

# THE UK TRADE LANDSCAPE AFTER BREXIT

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UK TRADE POLICY OBSERVATORY

## INTRODUCTION

This paper discusses the challenges for the UK as it attempts to redefine and renegotiate its post-Brexit foreign trading relationships. It starts from the position that the UK faces an immediate strategic choice in its approach to trade policy: whether to remain in the EU customs union. A decision to remain part of the customs union would mean a minimum of change in the UK's relationship with the EU 27 as far as goods trade is concerned. Under this arrangement, the UK would continue to apply the existing EU common external tariff (as set out in the EU's commitments as a party to the WTO), as well as any preferences negotiated with third countries by the European Commission already and in the future.

The key advantage of remaining in the customs union is that there would be no need to introduce rules of origin, which would require potentially expensive customs procedures. These could delay transit and reduce trade volumes. In the context of the stated ambition of those who campaigned to leave the EU of 'taking back control', the main disadvantage of remaining in the customs union is that the UK could not directly negotiate trade agreements with third countries, either in the WTO or bilaterally. That would remain in the hands of the European Commission.

Based not least on recent statements by the UK secretary of state for international trade and the prime minister on the margins of the G20 summit in Hangzhou, China, in September 2016, such independence to set Britain's trade policy in future is a key element in Theresa May's assertion that 'Brexit means Brexit'. This paper therefore makes the assumption that the UK will not, after leaving the EU, remain part of the customs union.

In this context, the paper examines the nature of such trade negotiations; the scale of the negotiating tasks confronting the UK; and potential approaches that may reduce the immediate negotiating load. It also identifies the countries that should be prioritized for trading negotiations, and examines the likely resources that will be required to undertake these.

## SUMMARY

- The UK will need to negotiate more than 100 new trade agreements if it leaves the EU customs union.
- Negotiations with the WTO and the EU are the most pressing. If the UK does not manage to reset its place in the WTO before leaving the EU, this could lead to legal and diplomatic complexities and possible trade conflicts.
- Trade partners in regional and bilateral agreements may want to change the terms of their existing agreements; and the UK may wish to include services trade – which is of increasing importance to its commercial performance – in these arrangements.
- To reduce the negotiation load, the UK could opt for temporary 'peace clauses' to maintain existing terms of trade during negotiations.
- In view of the narrow base of domestic expertise in conducting trade negotiations, the UK will need to recruit and train a large body of new specialist staff; these negotiators will have to consult with domestic vested interests as well as negotiate with the European Commission and external governments.
- If the UK is to expose its markets to greater competition, it also needs to be ready to help potentially disadvantaged groups at home to adjust.
- To ease negotiations with third countries, joining existing (or intended) mega-regional agreements could be advantageous; however, doing so may also result in loss of sovereignty.
- The most immediate challenges the UK faces arise from its reduced negotiating power as a sole actor, the initial lack of personnel and training in trade negotiation, time pressure, and concerns that the EU will seek to play hardball in order to discourage other member states from leaving the union.

Leaving the customs union immediately opens a wide variety of negotiations. These include:

- Extracting a UK schedule of commitments in the WTO from the EU schedules, which currently include the UK, and resetting relations with the non-EU members of the multilateral trading system;
- Negotiating a new trading relationship with the EU 27;
- Agreeing trade deals (which may in effect mean no more than agreeing to continue with the status quo) with countries whose trade with the UK is currently covered by FTAs with the EU;
- Designing and agreeing the UK's future trade relations with least developed countries and other developing countries covered by the EU's Generalised System of Preferences (GSP);
- Ratifying the FTAs negotiated recently by the EU;<sup>1</sup>
- Pursuing separate trade agreements with countries and regional groups currently in negotiations with the EU on the terms of an FTA; and
- Pursuing trade agreements with countries with which the EU neither has nor is negotiating an agreement.

Annex 1, at the end of this paper, outlines these negotiations, including the countries involved, and offers some tentative assessment of offensive and defensive interests in each case. This list gives an idea of the scale (but not the complexity) of the potential tasks confronting the UK. Even rubber-stamping the continuation of existing agreements demands diplomatic and negotiating resources, and requires that trade partners have no demands for increased liberalization from the UK in light of its new status.

Another challenging aspect of negotiating a new set of external trade relations is the extent to which UK diplomacy will have to be engaged simultaneously on multiple levels. That said, the success of this venture will inevitably depend on the sequencing of diplomatic endeavours, with negotiations with the remaining EU members being the foundation.

