an export market. Like many third countries they will want to increase agricultural exports to the UK, which could damage the interests of British farmers. And they are relatively small markets much further away from the UK than our near neighbours.

There has been much talk about reaching FTAs with the emerging economies, notably Brazil, Argentina, China and India. While an understandable ambition, reaching agreements with these countries will be difficult, since they will prioritise their negotiations with the EU but also because they have major domestic reasons for maintaining protectionist policies. China may prove to be the most open to such talks, partly because UK-China trade has been growing in recent years. But China's existing FTAs with third countries, for example that with Switzerland, have been very much to China's advantage.

India is currently ranked 130 out of 189 countries in terms of ease of doing business. This is because there are multiple restrictions on foreign businesses at federal and state level and foreign direct investment invariably requires official approval, sometimes by the Prime Minister personally.[27] India unilaterally denounced 58 bilateral trade and investment treaties in 2016, including that with the UK, because of objections to the dispute resolution system in them. Investors now have to rely on the notoriously slow and bureaucratic Indian courts to resolve disputes. India is therefore a difficult country to do business with.

India has been negotiating an FTA with the EU since 2007; those talks are currently stalled after India's scrapping of the bilateral trade and investment agreements. In any case, the UK was an obstacle to an EU-India FTA because of UK unwillingness to agree to visa liberalisation (to allow more Indians to work and study in the UK) and because of disputes over tariffs on spirits.[28]

Other emerging economies may well be open to a trade agreement, but again will have demands on the UK and will be negotiating with an eye to their relationship with the EU, which they are likely to regard as more important.

Multilateral and plurilateral trade agreements

Multilateral trade liberalisation negotiations in the WTO are currently stalled, and US trade policy has become more protectionist. But a post-Trump US administration might well resume its support for negotiations. The UK outside the EU would have less influence on

[27] See, for example, the US Government's guidance to exports on these problems: 'India - Market Challenges', 25 July 2017

[28] Discussed in 'India-EU trade agreement: State of play and way forward', Lakshmikumara & Sridharan, *Lexology*, 20 June 2017

their conduct and outcome, as we experienced before we joined the European Communities in 1973. It is likely that within the WTO the US, China, Japan and the EU will continue to be the most influential players.

Conclusion

Every UK government has sought to expand UK trade around the world and EU membership has not prevented us from doing so. After Brexit the Government's first priority must be to preserve as much as possible of our existing trade with the EU27. This will mean some compromises over the UK's flexibility to reach FTAs with non-EU countries. It will want to ensure that as many as possible of the existing EU trade agreements with third countries are replicated. Negotiations with other countries on entirely new FTAs will depend on the willingness of those countries to reach agreement with us. The UK Government will have to be willing and able to make hard decisions about domestic policy, for example whether to permit more immigration for work and study purposes and over the level and nature of agricultural subsidy, in order to negotiate effectively.

The WTO does not have comparable rules to the EU allowing freer trade in services. This is a serious problem as 80 per cent of the UK economy is in services. The UK has a trade deficit in goods with the EU but a trade surplus in services. However, the UK faces losing a large proportion of its services exports to the EU after Brexit as EU FTAs with third countries do not generally include services. Therefore expanding exports in services to non-EU countries to make up for the business we lose in the EU will be important but difficult given the different regulatory environment outside the Single Market.

Time is against us. The negotiation of trade agreements is a notoriously complex and time-consuming business. Many of our interlocutors will have greater experience and capacity to bring to the table. The UK will be negotiating at a time when its economy is unlikely to be growing significantly after Brexit because of the disruption to established patterns of commerce and the difficulties of reintroducing customs and other arrangements.

The UK has set itself a formidable task. The economic consequences of failure would be painful.

December 2017

ANNEX

COUNTRIES WITH WHICH THE EU HAS AN FTA OR CUSTOMS AGREEMENT

Albania	Ghana	Norway
Algeria	Grenada	Palestine
Andorra*	Guatemala	Panama
Antigua & Barbuda	Guyana	Papua New Guinea
Bahamas	Haiti	Peru
Barbados	Honduras	Saint Kitts & Nevis
Belize	Iceland	St Vincent & the Grenadines
Bosnia & Herzegovina	Israel	San Marino*
Botswana	Jamaica	Serbia
Cameroon	Jordan	Seychelles
Canada	Kosovo	South Africa
Chile	Lebanon	South Korea
Colombia	Lesotho	St Lucia
Costa Rica	Liechtenstein	Suriname
Cote d'Ivoire	Madagascar	Swaziland
Dominica	Mauritius	Switzerland
Dominican Republic	Mexico	Trinidad & Tobago
Ecuador	Moldova	Tunisia
Egypt	Monaco*	Turkey*
El Salvador	Montenegro	Ukraine
Faroe Islands	Morocco	Zimbabwe
Fiji	Mozambique	
FYR of Macedonia	Namibia	*Customs agreement
Georgia	Nicaragua	

Source: European Commission

COUNTRIES WITH WHICH THE EU HAS AN AGREEMENT AWAITING SIGNATURE OR RATIFICATION

Benin	Kenya	Senegal
Burkina Faso	Liberia	Sierra Leone
Burundi	Mali	Singapore
Cape Verde	Mauritania	Tanzania
Gambia	Niger	Togo
Guinea	Nigeria	Uganda
Guinea-Bissau	Rwanda	Vietnam

Source: European Commission

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