

Brexit: Free trade agreements

In a recent interview the Prime Minister, Boris Johnson made clear the government's view of free trade agreements: *"We are certainly looking at doing free trade deals with countries around the world.....I do think that free trade deals present a fantastic opportunity for our farmers, for businesses of all kinds and for manufacturers.....I think it is vital that as a great historic free-trading nation that grew to prosperity thanks to free trade, that we see these new openings not as threats but as opportunities."* 1

The table shows the top 25 countries to which the UK exported goods and services in 2019 just before Brexit. The USA is the UK's largest export market. Exports to the US were £141 billion in 2019, over 20% of all UK exports. Germany was the second largest export country at £56 billion or 8.1% of all exports. Eleven of the UK's top 25 export markets are EU member states. When it comes to imports the USA was also the UK's largest in 2019, with imports of £90 billion, 13% of all UK imports. Again, Germany was the second largest source of imports at £78 billion followed by the Netherlands at £52 billion. 2

Top 25 UK export markets, 2019

	£ billion	% total
USA	141.9	20.5%
Germany	55.7	8.1%
Netherlands	41.8	6.0%
France	40.4	5.8%
Irish Republic	40.0	5.8%
China	30.4	4.4%
Switzerland	23.6	3.4%
Italy	20.2	2.9%
Spain	20.0	2.9%
Belgium	17.9	2.6%
Japan	14.7	2.1%
Hong Kong	13.6	2.0%
United Arab Emirates	12.1	1.8%

While it was an EU member, the UK was automatically part of free trade agreements (FTAs) which the EU had secured with more than 70 countries. Now that it's no longer a member the UK has *"sought to reproduce the effects of trading agreements that previously applied to it."* In other words it has tried to ensure that the free trade agreements which applied to the UK as a member continue to apply even although it is no longer a member. So far it has agreements with over 60 countries. 3 Other agreements are being negotiated with the US, New Zealand, and the CPTPP bloc. 4 Among the UK's top 25 export countries, a deal has not yet been signed with the USA, China, Hong Kong, United Arab Emirates or India. The evidence suggests that free trade agreements with non-EU countries will not compensate for the losses of leaving the EU. 5

Australia	12.0	1.7%
Canada	11.5	1.7%
Singapore	10.7	1.6%
Sweden	10.0	1.4%
Saudi Arabia	7.9	1.1%
India	7.8	1.1%
Poland	7.7	1.1%
Turkey	7.7	1.1%
Norway	7.4	1.1%
South Korea	6.8	1.0%
Denmark	6.6	1.0%
Luxembourg	5.4	0.8%

The recent trade deal with Australia is the UK's first 'new' post-Brexit trade agreement to be negotiated with a non-EU country which had no existing agreement with the EU. The deal is still an agreement in principle and is likely to be finalised by the end of the year. The Government estimates that the effect of the agreement on the UK economy will be very small – around 0.01% to 0.02% of GDP. This is partly because, as the table shows, Australia accounts for only 1.7% of UK exports.

Under the deal, Australia will be able to send a certain amount of agricultural goods each year to the UK without paying tariffs. Over time, these limits or quotas as they are called will increase and after a period of 15 years, quotas and tariffs on agricultural products will disappear. With regard to beef for example, 35,000 tonnes will be allowed into the UK before tariffs are applied. This tariff-free limit will gradually increase to 110,000 tonnes. 6

However British farmers believe the deal with Australia could threaten their livelihood. The National Farmers Union president Minette Batters is reported as saying, *“We continue to maintain that a tariff-free trade deal with Australia will jeopardise our own farming industry and could cause the demise of many, many beef and sheep farms throughout the UK. This is true whether tariffs are dropped immediately or in 15 years’ time.”* 7 Another concern of farmers is that the deal with Australia will set a precedent for similar deals with South Africa, Brazil and most importantly the US, which are all interested in exporting cheap meat to the UK.

Public opinion in the UK is increasingly concerned about the impacts of free trade agreements on food safety. For example, in a poll commissioned by the Food Standards Agency, 68% of respondents said that they were concerned about whether food would continue to be safe and hygienic after Brexit. In another poll, commissioned by the Institute for Public Policy Research, only 8% of the public were willing to see standards compromised for the sake of a trade deal with the US. 8 Campaigners argue that the new post-Brexit arrangements for food imports and food production standards in the UK will allow ministers to change existing food safety regulations without consultation. 9

There is currently a ban on imports of American beef throughout Europe owing to the use of growth hormones in the United States. Chlorinated chicken is also banned - bleaching chicken, according to experts in Britain, is a dangerous practice because it can serve to

disguise poor hygiene practices in the food chain. There are also fears over bacon and ham from the US because the meat is cured with nitrites extracted from vegetables. This is not allowed in the EU because of the evidence that it increases the risk of bowel cancer. 10 The Centre for Disease Control and Prevention (CDC) in the United States estimates that 48 million people or 14.5% of the population each year become ill from eating contaminated food, resulting in 5,000 deaths. 11 By contrast the World Health Organisation (WHO) says that Europe has the lowest estimated number of foodborne diseases in the world. In Europe almost 23 million people or 4.5% of the population fall ill annually from eating contaminated food, resulting in 3,000 deaths. 12

Sources

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