In developing a trade strategy, the UK must immediately navigate the detail of specific agreements while striving to manage its strategic objectives. Ideally, it would use its withdrawal from the EU as an opportunity to rethink the basis of UK trade policy and pursue a UK-specific vision. Yet the workload and time pressure that Brexit commands suggest that deciding – let alone negotiating – a completely new regime is probably unrealistic. Thus this paper focuses on the more mundane question of what may be feasible.

1. FTAs with Canada, Ukraine, Singapore and Vietnam may be ratified before the UK leaves the EU.

## THE NATURE OF TRADE NEGOTIATIONS

The history of trade negotiations, whether multilateral, bilateral or regional, has been of one pursuing reciprocal market access. Each side aims to maximize access for its exporters while continuing to protect sensitive industries that are politically important but not internationally competitive. However, trade negotiations go beyond simply extracting concessions. More recent trade agreements have pursued deeper economic integration and cooperation, covering not only goods but also services and investment. Such arrangements have attempted to harmonize regulations and standards, as well as to facilitate free movement in a world in which markets are increasingly interconnected. The capacity to achieve asymmetrically favourable results – in essence the aim of all negotiators – depends on many factors, including economic size and significance, negotiating deftness and careful planning.

Major economic benefits from trade come from opening up domestic markets to imports. Lower prices, higher quality, newer products and technologies benefit consumers and producers alike, although further market opening also creates 'losers' and generates political resistance at home.

This means that trade negotiators have to negotiate with vested domestic interests as well as foreign governments. These two-level games, which have to be played out on both sides, contribute to the protracted nature of trade negotiations. If the UK is to expose its markets to more competition, it also needs to be ready to help potentially disadvantaged groups at home to adjust – drawing on tools such as delayed implementation in sensitive/declining sectors, retraining for workers whose jobs are lost, regional assistance to encourage new investment in areas hit hardest by increased import competition, and short- and long-term compensation beyond standard social security. The agriculture sector is an important example in this respect.

## THE SCALE OF THE NEGOTIATING CHALLENGE FOR THE UK

Annex 1 outlines the probable negotiations that the UK will be engaged in as a result of Brexit. As it demonstrates, the UK will need to engage with the remaining 163 WTO members (including the 27 EU member states). Beyond this, following the Directorate General for Trade of the European Commission's (DG Trade) classification of bilateral and regional trade relationships, there are 148 potential sets of negotiations facing the UK.<sup>2</sup> Of these, 92 are with countries in receipt of unilateral GSP preferences that the UK can continue after leaving the EU. Nonetheless, the sheer number

2. European Commission (2016), 'Overview of FTA and Other Trade Negotiations', last modified September 2016, [http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc\\_118238.pdf](http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf) (accessed 20 Sept. 2016).

of countries involved means that the undertaking will be significant even if negotiations are restricted to consultation procedures. And excluding these, the UK will still have to negotiate its long-term trading relationship with the EU and to undertake 56 potentially live sets of negotiations once it takes its place as a standalone member of the WTO. In play will be agreements the UK already has as a consequence of its EU membership, agreements being negotiated by the European Commission, and completely new agreements with major trading partners. As an indication, the Commission is currently engaged in 10 active sets of trade negotiations.

However, such numbers are not the only measure of scale; intensity also matters. It is one thing to agree to continue existing arrangements, but quite another to contemplate changes to those agreements. Two issues may trigger demand for change. First, trade partners may want to change the terms of their agreements, since the UK currently represents around 15 per cent of the EU 28 market size overall. Desire for change will be more likely if the eventual EU–UK agreement introduces rules of origin that prevent trading partners taking advantage of the UK as a point of entry to the whole of the EU (or vice versa).

Second, for the UK, the increasing importance of services trade to its commercial performance, and generally in world trade terms, suggests that services should be included in bilateral and regional agreements as a priority. There may be pressure from developing country partners to include aspects of services trade, notably Mode 4; and from developed country partners to break new ground by providing rights of establishment for foreign services providers. Given the highly emotive debate surrounding immigration prior to the June 2016 referendum, increased imports of Mode 4 services is likely to be a hard sell at home.<sup>3</sup>

Services trade liberalization is also more difficult as it can entail conflict with domestic public policy objectives (especially in health and education). Yet services are the area in which the UK specializes. Focusing on goods alone would divert attention away from the largest barriers to UK trade and its most dynamic growth area. It would also risk serious damage to the core of the UK economy by encouraging the flight of service providers. There is thus a premium on understanding the strengths and weaknesses of the UK and its trade partners in services, thus enabling meaningful negotiations in this area.

## REDUCING THE NEGOTIATING LOAD<sup>4</sup>

A reduced negotiating load can, initially at least, be achieved by minimizing change in any existing arrangements between the UK and its trading partners. The UK can pursue a temporary ‘peace clause’ with the EU to maintain existing terms of trade during negotiations establishing the future EU–UK trade relationship. For trading partners covered under the WTO, the UK could offer to apply existing (i.e. EU) terms subject only to reciprocity. For countries with EU FTAs and GSP provisions, the terms of these agreements would continue to apply subject to FTA members offering the UK the same terms as the EU 27. If FTA partners or the UK (notably in the field of services) wish to negotiate revisions, this could also be managed by the use of a ‘peace clause’ to guarantee an extension of EU terms for, say, five years, during which period a renegotiation of the UK’s terms could be prepared and launched. The same could apply in the case of GSP. This approach would allow management of negotiating resources while providing continuity and certainty in the early years of the UK’s withdrawal from the EU. In a worst-case scenario, this could simply kick the proverbial can down the road. Deployed carefully, however, it could allow the UK to design and deliver a distinctive trade policy fit for the 21st century.

## PRIORITIZING TARGETS FOR NEGOTIATION

Negotiations with the WTO and the EU are the most important and the most pressing. Establishing these new relationships is crucial to resetting existing trade arrangements and exploring new trade opportunities elsewhere. The EU–UK trade relationship will shape the objectives of the rest of the world in trade with the UK. Moreover, it is hard to see how negotiations with third parties can conclude until after new arrangements with the WTO are in place. Only then can they be clear about the baseline from which to measure the value of any preferences in the UK market relative to WTO commitments and competitors from the EU.

It is possible for the UK to pursue simultaneous negotiations with the WTO and the EU, with the aim of establishing independent WTO status as quickly as possible by making minimal changes to its schedules of commitments. However, if the new relationship between the UK and the EU entails erecting significant trade barriers between the two, this will pose additional problems in the WTO, as partners may well object that their existing advantages under the WTO have been impaired by the split. The UK will be able to respond to this problem only as the terms of its new relationship with the EU take shape.

3. See McGuire, S. (2016), ‘What does an inclusive UK trade policy look like?’, UKTPO blog 2016, <http://www.sussex.ac.uk/eu/articles/uk-trade-policy> (accessed 20 Sept. 2016).

4. A maintained assumption by the authors is that the UK will no longer be a member of the customs union or the EU common customs area after Brexit.

Subject to negotiations within the WTO and with the EU running smoothly, and ‘peace clauses’ allowing existing EU FTAs and GSP to be dealt with over a longer time frame, attention can be turned to how to prioritize and negotiate new FTAs.

### THE WTO

Resetting the UK’s place in the WTO is crucial. If the UK does not manage to achieve this before it leaves the EU, it could emerge in an ambiguous position despite applying exactly the same tariffs and customs procedures, potentially opening the door to legal and diplomatic complexities and possible trade conflicts.<sup>5</sup> Preventing such an outcome will require rapid and active diplomacy with partners in the EU and in the WTO. In the latter, it may be to the UK’s advantage to co-opt a sympathetic WTO ambassador to set up a discreet ‘friends of the UK’ group to smooth its path through what could be a difficult few years. The EU should also want to help regularize the UK’s schedules. Brexit also potentially opens the EU to demands from WTO members to renegotiate EU schedules, so there is a shared interest in re-establishing these as quickly as possible.

### THE EU

As the UK’s biggest export market and largest supplier, the EU is the most important concern for the immediate future of UK trade performance. Whatever future relationship the UK has with the EU 27 (short of remaining in the customs union) will result in lower volumes of trade than the status quo. Leaving the customs union will mean that the closest relationship the UK could have is a free-trade area. This would entail rules of origin and the introduction of new barriers in EU–UK trade in goods (in particular) even if full access to the single market remains.

The key objective should be to begin discussions on the future trade relations as soon as possible. However, a strict interpretation of EU treaty obligations suggests that these negotiations cannot begin until after the UK leaves the union. That said, the content of Article 50 negotiations and the role of trade negotiations in the exit process are ambiguous.<sup>6</sup> Article 50(2) states that an exit agreement should take ‘account of the framework for its future relationship with

the Union’. This seems to include the possibility of trade negotiations taking place in parallel to, or as part of, Article 50 negotiations. Nevertheless, the justification for proceeding immediately hangs on the slender hook of treaty interpretation, and the EU 27 may refuse to cooperate in this respect. Ideally – as already noted – there would be a ‘peace clause’ with the EU that allows trade to continue based on existing procedures while the long-term agreement is negotiated in full (but presumably with added rules of origin as the UK will have exited the customs union).

### THIRD-COUNTRY NEGOTIATIONS: SETTING PRIORITIES

A strict interpretation of EU treaty obligations also suggests that UK negotiations with third countries cannot begin until after the UK has left the EU. The latter may put diplomatic pressure on trading partners not to jump the gun with the UK even informally, although signs like the UK’s recent talks with Australia suggest that UK commercial diplomacy is already under way.

That said, there are already around 20 potential new UK FTAs. These include FTAs with China, India, Brazil and various ASEAN members, among rapidly growing emerging markets, as well as the USA, Australia and New Zealand among slower growing developed economies. The criteria for selecting which FTAs to prioritize include the size and diversity of markets of potential partners, size of barriers to trade and investment, growth of domestic demand in areas of British competitiveness, and complementarities with UK economic structures (i.e. products that could fit with bilateral supply chains).

Negotiating agreements with English-speaking countries, and/or where the legal system and trade objectives are broadly similar – so there are likely to be fewer opportunities for misunderstandings and mistakes – is attractive. The Commonwealth is one potential source of priority partnerships, as recent preliminary discussions between the UK and Australia underline. Another option for ease of negotiation is applying to join an existing mega-regional agreement – most notably the Trans-Pacific Partnership (TPP), subject to its being ratified and implemented by the US. The upside of TPP is having an FTA with 12 countries, including the US, Japan, Singapore, Australia, New Zealand, Malaysia and Vietnam, that are all likely targets under an independent UK trade policy. In reality, however, negotiation in this instance would mean turning up for the signing ceremony, not influencing terms. It is unlikely that any member would be interested in recasting an agreement that took more than five years to craft for the sake of UK membership.

Joining the Transatlantic Trade and Investment Partnership (TTIP) – should this get to the point of signature or implementation – is another possible approach to reducing the burden of negotiations. Like TPP, however, TTIP would for the UK likely be a case of ‘take it or leave it’. Nonetheless,

5. See UK Trade Policy Observatory (2016), ‘The World Trade Organisation: A Safety Net For A Post-Brexit UK Trade Policy?’, Briefing Paper 1, July 2016, <https://www.sussex.ac.uk/webteam/gateway/file.php?name=briefing-paper-1.pdf&site=18> (accessed 20 Sept. 2016).

6. See Lydgate, E. (2016), ‘Delaying EU-UK trade negotiations would cost billions – in the best-case scenario’, UKTPO blog 2016, <http://www.sussex.ac.uk/eu/articles/brexit-delay> (accessed 20 Sept. 2016).

signing TTIP could, at a stroke, be a way of doing a better deal than being accorded most-favoured-nation (MFN) status with the US and a new deal with the EU.

Of course, utilizing TTIP as a trade framework with the EU would result in a pale imitation of the market access that the UK would receive if it remains in the single market. Also, since TPP and TTIP have significant regulatory provisions, they may also result in loss of sovereignty and thus likely public opposition.

With a smaller market, the UK will not have as strong a negotiating position as it has had as part of the EU, but the EU will face a similar problem in the absence of the UK, and thus there may be a common interest in facilitating solutions.

### NEGOTIATING RESOURCES

Much is made of the lack of UK trade negotiation capability. Beyond the UK nationals working for DG Trade in Brussels (32 at February 2016), there is little, if any, front-line experience of negotiating specific trade agreements. There is, however, experience of negotiating on EU trade agreements in the UK Department for International Trade, as well as negotiating experience in the Department for International Development, the Department for Environment, Food & Rural Affairs (concerning agriculture and, increasingly, the trade aspects of environmental policy), the Foreign & Commonwealth Office (of lobbying worldwide) and the Treasury. Negotiation is a major part of what civil servants do, whether with other government departments, the European Commission and other EU member states, or with international groups on topics such as climate change. While the practice of negotiation in this specific context is not dissimilar, what the UK is currently missing is a large enough group of able people familiar with the language and practice of trade law, policy and negotiations, and their potential economic and social impact.

How big is such a negotiating apparatus likely to be? Since the UK will in essence be taking on the same trade policy task as DG Trade, that may be the place to begin. DG Trade (which excludes agriculture) has just under 700 staff members. Taking into account agriculture and embassy officials suggests that the EU trade policy team could number 1,000–1,200 staff. The European Commission has 42 policy units in trade and agriculture directorates dealing with trade, each with a head, a deputy head and a team of policy officers.<sup>7</sup> Assuming there are six policy desks, and allowing for 10 directors, there could be up to 350 front-line negotiators.

The UK could have 20 or more new agreements to consider, and a much larger set of existing relationships

to negotiate or actively manage. The assumed size of the European Commission's own body of negotiators suggests that the UK could need twice as many on its own side – i.e. 700 negotiation-capable staff. Given shorter lines of communication within the UK it may be possible to work from a leaner basis, but for the UK it will be anything but 'business as usual' after Brexit. The need to engage with a large, high-stakes and high-tempo agenda implies that a competent body of 700 may not be excessive.

To meet this need, the UK must recruit and train dozens of trade negotiators from within Whitehall. Accessing experienced staff will require a call to service to former UK trade policy officials – including those who have worked at the European Commission; former trade officials from non-EU countries – e.g. Hong Kong, Australia, Canada or New Zealand – all potentially subject to conflicts of interest; UK and foreign academics with expertise in trade policy and law; personnel drawn from the UK and foreign private sector with experience in trade associations, legal practice, supply chain management; and UK and foreign NGO staffers with trade experience.

### CONCLUSION

The post-Brexit negotiating terrain is thus varied and complex. The most immediate challenges confronting the UK as a sole actor result from its reduced negotiating power, from the relative lack of experienced personnel and training in front-line trade negotiation, from time pressures, and from concerns that the EU will seek to play hardball with the UK to discourage other member states from opting to leave the union.

For the UK, granting concessions or adopting EU trading terms, and so maintaining the status quo as far as possible, will ease its transition out of the union. Yet privileging ease of transition could be detrimental to the UK's longer-term goals. This does not mean that opportunities are absent. The UK can pursue better deals for strategically important sectors, with the aim of benefiting businesses, investors and economic growth. Its trade strategy must be calibrated to its economic strength, and there must be a careful assessment of national priorities. Negotiators will inevitably need to make trade-offs between core strategic objectives. Care must also be taken to ensure that the UK government considers the ramifications for all stakeholders. This includes effects on workers and industries, as well as the environment and human rights that result from the withdrawal from the EU and the eventual replacement of the UK's current trade arrangements.

7. All these figures come from European Commission (2016), Statistical Bulletin on 01/02/2016, [http://ec.europa.eu/civil\\_service/docs/europa\\_sp2\\_bs\\_dist\\_staff\\_en.pdf](http://ec.europa.eu/civil_service/docs/europa_sp2_bs_dist_staff_en.pdf) (accessed on 20 Sept. 2016).

ANNEX 1: TRADE POLICY CHALLENGES FOR THE UK

Country/group	Negotiating partners	UK defensive interests	UK offensive interests
Extracting UK from WTO schedules	European Commission + 27 member states	Retain access to markets currently covered by EU FTAs.	To do this as part of Article 50 negotiations.
Agreeing schedules with rest of WTO members	164 less EU 27 + European Commission may be allies in this since some EU schedules should be updated	Depends on whether UK wishes to increase any barriers above levels in EU schedules (e.g. agriculture). To do this with minimum disruption for other WTO member states. There is a possibility for some unilateral liberalization, carefully targeted to reduce any opposition to adoption of UK schedule.	GPA, GATS/services.
Take independent seat in Trade in Services Agreement (TiSA), a plurilateral WTO negotiation in Geneva	23 WTO members including European Commission	The size and global competitiveness of the UK services sector. There may be few defensive interests, but in light of the resistance to TTIP on the grounds of protecting public policy and public services, protecting the NHS and other public services may be one.	To maximize other members' liberalization commitments from the base of existing GATS agreement.
EU 27	European Commission + 27 member states	This market includes 54% of UK imports of goods and services in 2015. 'Brexit means Brexit', and at a maximum: no free movement of labour; no mandatory budgetary obligations; not directly subject to EU law; and no restrictive rules of origin to reduce opportunities for the UK to be members of EU-based supply chains.	This market covers 44% of UK exports of goods and services in 2015.  Maximum possible single market access and special reference to financial services.
Existing EU customs unions: Turkey will have to negotiate access to the UK market	Turkey, San Marino and Andorra (Monaco?)	Turkey will not get automatic access to the UK market on same terms as the EU 27. For security policy reasons, the UK may want to allow Turkey the same access terms as the EU 27.	The UK will automatically get the same terms with these countries as with EU 27 because they are in a customs union with the EU.
Existing EU FTAs with third countries	55 countries; EPAs with individual states of the African, Caribbean and Pacific countries, and FTAs in Asia and Latin America as well as regional agreements in the Caribbean and in central America	None, unless UK interest groups demand an increase in protection.	Approximately 6% of UK exports of goods.  To ensure a through train from existing FTA to a purely bilateral FTA.
EU FTAs waiting on ratification	4 (Vietnam, Singapore, Ukraine and Canada)	None, unless UK interest groups demand an increase in protection.	To ensure a through train from existing FTA to a purely bilateral FTA.
EU 'Everything But Arms' (EBA) arrangement	49 least developed countries	Perhaps in clothing and footwear?	To ensure a through train from existing arrangements to purely bilateral arrangements.
GSP	30 countries		
GSP+	13 countries		
FTA negotiations under way by EU while UK still a member	US, India, Japan, Malaysia, Philippines; regional Economic Partnership Agreements (West Africa, East Africa, Southern Africa, Pacific); Mercosur (5 core members, but up to 12 including associate members and observers); GCC (up to 12 members)  Negotiations effectively suspended	To ensure EU negotiations do not pre-empt potential UK bilateral deals.	Do FTA/TTIP equivalent to the US.  An ambitious FTA with India and Japan.
EU bilateral investment treaties in negotiation	China, Myanmar	May be corporate governance issues in case of Chinese FDI.	Mode 3 services requiring rights of establishment.  Protection of IP.  Effective dispute settlement.

ANNEX 2: GLOSSARY OF TERMS

Article 50	Under Article 50 of the Treaty on European Union, a member state can notify the EU of its withdrawal. The EU must negotiate a 'withdrawal agreement' with that state.
ASEAN	Association of Southeast Asian Nations.
Customs union	A trade bloc in which there are no tariff barriers among the member states; there is a common external tariff against the rest of the world.
DG Trade	Directorate General for Trade of the European Commission.
Economic Partnership Agreement (EPA)	Trade and development agreements negotiated between the EU and African, Caribbean and Pacific (ACP) countries.
Free-trade agreement (FTA)	An agreement among two or more countries to reduce barriers to trade, with a view to increasing the volume and value of commerce between them.
General Agreement on Tariffs and Trade	The precursor to the WTO, and a limited agreement governing international trade in goods.
Generalised System of Preferences (GSP)	A non-reciprocal preferential tariff system granted to developing countries by certain developed countries.
GSP +	EU GSP programme that removes tariffs for developing countries in exchange for adopting international conventions on human and labour rights, environment and good governance.
Mercosur	Sub-regional trade bloc of South American countries.
MFN (most-favoured nation)	Agreed level of tariffs extended by one country to all trade partners in the WTO.
Mode 4 of services trade delivery	Services transactions delivered by the temporary movement of workers from the exporting countries to the importing countries. Can cover highly skilled workers, e.g. IT staff sent abroad to install new systems as well as low-skilled workers, e.g. seasonal workers for agriculture.
Rules of origin	Administrative procedures required in FTA and other preferential trading arrangements to determine whether products crossing borders qualify for preferential treatment.
Tariffs	Taxes on imports or exports most frequently levied as a fixed percentage of the total value of a consignment, but less frequently as a fixed sum (e.g. £x per unit or per ton).
Trans-Pacific Partnership (TPP)	Trade and investment agreement among 12 Pacific Rim countries, currently awaiting ratification.
Transatlantic Trade and Investment Partnership (TTIP)	Trade and investment agreement currently being negotiated between the US and the EU.
World Trade Organization (WTO)	An intergovernmental organization of 164 members, designed to govern global trade.

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## FURTHER INFORMATION

This document was written by Emily Lydgate, Jim Rollo and Rorden Wilkinson, with inputs from other members of the UKTPO. The UK Trade Policy observatory (UKTPO), a partnership between the University of Sussex and Chatham House, is an independent expert group that:

1) initiates, comments on and analyses trade policy proposals for the UK; and

2) trains British policy makers, negotiators and other interested parties through tailored training packages.

The UKTPO is committed to engaging with a wide variety of stakeholders 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 Observatory offers a wide range of expertise and services to help support government departments, international organisations and businesses to strategise and develop new trade policies in the post-Brexit era.

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